

ARCO STATE

STUBBEMAN, McRAE, SEALY, LAUGHLIN & BROWDER, INC.
ATTORNEYS AT LAW

MIDLAND, TEXAS
FASKEN CENTER - TOWER TWO
550 WEST TEXAS AVENUE, SUITE 800 • 79701
P.O. BOX 1540 • 79702
915/682-1816
FACSIMILE 915/682-1351
FACSIMILE 915/682-4884

ALLEN G. HARVEY
LICENSED IN TEXAS AND NEW MEXICO
DIRECT DIAL 888-0290
aharvey@stubbemanlawfirm.com

RECEIVED
SEP 15 1999

September 9, 1999

Pride Energy Company
P. O. Box 701602
Tulsa, OK 74170-1602

Attn: Mr. Matthew L. Pride

Re: ARCO State No. 1 Well
Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico
Section 16: SE/4, S/2 SW/4 and NE/4 SW/4

Gentlemen:

This firm represents E.G.L. Resources, Inc., a co-owner in the ARCO State No. 1 well who has asked that we contact you concerning your operation of the captioned well and lease. According to the materials provided by our client, you became the operator of the captioned well effective June 1, 1998 pursuant to the terms of that certain Joint Operating Agreement dated February 20, 1980 between Cal-Mon Oil Company, as operator, and Atlantic Richfield Company, as non-operator. Our client's files show that you have not paid them for oil production for the months of June, July and August, 1998, or January 1999. In addition, you have not paid them for any gas revenues from January 1999 to date. Our client has made repeated requests for you to rectify this matter with regard to the oil and gas revenues.

In addition, third party water has been disposed of in the ARCO State No. 2 SWD and the payment for the disposal was apparently sent to you. However, you have never paid any of the revenue attributable to the disposal to the working interest owners of the Arco State No. 1 who own a portion of the SWD system.

One of the duties of the operator under the operating agreement is to properly account to the non-operators by paying revenues in a timely manner in the appropriate amounts. Your failure to do so allows for the non-operators to remove you for failure to carry out your duty under the operating agreement. In this regard, the non-operators owning a majority interest based on ownership, after excluding your voting interest, have voted to remove you as operator and have voted in favor of E.G.L. Resources, Inc. as successor operator under the operating agreement effective September 1, 1999 at 7:00 a.m.

In order to facilitate the change of operator, we demand the following:

1. Execute the enclosed Resignation of Operator.

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 12278 Exhibit No. — 1
Submitted By:
Pride Energy Company
Hearing Date: November 18, 1999

2. Execute the enclosed form C-104 which designates E.G.L. Resources, Inc. as operator.

3. Fully account to the non-operators for all revenues and expenses attributable to the ARCO State No. 1 Well and the ARCO State No. 2 SWD by October 15, 1999.

If we do not receive the executed Resignation and Form C-104 from you by September 22, 1999, at 5:00 p.m., we will take such action as may be necessary to remove you as operator pursuant to the terms of the operating agreement. Thank you for your attention to this matter.

Very truly yours,



Allen G. Harvey

AGH:sab
Enclosures

cc: Mr. W. Wesley Perry
E.G.L. Resources, Inc.
P. O. Box 10886
Midland, TX 79702

RESIGNATION

Pride Energy Company hereby resigns as Operator under that certain Operating Agreement dated February 20, 1980, between Cal-Mon Oil Company, as Operator and Atlantic Richfield Company, as Non-Operator, covering the following lands in Lea County, New Mexico:

Township 18 South, Range 35 East, N.M.P.M.:

Section 16: SE/4, S/2 SW/4 and NE/4 SW/4

This resignation is effective September 1, 1999, at 7:00 a.m.

Pride Energy Company

By: _____

Matthew L. Pride

Title: _____

District I
 PO Box 1900, Hobbs, NM 88241-1900
 District II
 70 Drawer DD, Artesa, NM 88211-0719
 District III
 1000 Rio Brava Rd., Amos, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department

Form C-104
 Revised February 10, 1994
 Instructions on back
 Submit to Appropriate District Office
 5 Copies

OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

AMENDED REPORT

I. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT

Operator name and Address E.G.L. Resources, Inc. P.O. Box 10886 Midland, Texas 79702		OGRID Number
API Number 30 - 0 25 27321		Reason for Filing Code CH 9-1-1999
Pool Name Vacuum, South (Wblfcarp)	Pool Code 62360	
Property Code	Property Name Arco State	Well Number 1

II. Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South Line	Feet from the	East/West line	County
P	16	18 S	35 E	P	330'	South	900'	East	Lea

Bottom Hole Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
S	P								

III. Oil and Gas Transporters

Transporter OGRID	Transporter Name and Address	POD	O/G	POD ULSTR Location and Description
021778	SUNOCO	2450210	O	
9171	GRM Gas Corporation	2450230	G	

IV. Produced Water

POD	POD ULSTR Location and Description

V. Well Completion Data

Spud Date	Ready Date	TD	PSTD	Perforations
2450250				
Well Size	Casing & Tubing size	Depth Set	Sacks Cement	

VI. Well Test Data

Date Nov Oil	Gas Delivery Date	Test Date	Test Length	Thg. Pressure	Cap. Pressure
Choke Size	Oil	Water	Gas	AOF	Test Method

I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

Signature: _____

Printed name: _____

Title: _____

Date: _____

Phone: _____

Approved by: _____

Title: _____

Approved Date: _____

OIL CONSERVATION DIVISION

If this is a change of operator fill in the OGRID number and name of the previous operator:

ERIDE Energy Company

Previous Operator Signature: _____ Printed Name: _____ Title: _____ Date: _____

IF THIS IS AN AMENDED REPORT, CHECK THE BOX LABELED "AMENDED REPORT" AT THE TOP OF THIS DOCUMENT

Report all gas volumes at 15.025 PSIA at 80°. Report all oil volumes to the nearest whole barrel.

A request for allowable for a newly drilled or deepened well must be accompanied by a tabulation of the deviation tests conducted in accordance with Rule 111.

All sections of this form must be filled out for allowable requests on new and recompleted wells.

Fill out only sections I, II, III, IV, and the operator certifications for changes of operator, property name, well number, transporter, or other such changes.

A separate C-104 must be filed for each pool in a multiple completion.

Improperly filled out or incomplete forms may be returned to operators unapproved.

1. Operator's name and address
2. Operator's OGRID number. If you do not have one it will be assigned and filled in by the District office.
3. Reason for filing code from the following table:

NW	New Well
RC	Recompletion
CH	Change of Operator
AO	Add oil/condensate transporter
CO	Change oil/condensate transporter
AG	Add gas transporter
CG	Change gas transporter
RT	Request for test allowable (Include volume requested)

If for any other reason write that reason in this box.
4. The API number of this well
5. The name of the pool for this completion
6. The pool code for this pool
7. The property code for this completion
8. The property name (well name) for this completion
9. The well number for this completion
10. The surface location of this completion NOTE: If the United States government survey designates a Lot Number for this location use that number in the "UL or lot no." box. Otherwise use the QCD unit letter.
11. The bottom hole location of this completion
12. Lease code from the following table:

F	Federal
S	State
P	Fee
J	Jicarilla
N	Navajo
U	Ute Mountain Ute
I	Other Indian Tribe
13. The producing method code from the following table:

F	Flowing
P	Pumping or other artificial lift
14. MO/DA/YR that this completion was first connected to a gas transporter
15. The permit number from the District approved C-129 for this completion
16. MO/DA/YR of the C-129 approval for this completion
17. MO/DA/YR of the expiration of C-129 approval for this completion
18. The gas or oil transporter's OGRID number
19. Name and address of the transporter of the product
20. The number assigned to the POD from which this product will be transported by the transporter. If this is a new well or recompletion and this POD has no number the district office will assign a number and write it here.
21. Product code from the following table:

O	Oil
G	Gas

22. The ULSTR location of this POD if it is different from its well completion location and a short description of the POD (Example: "Battery A", "Jones CPD", etc.)
23. The POD number of the storage from which water is moved from this property. If this is a new well or recompletion or this POD has no number the district office will assign number and write it here.
24. The ULSTR location of this POD if it is different from its well completion location and a short description of the POD (Example: "Battery A Water Tank", "Jones CPD Water Tank", etc.)
25. MO/DA/YR drilling commenced
26. MO/DA/YR this completion was ready to produce
27. Total vertical depth of the well
28. Plugback vertical depth
29. Top and bottom perforation in this completion or casing shoe and TD if openhole
30. Inside diameter of the well bore
31. Outside diameter of the casing and tubing
32. Depth of casing and tubing. If a casing liner show top & bottom.
33. Number of sacks of cement used per casing string

The following test data is for an oil well it must be from a test conducted only after the total volume of load oil is recovered.

34. MO/DA/YR that new oil was first produced
35. MO/DA/YR that gas was first produced into a pipeline
36. MO/DA/YR that the following test was completed
37. Length in hours of the test
38. Flowing tubing pressure - oil wells
Shut-in tubing pressure - gas wells
39. Flowing casing pressure - oil wells
Shut-in casing pressure - gas wells
40. Diameter of the choke used in the test
41. Barrels of oil produced during the test
42. Barrels of water produced during the test
43. MCF of gas produced during the test
44. Gas well calculated absolute open flow in MCF/D
45. The method used to test the well:

F	Flowing
P	Pumping
S	Swabbing

If other method please write it in.
46. The signature, printed name, and title of the person authorized to make this report, the date this report signed, and the telephone number to call for questions about this report
47. The previous operator's name, the signature, printed name and title of the previous operator's representative authorized to verify this previous operator's report, the date this previous operator operated this completion, and the date this report signed by that person