



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

September 15, 2003

Lori Wrotenbery

Director

Oil Conservation Division

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

Mr. William F. Carr
Holland & Hart L.L.P.
P.O. Box 2208
Santa Fe, New Mexico 87504-2208

Re: 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 Messrs. Bruce and Carr:

Enclosed please find an examiner decision regarding the recently filed motions in
Case No. 13153.

If you should have any questions, please contact me at (505) 476-3466.

Sincerely,

David Catanach
Examiner

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

CASE NO. 13153

**APPLICATION OF PRIDE ENERGY COMPANY FOR CANCELLATION
OF A DRILLING PERMIT AND RE-STATEMENT OF A DRILLING
PERMIT, AN EMERGENCY ORDER HALTING OPERATIONS, AND
COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.**

**DECISION OF THE EXAMINER
REGARDING
PRIDE ENERGY COMPANY'S REQUEST FOR AN EMERGENCY
ORDER AND YATES PETROLEUM CORPORATION'S REQUEST TO
DISMISS CASE NO. 13153**

BY THE DIVISION

This matter, having come before the Division upon the motion of Pride Energy Company ("Pride") to require Yates Petroleum Corporation ("Yates") to cease all re-entry and drilling operations on the Limbaugh "AYO" State Well No. 1 (API No. 30-025-01838) formerly known as the State "X" Well No. 1, 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, and on the motion of Yates to dismiss Pride's application in Case No. 13153;

The Division, having been informed on the issue,

FINDS THAT:

(1) For the purpose of this decision, the subject well will hereinafter be referred to as the State "X" Well No. 1;

(2) On May 25, 2001, the Oil Conservation Division's Hobbs District Office ("Hobbs OCD") approved Yates' Application to Drill ("APD") to re-enter the plugged and abandoned State "X" Well No. 1 to test the Mississippian formation. The N/2 of Section 12 was to be dedicated to the well forming a standard 320-acre spacing and proration unit for the Undesignated Four Lakes-

Mississippian Gas Pool. The APD stated that the permit would expire on May 25, 2002 unless re-entry operations were underway by that date;

(3) On April 15, 2002, Yates applied for a one-year extension of its drilling permit for the State "X" Well No. 1. Yates' request was granted by the Hobbs OCD on April 18, 2002;

(4) On May 30, 2003, the Hobbs OCD notified Yates by letter that its APD for the State "X" Well No. 1 had expired and that any subsequent re-entry and drilling operations on this well would require an additional permit from the Hobbs OCD;

(5) On July 10, 2003, Pride filed an APD with the Hobbs OCD to re-enter the State "X" Well No. 1 to test the Mississippian formation. The W/2 of Section 12 was to be dedicated to the well forming a standard 320-acre spacing and proration unit. This APD was approved by the Hobbs OCD on July 16, 2003;

(6) On August 23, 2003, the Hobbs OCD cancelled Pride's APD for the State "X" Well No. 1 in view of the fact that the N/2 of Section 12 was leased to another operator;

(7) On August 25, 2003, Yates filed a new APD with the Hobbs OCD to re-enter the State "X" Well No. 1 to test the Mississippian formation. Yates' APD was approved by the Hobbs OCD on August 26, 2003;

(8) On September 5, 2003, Yates moved a rig onto the well and commenced re-entry operations on the State "X" Well No. 1;

(9) On September 10, 2003, Pride filed a compulsory pooling application for the State "X" Well No. 1. Pride proposes to pool the W/2 of Section 12 to form a standard 320-acre spacing and proration unit. Additionally on this date, Pride also filed its request that the Division enter an emergency order requiring Yates to cease all operations on the subject well.

(10) On September 10, 2003, Yates filed a response to Pride's motion, and also filed a motion to dismiss Pride's compulsory pooling application;

(11) The SW/4 of Section 12 is a single state lease (State Lease No. V-6256). Pride is the leaseholder of this acreage;

(12) The N/2 and SE/4 of Section 12 is a single state lease (State Lease No. V-5855). Yates is the leaseholder of this acreage. Additional working interest owners in this lease include Yates Drilling Corporation, Abo Petroleum Corporation, and MYCO Industries, Inc. (collectively "Yates");

(13) Pride has not asserted any ownership interest within the NW/4 of Section 12;

(14) Yates, by virtue of its lease ownership within the N/2 of Section 12, and in recognition that all of the working interest owners within the N/2 of Section 12 are voluntarily committed to a N/2 spacing unit, currently has the right to re-enter and conduct drilling operations on the State "X" Well No. 1;

(15) Under the authority granted by the August 26, 2003 APD, Yates is currently conducting re-entry and drilling operations on the State "X" Well No. 1;

(16) Yates should not be required, at this time, to cease all re-entry operations on the State "X" Well No. 1;

(17) Pride should be given the opportunity to present evidence to the Division with regards to its proposal to form a W/2 spacing unit and to be designated the operator of the State "X" Well No. 1, and other pertinent evidence regarding the issuance and cancellation of drilling permits for the subject well.

IT IS THEREFORE ORDERED THAT:

(1) Consideration of the request of Pride Energy Company for an emergency order requiring Yates Petroleum Corporation to cease all re-entry and drilling operations on 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, is hereby deferred until such time as an evidentiary hearing on the merits of Pride's application in Case No. 13153 is conducted.

(2) The request of Yates Petroleum Corporation to dismiss Pride's application in Case No. 13153 is hereby denied.

Examiner Decision
Motion of Pride Energy Company
Motion of Yates Petroleum Corporation
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David R. Catanach, Examiner
September 12, 2003

Xc: Case File—13153
Gail MacQuesten