

B. G. L. Resources, Inc.

214 West Texas, Suite 900 P.O. Box 371 Midland, Texas 79702-0371 telephone 915.687.8680 facsimile 915.682.6652

9/30/99

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

Via Fax # 918-524-9292

RE: **Arco State #1 well**
Lea County, New Mexico

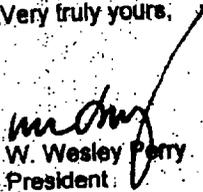
Dear Matt:

Last week we discussed an idea to resolve the differences regarding the captioned well. I propose that we enter into an agreement, sometimes called a "Lazy Susan Buy-Sell Agreement". I have used this in other situations and find it works quite well.

Basically the way it works is, we will agree to sell our working interest for a certain amount on a per 1% WI basis. You will have 30 days to decide to either buy our working interest for that amount or you will sell your working interest for that amount. Those are the only 2 choices either you buy or you sell. After the 30 days one of us has sold its interest to the other on a per 1% WI basis. It is possible some or all of the non-operated WI owners will enter into the Agreement. We have discussed it briefly with them and it may be a good opportunity to buy us all out.

If you are in agreement, please so indicate by signing below and I will work with your attorney to complete the Agreement. Please respond by 5:00PM, October 7, 1999. Should you have any questions please call me at 915-687-6560 extension 221. I am,

Very truly yours,


W. Wesley Perry
President

We agree to execute a mutually agreeable buy-sell agreement. Signed this the ____ day of October, 1999.

Pride Energy Company

by: _____
Matt Pride
Title: _____

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 12278 Exhibit No. — 8
Submitted By:
Pride Energy Company
Hearing Date: November 18, 1999

Pride Energy Company

(918) 524-9200 • Fax: (918) 524-9292

Physical Address: Kensington Tower
2250 East 73rd Street, Suite 550
Tulsa, Oklahoma 74136

Mailing Address: P.O. Box 701602
Tulsa, Oklahoma 74170-1602

October 5, 1999

S.E.S. Oil & Gas, Inc. (now E.G.L. Resources, Inc.)
214 West Texas, Suite 900
P.O. Box 371
Midland, TX 79702-0371

Attn: W. Wesley Perry, President

Re: ~~ARCO STATE #1~~
Lea County, New Mexico

Dear Wes,

In reference to the above well and your previous correspondence, inquiring as to where the oil and gas revenue is for your interest in this well for certain months, the following is set out for your records:

Oil Revenue

<u>Production Month in Question</u>	<u>Explanation</u>
6/98	There were no oil sales in this month.
7/98	There were no oil sales in this month.
8/98	The oil revenue was paid to you in check #016091. (See copy of cancelled check attached.)
1/99	Beginning 1/1/99, the oil purchaser (Equiva) began paying you direct as you requested. Please check with Equiva as Pride never received your portion of the 1/99 oil revenue.

Gas Revenue

<u>Production Month in Question</u>	<u>Explanation</u>
1/99	The gas revenue was paid to you in check #016915.
2/99	(same as above)
3/99	(same as above)
4/99	(same as above)
5/99	(same as above)
6/99	(same as above)
7/99	The gas revenue is on check #17050 which is attached to this letter.

In response to your question pertaining to certain revenues and expenses attributable to the salt water disposal revenues and expenses, this was addressed and explained in my August 25, 1999 letter to you. The credits or debits, as explained in the August 25th letter, are included on the August, 1999 Joint Interest billing, which is attached hereto. Any credit balance that these adjustments may have created have been paid in the check included with this letter. This should account for all revenue and expenses.

Thank you, and if there are any questions, please feel free to contact me at (918) 524-9200.

Sincerely,

Pride Energy Company

A handwritten signature in black ink that reads "Matthew L. Pride". The signature is written in a cursive style with a large, prominent initial "M".

Matthew L. Pride

PRODUCTION DATE - PROPERTY NUMBER - PROPERTY NAME

PRODUCT OWNER TYPE	PRICE INTEREST	LEASE BBL/MCF OWNER BBL/MCF	LEASE GROSS VALUE OWNER GROSS VALUE	LEASE STATE TAX OWNER STATE TAX	LEASE OTHER DED. OWNER OTHER DED.	LEASE NET OWNER NET
07/99	0000000571	ARCO STATE #1				
GAS	2.54	792.00	2015.20	185.74	.00	1829.46
WORKING	0.0677000	53.62	136.42	12.57	.00	123.85

PRIDE ENERGY COMPANY P.O. BOX 701602 / TULSA, OK 74170
017050

CHECK DATE	OWNER NUMBER	CHECK NUMBER	CHECK AMOUNT
09/10/99	02649	017050	123

PRIDE

PRIDE ENERGY COMPANY
P.O. BOX 701602
TULSA, OK 74170

Bank of America
Oklahoma

39-1
1030 21

017050

THIS CHECK VOID UNLESS PRESENTED FOR
PAYMENT WITHIN 90 DAYS OF ISSUE

CHECK DATE	OWNER NUMBER	CHECK NUMBER	CHECK AMOUNT
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PAY *****123* DOLLARS & *85* CENTS 09/10/99 02649 017050 \$ *****123
U.S. DOLLARS

TO
THE
ORDER
OF

S.E.S. OIL & GAS, INC.
P.O. BOX 10886
MIDLAND TX 79702

Matthew L. Price

DATE
DESCRIPTION

INVOICE NUMBER

AMOUNT

DISCOUNT OR
DEDUCTION

NET AMOUNT

09/09/99	ARCO STATE #1 SWD CORRECTION	9908000131	701.80	.00	701.8
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CHECK DATE	CHECK NUMBER	REFERENCE NUMBER
09/28/99	030296	02649

PRIDE ENERGY COMPANY
P.O. BOX 701602
TULSA, OK 74170

PRIDE PRIDE ENERGY COMPANY
P.O. BOX 701602
TULSA, OK 74170

NationsBank
NationsBank, N.A.
Oklahoma

39-1
1030-21

030296

THIS CHECK VOID UNLESS PRESENTED FOR
PAYMENT WITHIN 90 DAYS OF ISSUE DATE

	CHECK DATE	CHECK NUMBER	AMOUNT
PAY *****701*DOLLARS AND *80* CENTS	09/28/99	030296	*****701.80

TO
THE
ORDER
OF

S.E.S. OIL & GAS, INC.
P.O. BOX 10886
MIDLAND TX 79702

Matthew L. Price

⑈030296⑈ ⑆103000017⑆ 002866403700⑈

PRIDE ENERGY COMPANY
P O BOX 701602
TULSA, OK 741701602

PAGE

02649 S.E.S. OIL & GAS, INC.
P.O. BOX 10886
MIDLAND TX 79702

STATEMENT DATE 09/15/99

DATE	INVOICE	LEASE	DESCRIPTION	AMOUNT
09/09/99	0990800000	0000000571	SWD CHECK CORRECTION	\$701.80
	INVOICE TOTAL			\$701.80
07/06/99	9906000131	0000000571	ARCO STATE #1	\$120.97
07/06/99	9906000131	0000000571	ARCO STATE #1	\$99.13
	INVOICE TOTAL			\$220.10
07/01/99	9907000001	0000000000	INTEREST CHARGE	\$2.20
	INVOICE TOTAL			\$2.20
07/31/99	9907000141	0000000571	ARCO STATE #1	\$22.66
07/31/99	9907000141	0000000571	ARCO STATE #1	\$92.41
	INVOICE TOTAL			\$115.07
08/01/99	9908000001	0000000000	INTEREST CHARGE	\$3.37
	INVOICE TOTAL			\$3.37
09/09/99	9908000131	0000000571	ARCO STATE #1	\$388.57
09/09/99	9908000131	0000000571	ARCO STATE #1	\$566.78
09/09/99	9908000131	0000000571	ARCO STATE #1	\$1.50
09/09/99	9908000131	0000000571	ARCO STATE #1	\$15.25
09/09/99	9908000131	0000000571	ARCO STATE #1	\$22.67
09/09/99	9908000131	0000000571	ARCO STATE #1	\$5.14
09/09/99	9908000131	0000000571	ARCO STATE #1	\$42.62
	INVOICE TOTAL			\$1,042.54

CURRENT	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	BALANCE DUE
\$340.74-	\$3.37	\$337.37	\$0.00	\$0.00

JOINT INTEREST EXPENSES FOR 08/99

S.E.S. OIL & GAS, INC.
P.O. BOX 10886
MIDLAND TX 79702

INVOICE DATE 09/09/99
INVOICE # 9908000131
OWNER # 0264

LEASE NAME AND NUMBER	INT. TYPE	LEASEHOLD COST	EQUIPMENT	INTANGIBLE	OPERATING EXPENSE	TOTAL
ARCO STATE #1 0000000571	70	.00 .00	.00 .00	.00 .00	1,042.54- 1,042.54-	1,042.54- 1,042.54-
CURRENT MONTH'S TOTAL						1,042.54-

JOINT INTEREST EXPENSES FOR 08/99

S.E.S. OIL & GAS, INC.
P.O. BOX 10886
MIDLAND TX 79702

INVOICE DATE 09/09/99
INVOICE # 9908000131
OWNER # 0264

LEASE: 0000000571 ARCO STATE #1 STATE: NM

JOURNAL	TYPE	P	DATE	INVOICE	JOURNAL DESCRIPTION	AMOUNT
08/00298	70		06/98		6/98 SWD CORRECTION	153.00-
					OPERATING EXPENSES (100%)	153.00-
						153.00-
					S.E.S. OIL & GAS, INC.	
					INTEREST (%) .0800000	12.24-

LEASE: 0000000571 ARCO STATE #1 STATE: NM

JOURNAL	TYPE	P	DATE	INVOICE	JOURNAL DESCRIPTION	AMOUNT
08/00298	70		07/98		7/98 SWD CORRECTION	381.65-
					OPERATING EXPENSES (100%)	381.65-
						381.65-
					S.E.S. OIL & GAS, INC.	
					INTEREST (%) .0800000	30.53-

LEASE: 0000000571 ARCO STATE #1 STATE: NM

JOURNAL	TYPE	P	DATE	INVOICE	JOURNAL DESCRIPTION	AMOUNT
08/00298	70		08/98		8/98 SWD CORRECTION	6,358.52-
					OPERATING EXPENSES (100%)	6,358.52-
						6,358.52-
					S.E.S. OIL & GAS, INC.	
					INTEREST (%) .0800000	508.68-

LEASE: 0000000571 ARCO STATE #1 STATE: NM

JOURNAL	TYPE	P	DATE	INVOICE	JOURNAL DESCRIPTION	AMOUNT
08/00298	70		09/98		9/98 SWD CORRECTION	7,084.70-

JOINT INTEREST EXPENSES FOR 08/99

S.E.S. OIL & GAS, INC.
P.O. BOX 10886
MIDLAND TX 79702

INVOICE DATE 09/09/99
INVOICE # 9908000131
OWNER # 0264

LEASE: 0000000571 ARCO STATE #1 STATE: NM

JOURNAL	TYPE	P	DATE	INVOICE	JOURNAL DESCRIPTION	AMOUNT
					OPERATING EXPENSES (100%)	7,084.70-
						7,084.70-
					S.E.S. OIL & GAS, INC. INTEREST (%) .0800000	566.78-

LEASE: 0000000571 ARCO STATE #1 STATE: NM

JOURNAL	TYPE	P	DATE	INVOICE	JOURNAL DESCRIPTION	AMOUNT
08/00298	70		12/98		12/98 SWD CORRECTION OPERATING EXPENSES (100%)	18.88- 18.88-
						18.88-
					S.E.S. OIL & GAS, INC. INTEREST (%) .0800000	1.51-

LEASE: 0000000571 ARCO STATE #1 STATE: NM

JOURNAL	TYPE	P	DATE	INVOICE	JOURNAL DESCRIPTION	AMOUNT
08/00298	70		01/99		1/99 SWD CORRECTION OPERATING EXPENSES (100%)	387.83 387.83
						387.83
					S.E.S. OIL & GAS, INC. INTEREST (%) .0800000	31.03

LEASE: 0000000571 ARCO STATE #1 STATE: NM

JOURNAL	TYPE	P	DATE	INVOICE	JOURNAL DESCRIPTION	AMOUNT
08/00298	70		02/99		2/99 SWD CORRECTION	141.96

JOINT INTEREST EXPENSES FOR 08/99

S.E.S. OIL & GAS, INC.
P.O. BOX 10886
MIDLAND TX 79702

INVOICE DATE 09/09/9
INVOICE # 9908000131
OWNER # 0264

LEASE: 0000000571 ARCO STATE #1 STATE: NM

JOURNAL	TYPE	P	DATE	INVOICE	JOURNAL DESCRIPTION	AMOUNT
					OPERATING EXPENSES (100%)	141.96
						141.96
					S.E.S. OIL & GAS, INC. INTEREST (%) .0800000	11.36

EASE: 0000000571 ARCO STATE #1 STATE: NM

JOURNAL	TYPE	P	DATE	INVOICE	JOURNAL DESCRIPTION	AMOUNT
08/00298	70		03/99		3/99 SWD CORRECTION	350.98
					OPERATING EXPENSES (100%)	350.98
						350.98
					S.E.S. OIL & GAS, INC. INTEREST (%) .0800000	28.08

LEASE: 0000000571 ARCO STATE #1 STATE: NM

JOURNAL	TYPE	P	DATE	INVOICE	JOURNAL DESCRIPTION	AMOUNT
08/00298	70		04/99		4/99 SWD CORRECTION	190.60-
					OPERATING EXPENSES (100%)	190.60-
						190.60-
					S.E.S. OIL & GAS, INC. INTEREST (%) .0800000	15.25-

LEASE: 0000000571 ARCO STATE #1 STATE: NM

JOURNAL	TYPE	P	DATE	INVOICE	JOURNAL DESCRIPTION	AMOUNT
08/00298	70		05/99		5/99 SWD CORRECTION	515.21-

JOINT INTEREST EXPENSES FOR 08/99

S.E.S. OIL & GAS, INC.
P.O. BOX 10886
MIDLAND TX 79702

INVOICE DATE 09/09/99
INVOICE # 9908000131
OWNER # 0264

LEASE: 0000000571 ARCO STATE #1 STATE: NM

JOURNAL	TYPE	P DATE	INVOICE	JOURNAL DESCRIPTION	AMOUNT
08/97265	70	05/99	43713	ARCO STATE MAINT	231.88
				BANTA OILFIELD SERVICE INC	
				OPERATING EXPENSES (100%)	283.33-
					283.33-
				S.E.S. OIL & GAS, INC.	
				INTEREST (%) .0800000	22.67-

LEASE: 0000000571 ARCO STATE #1 STATE: NM

JOURNAL	TYPE	P DATE	INVOICE	JOURNAL DESCRIPTION	AMOUNT
08/00298	70	06/99		6/99 SWD CORRECTION	64.26-
				OPERATING EXPENSES (100%)	64.26-
					64.26-
				S.E.S. OIL & GAS, INC.	
				INTEREST (%) .0800000	5.14-

LEASE: 0000000571 ARCO STATE #1 STATE: NM

JOURNAL	TYPE	P DATE	INVOICE	JOURNAL DESCRIPTION	AMOUNT
08/97265	70	07/99	ELEC	ACCT# 2501239731	151.63
				SOUTHWESTERN PUBLIC SERVICE	
08/97657	70	07/99	194	ARCO STATE SWD 7/99	684.37-
				MARALO, LLC	
				OPERATING EXPENSES (100%)	532.74-
					532.74-
				S.E.S. OIL & GAS, INC.	
				INTEREST (%) .0800000	42.62-

JOINT INTEREST EXPENSES FOR 08/99

S.E.S. OIL & GAS, INC.
P.O. BOX 10886
MIDLAND TX 79702

INVOICE DATE 09/09/9
INVOICE # 9908000131
OWNER # 0264

LEASE: 0000000571 ARCO STATE #1 STATE: NM

JOURNAL	TYPE	P DATE	INVOICE	JOURNAL DESCRIPTION	AMOUNT
08/97269	70	08/99	1286	ARCO ST #1 PUMPING 8/99	211.88
				HARMON'S CONSULTING & PUMPING	
08/90000	70	08/99		COMMUNICATIONS EXPENSE	20.00
08/90000	70	08/99		ADMINISTRATIVE OVERHEAD	848.30
08/90000	70	08/99		SUPERVISION	75.00
				OPERATING EXPENSES (100%)	1,155.18
					1,155.18
				S.E.S. OIL & GAS, INC.	
				INTEREST (%) .0800000	92.41

EGL RESOURCES

P. O. BOX 37*
MIDLAND, TEXAS 79702
915 687-6560 915 682-5852

October 6, 1999

Mr. Matt Pride
Pride Energy Company
P.O. Box 701602
Tulsa, Oklahoma 74170-1602

Dear Matt,

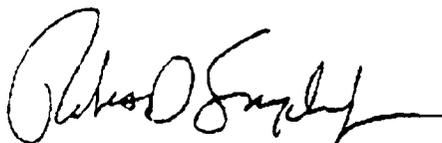
EGL Resources is the operator of record, as indicated on the enclosed e-104 form, for the Arco State #1 well located in section 16, T8S, R35E, Lea County, NM. The NMOCD approved the change on October 5, 1999 after reviewing the JOA and ballots. The effective date is September 1, 1999.

Many of the working interest owners believe revenue is due them from oil and gas sales and SWD credits of 6-98 to present. Please provide copies of LOE's and revenue from oil and gas sales for this period. EGL will review the documents and determine the most efficient method of collection, if monies are due owners, or payment, if monies are due Pride Energy.

Oil and gas purchasers and the pumper have been notified of the change of operator.

If you have any questions, call me at 915-687-6560.

Sincerely,



Robert D. Snyder, Jr. Vice President

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 12278 Exhibit No. 10
Submitted By:
Pride Energy Company
Hearing Date: November 18, 1999

Form C-104
 Revised February 10, 1991
 Instructions on back
 Submit to Appropriate District Office
 5 Copies

State of New Mexico
 Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

Form C-104
 Revised February 10, 1991
 Instructions on back
 Submit to Appropriate District Office
 5 Copies

AMENDED REPORT

I. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT

Operator Name and Address
S.G.L. Resources, Inc.
P.O. Box 10886
Midland, Texas 79702

OSAP Number
173413

Reason for Filing Case
CH 9-1-1999

API Number
20-0 25 27321

Well Name
Victoria, South (Midland)

Well Code
62380

Previous Case
24935

Property Name
Acro State

Well Number
1

II. Surface Location

UL or NE 1/4	Range	Township	Range	Section	Feet from top	North/South Line	Feet from top	East/West line	County
P	18	18 S	25 E	P	330'	South	900'	West	Lin

III. Bottom Hole Location

UL or NE 1/4	Range	Township	Range	Section	Feet from top	North/South line	Feet from top	East/West line	County
S	P								

IV. Oil and Gas Transporters

Transporter OGBID	Transporter Name and Address	POD	Q/G	POD UL/ST Location and Description
072778	ENCO	2490270	G	
9171	GPW Gas Corporation	2450230	G	

V. Produced Water

POD

POD UL/ST Location and Description

VI. Well Completion Data

Spud Date	Ready Date	TD	PTD	Perforation
2490250				

VII. Well Test Data

Date Run CE	Gas Delivery Date	Test Date	Test Length	Test Pressure	Cap. Pressure

OIL CONSERVATION DIVISION

Approved by: *[Signature]* Orig. Signed by: **Paul J. [Signature]**

Printed name: **W. Wesley Perry** Title: **Geologist**

Title: **President** Approval Date: **05-05-1999**

Date: **0.5.99** Permit: **915.602.1905**

PRIDE ENERGY COMPANY

Printed Operator Signature: _____ Printed Name: _____ Title: _____

BEFORE THE
 OIL CONSERVATION DIVISION
 Case No. 12278 Exhibit No. 11
 Submitted By:
 Pride Energy Company
 Hearing Date: November 18, 1999