

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

**APPLICATION OF PRIDE ENERGY COMPANY  
FOR COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.**

**Case No. 13,690**

**PRIDE ENERGY COMPANY'S  
RESPONSE IN OPPOSITION TO MOTION FOR STAY  
AND EMERGENCY ORDER**

2006 JUN 22 AM 12:21

Pride Energy Company ("Pride") submits this response in opposition to the motion for stay and an emergency order filed by Yates Petroleum Corporation ("Yates").

1. This case involves the pooling of the W½ of Section 12, Township 12 South, Range 34 East, N.M.P.M., Lea County, New Mexico. Order No. R-12,555 pooled all depths from the surface to the base of the Mississippian formation, for all pools or formations developed on 320 acre spacing, to re-enter the existing State "X" Well No. 1, located in the NW¼ of Section 12.<sup>1</sup>

2. The pooling order was dated May 25, 2006, and on that date Pride, pursuant to the order, faxed an election letter to Yates. **Exhibit A.** Yates has 30 days from that date to make its election and pay its share of well costs. Pride's lease was set to expire on May 31, 2006, and before that date Pride commenced re-entry operations on the well in order to preserve its lease.

3. Shortly before Order No. R-12,555 was issued, the Division entered Order No. 12,547, which concerned well costs on the first re-entry attempt on the State "X" Well No. 1. That order required Pride to reimburse Yates in the sum of \$116,595.69 within 14 days of the date the order was entered. Pursuant to the order, Pride sent Yates a check for the stated amount.

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<sup>1</sup> The prior pooling order on this acreage, No. R-12,108-C, expired after the first unsuccessful re-entry attempt on the subject well.

4. Yates has now filed an application for a stay of the pooling election period, claiming “gross negative consequences” if a stay is not granted.<sup>2</sup> However, Pride cannot discern what these negative consequences are. To summarize Pride’s position:

(a) The order on well costs has been issued, AND IN MID-MAY PRIDE PAID THE ORDERED AMOUNT TO YATES. **Pride subsequently exercised its statutory right to appeal the well cost order *de novo* to the Commission.** Yates calls this exercise of Pride’s statutory right a “bait and switch” tactic, even while Yates retains the \$116,595.36 paid by Pride, part of which Pride asserts is its money. Pride fails to see how Yates has suffered negative consequences by being paid and retaining the money pending appeal.

(b) The pooling order was issued subsequent to the well cost order, and it contains the standard provision requiring Yates to make an election within 30 days of the election letter sent by Pride. IF THE WELL COSTS WERE NOT AT ISSUE, YATES WOULD STILL HAVE TO PAY APPROXIMATELY \$1,000,000.00 TO PRIDE TO AVOID THE NON-CONSENT RISK CHARGE. This is standard under a pooling order, and Yates has failed to show what is “grossly negative” about such a provision. Moreover, the Division has refused to stay pooling elections where a pooling order has been appealed, finding no “gross negative consequences” by refusing a stay. **See Order No. R-12,275-B (Application of Marbob Energy Company for compulsory pooling, Eddy County, New Mexico).** In addition, the Division requires a showing of irreparable harm for entry of a stay. **See Order No. R-12,108-D.** Yates has not met that standard.

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<sup>2</sup> Under Division rules, a stay can only be granted “to prevent waste, protect correlative rights, protect public health and environment, or prevent gross negative consequences to any affected party.” **Rule 1221.** Yates only relies on alleged “gross negative consequences.”

(c) The only party who will suffer negative consequences by the issuance of a stay is Pride. It is currently conducting operations on the State "X" Well No. 1, and is paying all costs associated with the re-entry. If the election period is stayed, Yates will then get a "free look" at the re-entry results before it makes its election. This is unfair to Pride, and must not be condoned by the Division.

5. Finally, Pride notes that the stay provision of Rule 1221 is related to appeals of Division orders to the Commission. However, Yates has not appealed Order No. R-12,555, entered in Case No. 13,690, and thus its stay motion is improperly filed.

WHEREFORE, Pride requests that the Division deny Yates' motion.

Respectfully submitted,



James Bruce  
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(505) 982-2043

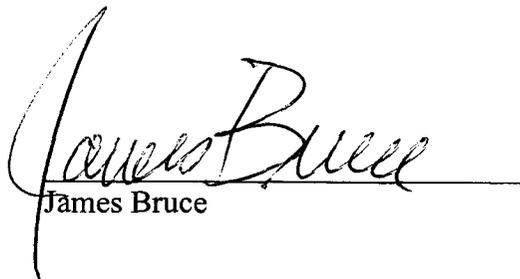
Attorney for Pride Energy Company

#### CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 21<sup>st</sup> day of June, 2006, via facsimile transmission:

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May 25, 2006

Via fax and U.S. Mail: Fax No. (505) 748-4572 (10 pages)

Yates Petroleum Corporation  
Yates Drilling Company  
Abo Petroleum Corporation  
Myco Industries, Inc.  
105 South Fourth Street  
Artesia, New Mexico 88210

Attention: Chuck Moran  
Land Department

Re: State "X" Well No. 1  
W½ §12-12S-34E, Lea County

Dear Mr. Moran:

Enclosed is a copy of Oil Conservation Division Order No. R-12,555, granting Pride Energy Company's application to pool the above lands and well. This letter is being sent to you pursuant to the terms of the order.

Also enclosed is a copy of Pride Energy Company's Revised Authorization for Expenditure, dated May 22, 2006, for the re-entry of the subject well. Ownership of the above-named companies in the well unit is as follows:

Yates Petroleum Corporation	35%
Yates Drilling Company	5%
Abo Petroleum Corporation	5%
Myco Industries, Inc.	5%

Based on the Revised Authorization for Expenditure, the above-named companies' share of well costs is as follows:

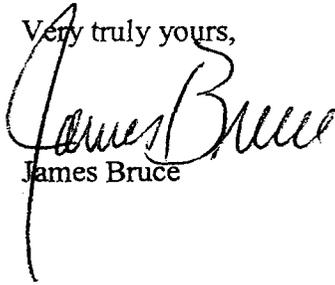
EXHIBIT A

Yates Petroleum Corporation	35% x \$2,058,091.60 = \$720,332.06
Yates Drilling Company	5% x \$2,058,091.60 = \$102,904.58
Abo Petroleum Corporation	5% x \$2,058,091.60 = \$102,904.58
Myco Industries, Inc.	5% x \$2,058,091.60 = <u>\$102,904.58</u>
	\$1,029,045.80

If Yates Petroleum Corporation, Yates Drilling Company, Abo Petroleum Corporation, and Myco Industries, Inc. desire to join in the well, and avoid being non-consenting working interest owners, please pay the above amounts to Pride Energy Company within 30 days of the date of this letter. The address of Pride Energy Company is Suite 550, 2250 East 73<sup>rd</sup> Street, Tulsa, Oklahoma 74136.

Please call me if you have any questions.

Very truly yours,



James Bruce

cc: William F. Carr w/encls. (via fax)