

PRIDE ENERGY COMPANY

(918) 524-9200 ♦ Fax (918) 524-9292 ♦ www.pride-energy.com

Physical Address: Kensington Tower
2250 East 73rd Street, Suite 550
Tulsa, OK 74136

Mailing Address: P.O. Box 701950
Tulsa, OK 74170-1950
Email Address: johnp@pride-energy.com

September 14, 2004

Attn: Lori Wrotenbery
Director
Oil Conservation Division
Energy, Minerals, and Natural Resources Department
State of New Mexico
1220 S. St. Francis Drive
Santa Fe, NM 87505

RE: Case No. 13153 - denovo
Order No. R-12108-A
W1/2 of Section 12-T12S-R34E
State "X" #1 Well
Lea County, NM

Ms. Wrotenbery:

In reference to the above order of the Division, please find enclosed copies of the letter and itemized schedule of estimated costs of re-entering, cleaning out, completing, and equipping the subject well, which were mailed to the four working interest owners, on September 14, 2004, certified mail, return receipt.

After thirty days have elapsed from the date they receive their letter, we will notify the Division in writing of each of the working interest owner's election to either participate or to go non-consent.

If you have any questions, please feel free to contact me at 918-524-9200.

Sincerely,

John W. Pride
Pride Energy Company

Certified Mail, Return Receipt #7003.0500-0005-4006-0442

2004 SEP 17 AM 10 57

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September 14, 2004

Yates Drilling Company
105 South 4th Street
Artesia, NM 88210-2118

RE: State "X" #1 – 1,980' fml & 660' fwl
W ½ of Section 12, Township 12 South, Range 34 East
Lea County, New Mexico

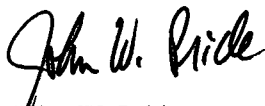
Gentlemen:

In reference to the above, and in accordance to the order of the State of New Mexico Oil Conservation Division in Case No. 13153, de novo, Order No. R-12108-A, please find enclosed an itemized schedule of estimated costs of re-entering, cleaning out, completing and equipping the subject well.

Enclosed are two copies of our Authorization for Expenditure reflecting estimated costs of \$246,180 for a dry hole and \$753,295 as a completed well. If you elect to participate, please remit your proportionate share of the estimated well costs within thirty (30) days from receiving this letter, along with the signed AFE. If you elect not to participate and not to pay your proportionate share of the estimated well costs, your interest shall be deemed non-consent.

If you have any questions, please feel free to contact me at 918-524-9200.

Sincerely,



John W. Pride
Pride Energy Company

Certified Mail, Return Receipt #7003.0500.0005.4006.0459

Pride Energy Company			Authorization for Expenditure			State "X" #1		
P.O. Box 701950			September 14, 2004			C SW/4 NW/4		
2250 E 73rd Street, Suite 550						Section 12-12S-34E		
Tulsa OK 74170-1950			Proposed Depth: 13,019 Feet			Lea County, New Mexico		
918-524-9200 Office			Primary Objectives: Atoka/Morrow &/or Austin Cycle Miss.					
918-524-9292 Facsimile								
Drilling Intangibles								
Water, Fresh		10	days at	\$	500	per day	\$	5,000.00
Location and Road							\$	10,000.00
Drilling Rig		10	days at	\$	8,500		\$	85,000.00
							\$	40,000.00
Daywork		10	days at	\$	1,000.00	per day	\$	10,000.00
Mobilization							\$	11,000.00
Fuel		2	bits	\$	5,500	per bit	\$	10,000.00
Bits							\$	10,000.00
Mud, Chemicals and Drayage							\$	5,000.00
Mud Disposal							\$	21,000.00
Open Hole Logging		3000	feet at	\$	7.00	per foot	\$	4,000.00
Equipment Rental		10	days at	\$	400	per day	\$	-
Cementing, Intermediate							\$	-
Casing Crews, Intermediate							\$	4,000.00
Trucking							\$	2,000.00
Other Services							\$	8,000.00
Geological/Engineering							\$	5,000.00
Administrative Overhead							\$	22,000.00
Contingency							10%	\$
Total Drilling Intangibles							\$	242,000.00
Drilling Tangibles								
Wellhead Equipment						3,000 psi wp	\$	3,000.00
Float Equipment							\$	800.00
Contingency							10%	\$
Total Drilling Tangibles							\$	4,180.00
Completion Intangibles								
Location & Road							\$	4,000.00
Casing Crew, Production							\$	8,000.00
Cementing, Production							\$	28,000.00
Completion Rig		6	days at	\$	3,000	per day	\$	18,000.00
Perforating, GR-CBL, Cmt. Retainer							\$	35,000.00
Formation Treatments							\$	85,000.00
Equipment Rentals		6	days at	\$	300	per day	\$	1,800.00
Water or Diesel							\$	3,000.00
Supplies							\$	2,000.00
Trucking							\$	3,000.00
Roustabout Work		3	days at	\$	1,000		\$	3,000.00
Other Services							\$	3,000.00
Engineering and Supervision		8	days at	\$	800	per day	\$	6,400.00
Administrative Overhead							\$	-
Contingency							10%	\$
Total Completion Intangibles							\$	220,220.00
Completion Tangibles								
Production Casing 5 1/2"		13019	feet at	\$	13.50	per foot	17 ppf & 20 ppf	\$
Float Equipment								\$
Wellhead Equipment							5,000 psi wp	\$
Production Tubing 2 3/8"		13019	feet at	\$	3.00	per foot	4.7 ppf, N-80, EUE, 8 rd thd	\$
Downhole Equipment								\$
Production Equipment								\$
Flowlines								\$
Contingency							10%	\$
Total Completion Tangibles							\$	286,894.85
Approved		Company		Date		Dry Hole Cost: \$ 246,180.00		
						Completion Cost: \$ 507,114.85		
Working Interest:						Total Completed Well Cost: \$ 753,294.85		