

HOLLAND & HART^{LLP}



William F. Carr
wcarr@hollandhart.com

June 29, 2007

VIA HAND DELIVERY

Ms. Florene Davidson
Clerk
Oil Conservation Commission
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

RECEIVED
2007 JUN 29 PM 3 37

Dear Ms. Davidson:

Enclosed for filing and for distribution to the members of the Oil Conservation Commission are an original and copies of the Stipulated Facts and Yates Petroleum Corporation's Hearing Memorandum in the above-referenced case.

Your attention to this matter is appreciated.

Very truly yours,

William F. Carr

Enclosures

cc: Cheryl Bada
Assistant General Counsel
New Mexico Department of Energy,
Minerals and Natural Resources

James G. Bruce, Esq.
Attorney for Pride Energy Company

Charles Moran, Esq.
Yates Petroleum Corporation

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ☎

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

RECEIVED
2007 JUN 29 PM 3:35

APPLICATION OF YATES PETROLEUM COMPANY FOR AN ORDER (1) DIRECTING PRIDE ENERGY COMPANY TO REIMBURSE YATES FOR THE WELL COSTS INCURRED BY YATES IN ITS ATTEMPT TO RE-ENTER THE STATE "X" WELL NO. 1 LOCATED IN SECTION 12, TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM, PRIOR TO THE TIME PRIDE ASSUMED OPERATIONS OF THE WELL, AND (2) DIRECTING PRIDE ENERGY COMPANY TO ACCOUNT FOR AND PAY ALL SUMS IT IS NOW IMPROPERLY HOLDING PURSUANT TO EXPIRED ORDERS OF THE DIVISION AND COMMISSION, AND (3) REQUIRING PRIDE ENERGY COMPANY TO PLUG AND ABANDON THE STATE "X" WELL NO. 1, LEA COUNTY, NEW MEXICO.

CASE NO. 13531 (De Novo)

STIPULATED FACTS

Pursuant to the agreements reached at the June 11, 2007 Pre-Hearing Conference in this case concerning the presentation of the issue raised by the de novo appeal, the parties submit the following stipulated facts:

STIPULATED FACTS:

1. Yates Petroleum Corporation ("Yates")¹ is the lessee under State of New Mexico Oil and Gas Leases No. V-5855 which covers the N/2 and SE/4 of Section 12, Township 12 South, Range 34 East, NMPM, Lea County, New Mexico.
2. Pride Energy Company ("Pride") is the lessee of the SW/4 of Section 12 pursuant to State of New Mexico Oil and Gas Lease No. VO-6256.
3. On May 25, 2001, Yates obtained an approved Application for Permit to Drill ("APD") to re-enter the State "X" Well No. 1 (API No. 30-025-01838) located 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 12, Township 12 South, Range 34 East, NMPM, Lea County, New Mexico.
4. This APD was extended by the Division in 2002 but was cancelled by the Division on May 30, 2003.
5. On July 16, 2003, an APD covering the W/2 of Section 12 was approved for

¹ Yates Petroleum Corporation, Yates Drilling Company, ABO Petroleum Corporation and MYCO Industries, Inc. are hereinafter collectively referred to as "Yates." Together the Yates parties own 100% of the working interest in State of New Mexico Oil and Gas Lease No. V-5855 that covers the N/2 and SE/4 of Section 12, Township 12 South, Range 34 East, NMPM, Lea County, New Mexico.

Pride.

6. Yates filed a new APD covering the N/2 of the Section 12 in August 2003. On receipt of the new Application for Permit to Drill, the Division canceled Pride's APD and approved the Yates APD for the State "X" Well No. 1.

7. On September 5, 2003, Yates moved a rig onto the well location and commenced re-working activities on the well.

8. Thereafter, Pride filed application seeking, among other matters, an order rescinding Yates APD, pooling the W/2 of Section 12 and naming Pride operator of the State "X" Well No. 1.

9. On October 7, 2004, Yates voluntarily ceased operations on the well pending a decision on Pride's application by the Oil Conservation Division.

10. Order No. R-12108 later affirmed by the Commission by Order No. R-12108-A, granted Pride's application, pooled the W/2 of Section 12 and designated Pride operator of the well and spacing unit.

11. Pursuant to the provisions of this pooling order, Yates paid its share of Pride's AFE costs and thereby became a participating pooled working interest owner in the well.

12. Order No. R-12108-A also required Pride to reimburse Yates for reasonable costs incurred by Yates in connection with its re-entry operations, pursuant to a Division-approved APD, on the subject well prior to filing of this application. Order No. R-12108-A, Finding 45.

13. Yates sought a rehearing on the question of what costs were to be reimbursed following a rehearing held on November 10, 2004, the Commission entered Order No. R-12108-C, dated December 9, 2004, which authorized the reimbursement of "actual well costs incurred by Yates in conducting re-entry operations on the subject well after August 25, 2003 and prior to October 7, 2004, the time when Yates voluntarily ceased operations on the subject well." Order No. R-12108-C, Order Paragraph 9.

14. Pride commenced re-entry operations on the State "X" Well No. 1 on February 15, 2005.

15. The parties disagreed on the costs that Pride was to reimburse Yates. Yates subsequently filed the application in this case seeking an order directing Pride to reimburse these costs. On May 8, 2006, the Division entered its order in this case directing Pride to reimburse costs and overpayments made pursuant to Pride's AFE for its first attempt to recomplete this

well. Order No. R-12547, Order Paragraph (3).

16. Pride reimbursed these costs to Yates and filed its application for hearing *de novo* in this case.

17. Pride advised Yates that it only objects to Division Order No. R-12547 where it: (a) requires Pride to reimburse costs incurred by Yates that had to be duplicated by Pride; (b) requires Yates to pay 100% of Yates costs rather than 50%; (c) states Pride did not object to well costs until September 30, 2005; and denies Pride's claim for attorney fees. These are the only issues that Pride desires to raise in this *de novo* hearing and that it otherwise does not challenge Order No. R-12547. These duplicate costs were set out in Exhibit A to Pride's letter to the Commission dated January 19, 2006 which is incorporated into these Stipulated Facts. See Exhibit A to this Memorandum.

18. Thereafter, the parties have agreed that no witnesses are needed to present these issues and, subject to Commission approval, this matter should be presented on Stipulated Facts.

19. At a Pre-Hearing Conference held on June 11, 2007, the parties agreed to present their arguments to the Commission on these facts and by written memorandum.

Respectfully submitted,
HOLLAND & HART, LLP

By: 

William F. Carr
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR YATES PETROLEUM
CORPORATION

approved telephonically on 6/29/07

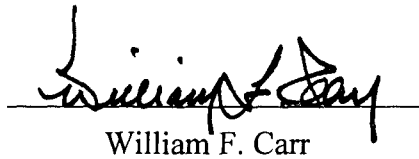
James G. Bruce.
Post Office Box 1056
Santa Fe, New Mexico 87504
By Facsimile: (505) 982-2151

ATTORNEY FOR PRIDE ENERGY
COMPANY

CERTIFICATE OF SERVICE

I certify that on June 29, 2007 I served a copy of the foregoing Stipulated Facts by Hand Delivery to:

Cheryl Bada, Esq.
Assistant General Counsel
Oil Conservation Division
1221 South Saint Francis Drive
Santa Fe, New Mexico 87505

A handwritten signature in black ink, appearing to read "William F. Carr", is written over a horizontal line.

William F. Carr

Duplicated by Pride

Total \$25,442.21

