

DON P. OLIVE

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November 1, 1999

Oil Conservation Division
2040 South Pacheco Street
Santa Fe, NM 87505

RE: Case #12278

Dear Examiner:

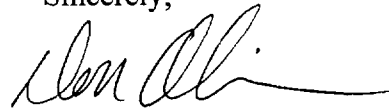
In response to case #12278 which concerns change of operations for the Arco State #1 in Lea County, New Mexico, the forthcoming documentation is a synopsis of my experience with Pride Energy Company ("Pride") as operator and consequently my reason for signing the ballot for change of operator.

- Pride took over operations effective 6/1/98. They changed purchasers immediately from Koch to Equiva. Equiva did not issue division orders and it was determined later that my interest in the well was represented to Equiva as being owned by Pride. Pride did issue division orders effective 6/1/98, but I received no oil or gas revenue until 12/31/98. Pride indicated they would net my revenue check and even thought the net revenue number was positive after operating expenses, no revenue was distributed. "Netting" without prior consent is not industry standard.
- In January 1999, letters were issued by Amarco Oil Corp. ("Amarco") to purchasers of oil and gas on the Arco State #1 documenting mine and others ownership in the well and our request to be distributed to individually. The gas purchaser did not comply but the oil purchaser did distribute for 3 months and then my distribution was stopped, assumably by Pride.
- Although an attempt was made in September of 1999 by Pride to update and reconcile my interest, there remains 3 months of gas revenue and one month of oil revenue not accounted for, as well as negative "corrections" to these months of non revenue that resulted in deductions from positive cash flow.
- Many of the working interest owners in the Arco State #1, including myself, are also working interest owners in the Arco State water disposal well operated by Maralo Inc., ("Maralo"). This water disposal well has a positive cash flow which is distributed by Maralo. Pride has received all cash flow for my interest but none has been distributed to me. I am charged for water disposal into this well from the Arco State #1.

- Pride charges interest on what they consider outstanding joint interest bills but does not pay interest on revenue they are holding.
- In addition to the \$848.30 monthly COPAS allowed overhead charge, which should be more than adequate to cover internal expense to operate one oil well, Pride has added a \$75.00 monthly "Supervision" charge and a \$20.00 monthly "Communication" charge, which are not specified in the Joint Operating Agreement. Supervision and communication are essentially what the COPAS overhead charges are designed for and intended to cover.
- In July 1999, Pride charged the working interest owners for a joint interest bill that Pride owed to the previous operator for it's own working interest.

When presented with the opportunity to elect a new operator for the Arco State #1, I quite willingly signed the ballot in hopes that we could return this property to a more profitable and less frustrating venture.

Sincerely,

A handwritten signature in black ink, appearing to read "Don Olive", with a long horizontal flourish extending to the right.

Don P. Olive