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October 8, 2003

RECEIVED

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VIA HAND DELIVERY

Mr. David Catanach, Examiner

Oil Conservation Division

Oil Conservation Division

New Mexico Department of Energy, Minerals and Natural Resources

1220 South Saint Francis Drive

Santa Fe, New Mexico 88505

Re: Oil Conservation Division Case No. 13153: Application of Pride Energy Company for Cancellation of a Drilling Permit and Re-Instatement of a Drilling Permit, an Emergency Order Halting Operations, and Compulsory Pooling, Lea County, New Mexico.

Dear Mr. Catanach:

We were advised today that Pride is not able to go to hearing this week. As you are aware, Yates Petroleum Corporation is prepared to move a rig onto its location in the NW/4 of this section to re-complete its State "X" Well No. 1 located at a standard gas well location. Yates suspended its work on this well and filed its motion for dismissal of the Pride application on the grounds that Pride does not have the right to use the Yates State "X" Well No. 1 and therefore cannot meet the statutory preconditions to a compulsory pooling application. Furthermore, Pride's correlative rights cannot be impaired by the dismissal of its pooling application since it can form a S/2 unit in this section and produce its fair share of the **recoverable reserves under its lease**.

The Division denied Yates' motion to enable Pride to present geological data to support its application. This geological data will show reservoir under the Yates's acreage that Yates has a right to produce. It may or may not show reservoir under the Pride tract. If there are commercial reserves, Pride may produce them by drilling a well pursuant to Division rules. However, if there are not commercial reserves under its tract, Pride has no right to take reserves from Yates with a W/2 spacing unit.

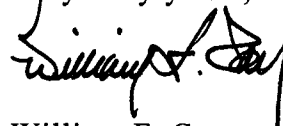
Yates has no application before the Division since it is in full compliance with all Division rules and statutes. Yates owns 100% of the working interest in the standard N/2 unit that is dedicated to the State "X" Well No. 1. The well is at a standard location and Yates has re-entered the well pursuant to a Division approved APD.

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A continuance of the hearing on this application is unreasonable and imposes a hardship on Yates. Yates therefore opposes the request for continuance and asks the Division to reconsider its motion to dismiss the compulsory pooling application of Pride Energy Company in the above-referenced case.

Very truly yours,



William F. Carr

cc: James Bruce, Esq.
Pride Energy Company

Mr. Randy Patterson
Yates Petroleum Corporation