

MARTIN YATES, III  
1912 - 1985  
FRANK W. YATES  
1936 - 1986



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210-2118  
TELEPHONE (505) 748-1471

S. P. YATES  
CHAIRMAN OF THE BOARD  
JOHN A. YATES  
PRESIDENT  
PEYTON YATES  
EXECUTIVE VICE PRESIDENT  
RANDY G. PATTERSON  
SECRETARY  
DENNIS G. KINSEY  
TREASURER

October 14, 2004

Via Federal Express/Facsimile

Pride Energy Company  
Attn: John W. Pride  
Kensington Tower  
2250 East 73<sup>rd</sup> Street, Suite 550  
Tulsa, OK 74136

RE: **Compliance with OCD order R-12108-A**  
State X #1 a/k/a Limbaugh AYO State #1  
Township 12 South, Range 34 East, N.M.P.M.  
Section 12: W/2  
Lea County, New Mexico


Dear Mr. Pride:

Yates Petroleum Corporation, Yates Drilling Company, Myco Industries, Inc., and Abo Petroleum Corporation under cover letter dated October 13, 2004 inadvertently omitted the Authority for Expenditure from the Federal Express sent on October 13, 2004 which included the monies for said Authority for Expenditure. Therefore, subject to our letter dated October 13, 2004, please find enclosed said Authority for Expenditure in compliance within the time frames contained in the current Order to avoid being considered as not participating under Order R-12108-A.

If you have any questions, please contact Chuck Moran at 505-748-4349.

Very truly yours,

**YATES PETROLEUM CORPORATION**

  
Chuck Moran  
Landman

/tv  
Enclosure(s)

630

Cc: Mark Fesmire, P. E.  
New Mexico Oil Conservation Division  
1211 South Saint Francis Drive  
Santa Fe, New Mexico 87505

William F. Carr, Esquire  
Holland & Hart & Campbell  
110 North Guadalupe, Suite 1  
P. O. Box 2208 87504-2208  
Santa Fe, New Mexico 87501

James Bruce, Esquire  
P. O. Box 1056  
Santa Fe, New Mexico 87504-1056

Pride Energy Company  
P.O. Box 701950  
2250 E 73rd Street, Suite 550  
Tulsa OK 74170-1950  
918-524-9200 Office  
918-524-9292 Facsimile

Authorization for Expenditure  
September 14, 2004  
  
Proposed Depth: 13,019 Feet  
Primary Objectives: Atoka/Morrow &/or Austin Cycle Miss.

State "X" #1  
  
C SW/4 NW/4  
Section 12-12S-34E  
Lea County, New Mexico

Drilling Intangibles									
Water, Fresh	10	days at	\$	500	per day			\$	5,000.00
Location and Road								\$	10,000.00
Drilling Rig		Daywork						\$	85,000.00
	10	days at	\$	8,500				\$	40,000.00
		Mobilization						\$	10,000.00
	10	days at	\$	1,000.00	per day			\$	11,000.00
Bits	2	bits	\$	5,500	per bit			\$	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								\$	4,000.00
Casing Crews, Intermediate								\$	2,000.00
Trucking								\$	6,000.00
Other Services								\$	5,000.00
Geological/Engineering								\$	-
Administrative Overhead								\$	22,000.00
Contingency							10%	\$	242,000.00
Total Drilling Intangibles									
Drilling Tangibles									
Wellhead Equipment							3,000 psi wp	\$	3,000.00
Float Equipment								\$	800.00
Contingency							10%	\$	380.00
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	6	days at	\$	800	per day			\$	6,400.00
Administrative Overhead								\$	-
Contingency							10%	\$	20,020.00
Total Completion Intangibles									\$ 220,220.00
Completion Tangibles									
Production Casing 5 1/2"	13019	feet at	\$	13.50	per foot		17 ppi & 20 ppi	\$	175,758.50
Float Equipment								\$	2,000.00
Wellhead Equipment							5,000 psi wp	\$	8,000.00
Production Tubing 2 3/8"	13019	feet at	\$	3.00	per foot		4.7 ppi, N-80, EUE, 8 rd thd	\$	39,057.00
Downhole Equipment								\$	10,000.00
Production Equipment								\$	25,000.00
Flowlines								\$	1,000.00
Contingency							10%	\$	28,081.35
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

WORKING INTEREST APPROVAL  
OWNER

YATES PETROLEUM CORPORATION

By: [Signature]

Date: 10-13-04

SHARE

35.000000%

YATES DRILLING COMPANY

By: [Signature]

Date: 10-13-04

5.000000%

MYCO INDUSTRIES, INC.

By: [Signature]

Date: 10-13-04

5.000000%

ABO PETROLEUM CORPORAITON

By: [Signature]

Date: 10-13-04

5.000000%