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**FACSIMILE COVER SHEET**

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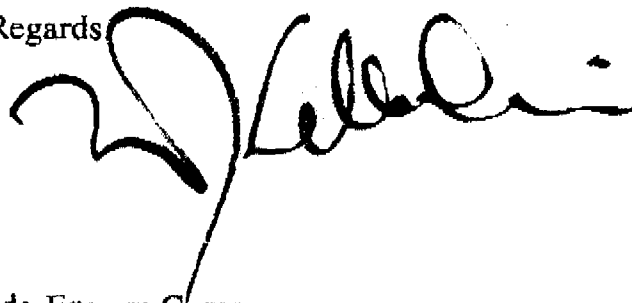
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TO: Michael E. Stogner  
OF: Oil Conservation Division  
FAX NO: (505) 827-1389FROM: W. THOMAS KELLAHIN, Esq.RE: NMOCD Case 12278  
Application of Pride Energy Company  
to rescind a Division approval of change of operator

Dear Mr. Stogner:

On behalf of Pride Energy Company, attached for your consideration is a proposed order for entry in the referenced case.

Regards

cfx: Pride Energy Company  
Attn: Matthew Pride  
James Bruce, Esq.  
Attorney for EGL Resources, Inc.

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

**IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION  
FOR THE PURPOSE OF CONSIDERING:**

**CASE NO. 12278**

**IN THE MATTER OF THE APPLICATION  
OF PRIDE ENERGY COMPANY FOR A  
DIVISION ORDER RESCINDING APPROVAL  
OF A CHANGE OF OPERATOR,  
LEA COUNTY, NEW MEXICO.**

**PRIDE ENERGY COMPANY'S  
PROPOSED  
ORDER OF THE DIVISION**

**BY THE DIVISION:**

This cause came on for hearing at 8:15 a.m. on November 18, 1999 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this \_\_\_\_\_ day of February, 2000, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

**FINDS THAT:**

(1) Due public notice having been given as required by law, the Division has jurisdiction over the parties, of this cause and the subject matter thereof.

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(2) Applicant, Pride Energy Company, seeks a Division order rescinding the Division's District Supervisor's October 5, 1999 approval of a request by EGL Resources Inc. for a change of operator (Division form C-104) from Pride Energy Company to EGL Resources, Inc. for the Arco State Well No 1 located in Unit P, Section 16, Township 18 South, Range 35 East NMPM, Lea County, New Mexico.

(3) Until October 5, 1999, Pride Energy Company was the Division designated operator of the Arco State Well No. 1 located in Unit P, Section 16, Township 18 South, Range 35 East NMPM, Lea County, New Mexico.

(4) This well is subject to a Joint Operating Agreement (A.A.P.L. model form 610-1977) dated December 8, 1980 between Blanks Energy Corporation as operator which provides in Article V-B.1 that "Operator may be removed if it fails or refuses to carry out its duties hereunder..."

(5) Without notice to Pride Energy Company and without its knowledge, EGL Resources Inc. balloted the other working interest owners in an attempt to improperly remove Pride Energy Company as operator of this well.

(6) Without notice to Pride Energy Company and without its knowledge, authorization or approval, EGL Resources Inc. filed a Division Form C-104 requesting a change in operator from Pride Energy Company to EGL Resources, Inc. for the Arco State Well No. 1 located in Unit P, Section 16, Township 18 South, Range 35 East NMPM, Lea County, New Mexico.

(7) On October 5, 1999, and without Pride Energy Company's knowledge, the Division approved EGL Resources, Inc.'s request for change in operator.

(8) EGL Resources, Inc. contends that Pride Energy Company was removed as operator because Pride failed to properly account to non-operators for the timely payment of certain revenues.

(9) Pride Energy Comapny contends that:

(a) EGL Resources, Inc. failed to comply with the provisions of the Joint Operating Agreement and, without cause, has improperly attempted to remove Pride Energy Company as operator; and

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(b) the Division's approval of the change of operator form without notice to Pride or opportunity to object violated Pride Energy Company's rights to procedural due process.

(c) Pride Energy Company has not failed or refused to carry out its duties in accordance with the Joint Operating Agreement applicable to this well.

(10) EGL Resources Inc. admits that:

(a) it failed to provide written notice to Pride Energy Company of its claims that Pride would be removed as operator prior to balloting the non-operators; and that

(b) it failed to notify Pride Energy Company of the balloting for removal of Pride as operator.

(13) The Division finds that:

(a) while it is usually outside the jurisdiction of the Division to decide disputes over performance of the terms and provisions of a joint operating agreements, in this case the Division's approval of a change of operator involves matters within the Division jurisdiction;

(b) EGL Resources, Inc. claim that Pride failed to timely pay appropriate amounts of revenues to certain non-operators does not rise to the level of justification for the Division to approve such a change over the objection of the operator;

(c) the Division's District Supervisor's approval of the change of operator without notice to Pride or opportunity to object violated Pride Energy Company's rights to procedural due process.

(d) EGL Resources, Inc. failed to comply with the provisions of the Joint Operating Agreement and, without cause, has improperly attempted to remove Pride Energy Company as operator;

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(e) the Division should issue an order rescinding the Division's District Supervisor's October 5, 1999 approval of a request by EGL Resources Inc. for a change of operator (Division form C-104) from Pride Energy Company to EGL Resources, Inc. for the Arco State Well No 1 located in Unit P, Section 16, Township 18 South, Range 35 East NMPM, Lea County, New Mexico.

(g) EGL Resources, Inc. should pursue its claim that Pride has failed or refused to carry out its duties as operator to the courts for adjudication.

**IT IS THEREFORE ORDERED THAT:**

(1) Applicant, Pride Energy Company, application for a Division order rescinding the Division's District Supervisor's October 5, 1999 approval of a request by EGL Resources Inc. for a change of operator (Division form C-104) from Pride Energy Company to EGL Resources, Inc. for the Arco State Well No 1 located in Unit P, Section 16, Township 18 South, Range 35 East NMPM, Lea County, New Mexico is **hereby granted.**

(2) The Division's District Supervisor's October 5, 1999 approval of a request by EGL Resources Inc. for a change of operator (Division form C-104) from Pride Energy Company to EGL Resources, Inc. for the Arco State Well No 1 located in Unit P, Section 16, Township 18 South, Range 35 East NMPM, Lea County, New Mexico is **hereby rescinded.**

(3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE, at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION