

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION

APPLICATION OF YATES PETROLEUM CORPORATION,
YATES DRILLING COMPANY, ABO PETROLEUM
CORPORATION AND MYCO INDUSTRIES, INC. FOR AN
ORDER DIRECTING PRIDE ENERGY COMPANY TO PLUG
AND ABANDON THE STATE "X" WELL NO. 1, LEA
COUNTY, NEW MEXICO

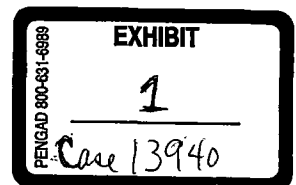
Case No. 13940

STIPULATION

Yates Petroleum Corporation, Yates Drilling Company, now known as Oxy Y-1 Company, ABO Petroleum Corporation and MYCO Industries, Inc. (collectively "Yates") and Pride Energy Company ("Pride") hereby stipulate as follows:

I. STIPULATED FACTS

1. Yates owns 100% of the interest in State of New Mexico Oil and Gas Lease No. V-5855 covering the N/2 and SE/4 of Section 12, Township 12 South, Range 34 East, NMPM, in Lea County.
2. On March 2, 2004, the Oil Conservation Division ("Division") entered Order No. R-12108 granting Pride's application for approval of a standard 320-spacing unit in the NW/4 and SW/4 of Section 12 and compulsory pooling.
3. The pooled unit was dedicated to the State "X" Well No. 1 (API No. 30-025-01838), which Pride proposed to re-enter to test the Mississippian formation.
4. On August 12, 2004, the Oil Conservation Commission entered Order No. R-12108-A affirming the relief granted by the Division.
5. Pride commenced its re-entry of the State "X" Well No.1 on or about February 15, 2005.



6. On or about February 27, 2005, Pride encountered problems with the well.
7. Because its efforts to correct the problems were unsuccessful, Pride released the rig on or about March 10, 2005.
8. Pride ceased its re-entry operations on or about March 26, 2005.
9. Because Pride did not complete the well prior to the deadline set out in Order No. R-12108-A, or request an extension of the deadline, Order No. R-12108-A expired by its own terms.
10. Pride then filed a second application requesting the formation of a standard 320-acre unit and the pooling of all interests in the NW/4 and SW/4 of Section 12.
11. On May 25, 2006, the Division issued Order No. R-12555, which granted Pride's second application, again pooled the 320-acre spacing unit in the NW/4 and SW/4 of Section 12, and designated Pride as the operator of the unit.
12. Yates declined to pay its share of the well costs and, therefore, was deemed to be a "non-consenting working interest owner" in the pooled unit.
13. Pride re-entered the State "X" Well No. 1 well in May 2006 and continued to drill from time to time.
14. Subsequently, Pride reported to the Division that it ceased drilling in September 2006 and was evaluating the well.
15. On September 13, 2007, Pride submitted a notice of intention to plug the State "X" Well No. 1.
16. On September 17, 2007, the Division approved the notice of intention to plug the well.
17. On May 21, 2008, Pride submitted to the Division a subsequent C-103 detailing

the plugging work that it performed on the State "X" Well No. 1.

18. On May 22, 2007, Yates filed its application in this case.

19. The application asserts that, even though it has failed to complete a well on the 320-acre unit, Pride has continued to enter the property to evaluate the well and to deem itself to be the unit operator.

20. The application further asserts that, until the status of Order No. R-12555 is clarified, Yates is unable to make decisions regarding the development of its lease rights in the NW/4 of Section 12 and, as a result, its correlative rights are being impaired.

21. Yates' application specifically requests the Division to enter an order directing Pride to: (i) plug and abandon the State "X" Well No. 1 in accordance with Division requirements; (ii) clean up the State "X" Well No. 1 site; and (iii) remove itself from the property.

22. Pursuant to the directive of the Division's Environmental Bureau, Pride submitted a Stage 2 Abatement Plan for the closure of a pit on the State "X" Well No. 1 site on or about August 18, 2008.

23. To date, the Environmental Bureau has taken no action on Pride's Stage 2 Abatement Plan.

24. This case has been continued pending action by the Environmental Bureau on the abatement plan.

25. Pride has successfully plugged the State "X" Well No. 1 but has not yet reclaimed the well site.

26. Pride is ready and willing to close the pit and reclaim the surface of the well site in accordance with Division requirements.

II. STIPULATION REGARDING RELIEF REQUESTED BY YATES

Yates and Pride further stipulate that:

27. Pride will complete and obtain Division approval of the pit closure and the reclamation of the State "X" Well No. 1 site as soon as practicable upon receiving Environmental Bureau approval of Pride's Stage 2 Abatement Plan for the pit closure.

28. Pride will be solely responsible for all costs of closing the pit and reclaiming the surface of the well site.

29. Pride will have continuing access the State "X" Well No. 1 site solely for purposes of closing the pit and reclaiming the surface of the well site.

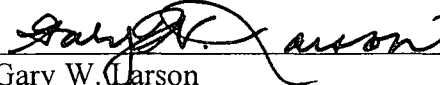
30. Pride's access to the State "X" Well No. 1 site will terminate upon its completion of the pit closure and surface reclamation.

31. Order No. R-12555 should be deemed to no longer have any force or effect.

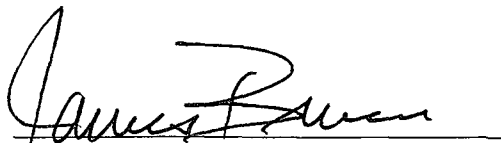
32. This Stipulation should be incorporated in a Division Order granting the currently appropriate relief requested by Yates in its application and conclusively resolving this case.

SUBMITTED BY:

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A handwritten signature in black ink, appearing to read "James Bruce", is written over a horizontal line.

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