



October 12, 2004

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**VIA HAND DELIVERY**

Mark E. Fesmire, P.E.  
Chairman  
Oil Conservation Commission  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

Re: New Mexico Oil Conservation Division Case 13153:  
Application of Pride Energy Company for cancellation of a drilling permit and  
re-instatement of a drilling permit, an emergency order halting operations, and  
compulsory pooling, Lea County, New Mexico.  
Motion for Stay and an Emergency Order.

**IMMEDIATE ATTENTION REQUIRED**

Dear Mr. Fesmire:

Enclosed is Yates Petroleum Corporation's Motion for Stay and an Emergency Order in the above referenced case. Pursuant to Division Rule 1220, I also enclose a proposed order. These documents have been provided to Oil Conservation Commission Counsel David K. Brooks and to James G. Bruce, attorney for Pride Energy Company.

Very truly yours,

William F. Carr

Enclosures

cc: David K. Brooks, Esq.  
James G. Bruce Esq.

**BEFORE THE  
NEW MEXICO ENERGY, MINERALS AND  
NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION COMMISSION**

**APPLICATION OF PRIDE ENERGY COMPANY FOR CANCELLATION OF A  
DRILLING PERMIT AND RE-INSTATEMENT OF A DRILLING PERMIT, AND  
EMERGENCY ORDER HALTING OPERATIONS, AND COMPULSORY  
POOLING, LEA COUNTY, NEW MEXICO.**

CASE NO. 13153

*De Novo*

2004 OCT 12 AM 9

**MOTION OF YATES PETROLEUM CORPORATION FOR A STAY OF  
COMMISSION ORDER NO. R-12108-A AND FOR AN EMERGENCY ORDER.**

Pursuant to Oil Conservation Division Rule 1220, Yates Petroleum Corporation hereby seeks a stay of Oil Conservation Commission Order No. R 12108-A pending Commission action on the Application for Rehearing filed by Yates in this case on September 29, 2004 and until such time as Oil Conservation Commission administrative process in this case has been completed. Yates also seeks an emergency order directing Pride Energy Company to refrain from conducting operations on the Yates Limbaugh AYO State Well No. 1 (Pride's State "X" Well no. 1) until the Oil Conservation Commission's regulatory process has been completed, and in support of its motion states:

1. On September 9, 2004, the Oil Conservation Commission entered Order No. R-12108-A granting the application of Pride Energy Company in this case and entering an order that authorizes Pride to re-enter a well on a Yates lease and take from Yates 50% of the production from the Yates tract.

2. On September 29, 2004, Yates filed its Application for Rehearing asking the Commission to exercise its authority under Rule 1222 to grant a rehearing and then to enter a new order.

3. Granting Yates' application for rehearing would:

A. allow Yates to produce additional seismic data that, because it was not presented, the Commission concluded it was adverse to Yates position. This is data that Yates testified it had and could produce. It did not have this data with it at the hearing because, unlike the seismic data Yates did

present, it was not data on the acreage that was the subject of this case. Although Yates testified that this data could be presented, neither Pride nor the Commission expressed interest in the data until the Commission used the fact that it had not been presented as its reason for rejecting the technical case of Yates. Instead, it applied a different set of rules to Pride and accepted Pride's case that, by and large, was not presented by Pride because it considered its data proprietary;

- B. allow Pride an opportunity to present the data it decided to keep proprietary to demonstrate whether or not that data is adverse to Pride's position in this case;
- C. enable the Commission to correct its findings and conclusions to be consistent with, and supported by, the evidence;
- D. enable the Commission to revise this order to meet the standards announced by New Mexico courts for decisions of administrative tribunals; and
- E. enable the Commission to revise its order to comply with the statutory requirements for a compulsory pooling order.

3. Yates has been advised that the Commission will consider its Application for Rehearing at its October 14, 2004 hearing.

4. Yates has learned that Pride is completing operations on another well in the general area as the Yates Limbaugh AYO State Well No. 1 and that it may be moving a rig onto this location prior to the time the Commission rules on Yates' Application for Rehearing.

5. Having operators move on and off this well, with each conducting various operations thereon, is imprudent and can result in permanent damage to the well and the loss of reserves that can otherwise be recovered from this property. This harm cannot later be corrected with another change of operator, an accounting and a payment.

6. If a stay or an emergency order is not granted, regardless of the Commission's decision on Yates Application for Rehearing, Pride will commence operations of this well and at the time of rehearing, if any, will present its operations as an accomplished fact.

7. A stay is appropriate in this case because:
  - A. Yates has raised issues in its Application for Rehearing that the Commission must address;
  - B. When the evidence is given honest and equal treatment by the Commission, the evidence dictates that Yates must prevail;
  - C. If operators move off and onto this well, each conducting various activities thereon, all because of the inconsistencies of the regulatory system, the Yates well can be damaged and reserves wasted;
  - D. There will be no substantial harm to Pride if it is required to defer the commencement of operations until the pending regulatory issues have been resolved; and
  - E. The public interest will not be harmed by delaying operations on this well until the Commission has made a final determination on the issues before it.

8. An emergency order is appropriate in this case for, if Pride is not directed by the Commission to undertake no operations on this well until all regulatory procedures have been exhausted, Yates will be denied the relief it seeks in this case, and that outcome will be the direct result of this Commission's unwillingness to direct Pride to conduct no operations on the well until the administrative process has concluded.

9. Although Yates voluntarily ceased operations on its well when Pride filed the pooling application in this case, and Pride delayed operations until its application had been heard by the Commission, it appears that no such agreement between the parties can now be reached. Yates has asked Pride to voluntarily delay the commencement of operations on the Yates Limbaugh AYO Well No. 1 until the regulatory process has been completed but, to date, Yates has received no response from Pride. To protect this well, Yates must seek a stay and an emergency order.

WHEREFORE, Yates Petroleum Corporation moves the Commission for an order Staying Order No. R-12108-A until the Commission has acted on Yates Application for Rehearing and until such time as the Oil Conservation Commission administrative process in this case has been completed or, in the alternative enter an emergency Order

direction pride to delay operations on the subject well until the regulatory process has been completed.

Respectfully submitted,  
HOLLAND & HART, LLP

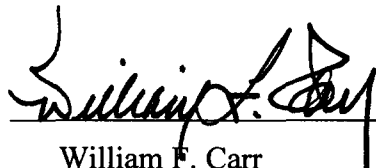
By: 

William F. Carr

ATTORNEYS FOR YATES PETROLEUM  
CORPORATION

**CERTIFICATE OF SERVICE**

I certify that I have caused a copy of the foregoing pleading to be delivered to David K. Brooks, Esq. Attorney for the Oil Conservation Commission by Hand Delivery and to James Bruce, Esq., attorney for Pride Energy Company, by facsimile [FAX NO. (505) 982-2151] on this 12th day of September, 2004.

  
William F. Carr

**BEFORE THE  
NEW MEXICO ENERGY, MINERALS AND  
NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION COMMISSION**

**APPLICATION OF PRIDE ENERGY COMPANY FOR CANCELLATION OF A  
DRILLING PERMIT AND RE-INSTATEMENT OF A DRILLING PERMIT, AND  
EMERGENCY ORDER HALTING OPERATIONS, AND COMPULSORY  
POOLING, LEA COUNTY, NEW MEXICO.**

**CASE NO. 13153  
*De Novo***

**EMERGENCY ORDER AND STAY  
OF COMMISSION ORDER NO. R-12108-A.**

On October 12, 2004, pursuant to Oil Conservation Division Rule 1220, Yates Petroleum Corporation (1) filed its motion seeking a stay of Commission Order No. R-12108-A pending Commission action on the Application for Rehearing filed by Yates in this case on September 29, 2004, and (2) pursuant to Rule 1202, requested an emergency order requiring Pride Energy Company ("Pride") to refrain from conducting operations on the Yates Limbaugh AYO State Well No. 1 (Pride's State "X" Well No. 1) until the Oil Conservation Commission's regulatory process has been completed.

The Commission, having considered the Motion of Yates for a stay of Commission Order No. R-12108-A and an emergency order, finds that:

1. Yates has raised issues in its Application for Rehearing that the Commission must address;
2. Having multiple operators move off and onto the subject well, each conducting various activities thereon, is imprudent and can damaged the well thereby causing waste of recoverable reserves;
3. There will be no substantial harm to Pride if it is required to defer the commencement of operations until the pending regulatory issues have been resolved;
4. The public interest will not be harmed by delaying operations on this well until the Commission has made a final determination on all pending issues;

5. That an emergency order should be entered directing Pride Energy Company to refrain from the commencement of operations on the State "X" Well No. 1 until the Commission has made a decision on Yates' Application for Rehearing; and

6. That Order No. R-12108-A should be stayed until the Commission has ruled on Yates' Application for Rehearing and, if granted, until a final order that can be appealed to the courts has been entered following rehearing.

IT IS THEREFORE ORDERED THAT, Yates Petroleum Corporation's motion for an emergency order is hereby granted and Pride Energy Company is directed to refrain from conducting operations on the State "X" Well No. 1 until the Oil Conservation Commission has made a final decision on Yates Petroleum Corporation's Application for Rehearing in this case.

IT IS FURTHER ORDERED THAT, Order No. R-12108-A is hereby stayed until a final order is entered in this case by the Oil Conservation Commission and all administrative remedies have has been exhausted on any order, if any, entered following a rehearing..

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

MARK E. FESMIRE, P.E.  
Chairman

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