

ARCO STATE # 1

Section 16-18S-35E
Lea County, NM
October 21, 1999

CHAIN OF EVENTS:

1. This well was completed in February, 1982
2. Pride Energy purchased .075 WI and with a .059875 NRI effective September 1, 1997 from King Ranch Oil and Gas. Swift Energy Company was the operator at this time and owned a .12 WI, with a .0958 NRI.

3. Effective March 1, 1998, Swift Energy Company sold its 0.12 WI, with a .0958 NRI to the group out of Midland, Texas, which is set out below:

1) Rhombus Energy Company	.0102 WI
2) Don P Olive	.0108 WI
3) S.E.S. Oil & Gas, Inc.	.048 WI
4) Starck Family, Ltd.	.039 WI
5) Amarco Oil Corporation	<u>.012 WI</u>
TOTAL	0.12 WI

Without balloting the working interest owners, and without working interest approval, Rhombus Energy Company began operating the well effective March 1, 1998.

4. In April, 1998, Pride Energy Company balloted the working interest owners to elect a new operator pursuant to the terms of the Joint Operating Agreement, to take the place of Swift energy Company which resigned as operator on March 1, 1999. Pride Energy did obtain more than 50% of the working interest votes and officially became operator effective June 1, 1998. (see copy of Form C-104 – change operator form – attached as well as a copy of Pride's letter to Rhombus and a copy of the ballots.)
5. Effective May 1, 1998, Pride purchased an additional .20 WI, with a .175 NRI, giving Pride a total of .275 WI and with a .234875 NRI, which it currently owns.
6. Effective May 1, 1998, the Midland group purchased an additional .20 WI, and with a .175 NRI and was split up as follows:

	WI Purchased <u>5/1/99</u>	Total WI owned <u>after 5/1/99</u>
1) Rhombus Energy Company	.017 WI	.0272 WI
2) Dan P. Olive	.018 WI	.0288 WI
3) S.E.S. Oil and Gas, Inc	.08 WI	.128 WI
4) Starck Family, Ltd.	.065 WI	.104 WI
5) Amarco Oil Corporation	<u>.02 WI</u>	<u>.032 WI</u>
TOTAL	.20	0.320

In August, 1999 E.G.L. Resources, Inc. (formerly the interests of the 5 parties of the Midland group set out in 6. above, who assigned their interest to E.G.L. Resources, Inc. effective April 1, 1999 in order to collectively own a larger total working interest in the well), without notifying Pride Energy, solicited the votes from the other working interest owners and enticed them to vote for E.G.L. as operator by reducing the administrative overhead rate from \$848.30 per month as was established by the terms of the Joint Operating Agreement, to \$450.00 per month and by misrepresenting the facts to the working interest owners as to, "revenues not being paid and/or invoices for the joint account".

8. On August 25, 1999, Pride Energy sent a letter to all working interest owners (copy attached) inquiring as to whether the working interest owners wanted to get paid direct by the oil and gas disbursers or have Pride Energy net the expenses against the 0.11 and gas revenue and issue them one check. This letter also set out and described certain credits and expenses that were inadvertently booked to another well, and that this correction would be made on the August 1999 joint interest billing. The correction was made on the August, 1999 billing and any credit balances were paid. The letter further described how the expenses have been decreased and the revenue has been increased since Pride Energy has been operating this well.
9. On September 15, 1999, Pride Energy received Mr. Allen G. Harvey's letter, who is an attorney representing E.G.L. Resources (copy attached). This letter is incorrectly saying that E.G.L. had not been paid for oil and gas revenue by Pride Energy for certain months. (See Pride's October 5, 1999, letter to S.E.S. Oil and Gas, Inc., now E.G.L. Resource, Inc. for answers to these questions). All revenue has been paid to all owners in this well.
10. In Pride Energy's October 5, 1999, letter to S.E.S. Oil & Gas, Inc. (now E.G.E. Resources Inc.), all questions that were set out in the letter in 9. above were answered, along with copies of checks that S.E.S. had received from Pride and had deposited.
11. On October 5, 1999, Mr. Paul Kautz of the State of New Mexico Oil Conservation Division approved the Form C-104 changing the operator from Pride Energy to E.G.L. Resources. It is felt by Pride Energy that this change of operator form should not have been approved and should be reversed and set aside. E.G.L. incorrectly stated that it had not received certain revenues from Pride.

District I
PO Box 1988, Hobbs, NM 88241-1988
District II
PO Drawer DD, Artesia, NM 88211-9719
District III
1000 Rio Brazos Rd., Alamogordo, NM 87410
District IV
PO Box 1988, Santa Fe, NM 87504-1988

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 Pride Energy Company, Oklahoma General Partnership P.O. Box 710602 Tulsa, OK 74170-1602		OGRID Number CH 6-1-98
API Number 30 - 0 25 27321	Pool Name Vacuum, South (Wolfcamp)	Pool Code 62360
Property Code	Property Name Arco State	Well Number 1

II. Surface Location

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

Bottom Hole Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South Line	Feet from the	East/West Line	County
S		P							
Loc Code	Producing Method Code	Gas Connection Date	C-129 Permit Number	C-129 Effective Date	C-129 Expiration Date				
S	P								

III. Oil and Gas Transporters

Transporter OGRID	Transporter Name and Address	POD	O/G	POD ULSTR Location and Description
22628	Texas -NM Pipeline Co.	2450210	O	
9171	GPM Gas Corp.	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	Seals Cement	

VI. Well Test Data

Date New Oil	Gas Delivery Date	Test Date	Test Length	Thg. Pressure	Csg. Pressure
Choke Size	Oil	Water	Gas	AOP	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:

OIL CONSERVATION DIVISION

Approved by:

Title:

Approval Date:

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

Rhombus Operating Co., Ltd.
Previous Operator Signature

Kimberly Mount

Kimberly Mount
Printed Name

Admin. Asst.
Title

5-14-98
Date

BEFORE THE

OIL CONSERVATION DIVISION

Case No. 12278 Exhibit No. 4

Submitted By:

Pride Energy Company

Hearing Date: November 18, 1999