

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**APPLICATION OF PRIDE ENERGY COMPANY
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.**

Case No. 13,690

2006 APR 12 PM 2:23

RESPONSE IN OPPOSITION TO MOTION TO DISMISS

Pride Energy Company ("Pride") submits this response in opposition to the motion to dismiss filed by Yates Petroleum Corporation ("Yates").

A. LANDS INVOLVED

1. This case involves the pooling of the W½ of Section 12, Township 12 South, Range 34 east, N.M.P.M., Lea County, New Mexico. Pride seeks to pool all depths from the surface to the base of the Mississippian formation, for all pools or formations developed on 320 acre spacing. Pride seeks permission to re-enter the existing State X Well No. 1, located in the NW¼ of Section 12. **In addition**, Pride requests that the order entered herein approve the drilling of an infill well on the well unit.

2. Pride is the lessee of the SW¼ of Section 12. **Exhibit A.** Yates (and its sister companies) are the lessees of the NW¼ of Section 12.

B. ARGUMENT

1. Yates moves to dismiss the application based on three issues:

(a) Pride does not have the authority to re-enter the State X Well No. 1;

(b) Pride did not make a good faith effort to obtain the voluntary joinder of Yates; and

- (c) there are outstanding issues regarding the first re-entry of the State X Well No. 1.¹

These issues are addressed separately below:

2. Authority to Re-Enter: The State X Well No. 1 is located on Yates' lease. Thus, **without pooling or a voluntary agreement**, Pride agrees that it cannot enter onto Yates' lease to re-enter the well. However, Yates has steadfastly refused to enter into a voluntary agreement with Pride regarding the development of the W $\frac{1}{2}$ of Section 12. Therefore, Pride filed its application herein. Certainly, once a pooling order is issued, Pride will have the necessary authority to enter onto Yates' lease to commence re-entry operations. **NMSA 1978 §70-2-17.C**. That legal principle is undisputed, and the Commission so held in the original pooling case involving this acreage. **Order No. R-12108-C**.

3. Good Faith Effort: As noted above, the initial re-entry attempt on the State X Well No. 1 was unsuccessful, and the original pooling order expired. However, Pride continued to have an interest in developing the W $\frac{1}{2}$ of Section 12. As a result, Pride took the following steps:

- (a) Counsel for Pride wrote to counsel for Yates in early December 2005 inquiring whether Yates would agree to the voluntary development of the W $\frac{1}{2}$ of Section 12. **Exhibit B**. No response to this letter was ever received by Pride.
- (b) Pride filed a new APD for the re-entry of the State X Well No. 1 in February 2006. **Exhibit C**.

¹ Pride and Yates both participated in a re-entry of the State X Well No. 1 in 2005. That re-entry was unsuccessful.

(c) Counsel for Pride verbally inquired of opposing counsel in late February 2006 whether Yates would agree to enter into an operating agreement covering the W½ of Section 12. A few days later a response, in the negative, was received.

(d) Pride then sent Yates a well proposal, with an AFE, on February 24, 2006.

Exhibit D.

(e) Yates sent a letter to Pride on March 3, 2006. Subsequently John Pride, one of the principles of Pride, called Chuck Moran of Yates to discuss matters between the companies. However, they could not come to terms.

The evidence shows that Pride took all steps normally required by the Division prior to seeking pooling. Yates' response to these proposals was simply to say "No." Yates has not proposed its own well, obtained an APD, requested Pride to join in an operating agreement, or filed a pooling application of its own.

The pooling statute requires the Division to pool the well unit if the parties cannot agree on a voluntary agreement. NMSA 1978 §70-2-17.C. It is clear that Yates will not enter into a voluntary agreement. As a result, Pride was required to file this pooling application in order to develop the W½ of Section 12. Yates' argument is without merit.²

Pride further notes that its lease expires on May 31, 2006, and thus time is of the essence in this application.

4. Outstanding Issues: Yates asserts that pooling should not be approved until the Division decides Case No. 13,531. While Pride also desires a decision in that case, it is

² If Yates believes the proposed re-entry is not economic, it has the right to go non-consent under a pooling order.

not Pride's fault that an order has not been issued therein, and it has no bearing on the present case.³

C. CONCLUSION

Pride has made a good faith effort to obtain Yates' joinder in the development of the W¹/₂ of Section 12. Yates refuses to voluntarily join in the well, and thus pooling is necessary. Pride will not enter onto Yates' lease until a pooling order is issued, and it has the legal right to do so. Therefore, Yates motion must be denied.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Pride Energy Company

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 12th day of April, 2006, in the manner indicated:

Via fax

William F. Carr
Holland & Hart LLP
P.O. Box 2208
Santa Fe, New Mexico 87504
(505) 983-6043

Hand delivered

Gail MacQuesten
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505



James Bruce

³ Yates complains of \$84,391.58 that Pride is allegedly holding. Pride notes that Yates and its sister companies have not paid Pride approximately \$120,000 in unpaid joint interest billings on several wells.

4 Records found.

Lease Number:

V0-6256-0000

Company name: PRIDE ENERGY COMPANY
 Company ID: 151323
 Assigned from: N/A
 Total acres: 160.00
 Prod stat: N/A

Lease term:

Lease term: FIVE(5) YEAR TERM, 1/6th ROYALTY
 Issue date: 6/1/2001
 Termination date: Active
 Termination reason: N/A
 Current term: Primary Term

Billing information:

Bill to: PRIDE ENERGY COMPANY
 Rent per acre: 0.50
 Billing frequency: Annual
 Minimum annual rent: 80.00
 Last bill date: 5/5/2005
 Next bill date: 6/1/2006
 Escalation: 0

Land information:

Section	Township	Range	Unit Letter	Lot	Tract	Acreage
12	12S	34E	K			40.00
			L			40.00
			M			40.00
			N			40.00



JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

jamesbruce@aol.com

December 9, 2005

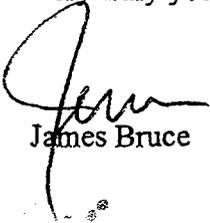
William F. Carr
Holland & Hart LLP
P.O. Box 2208
Santa Fe, New Mexico 87504

Re: Pride/Yates

Dear Bill:

Regarding the future of the W $\frac{1}{2}$ §12-12S-34E: Yates has completed a producing well in the E $\frac{1}{2}$, so the parties have to decide what to do in the W $\frac{1}{2}$. Although unsuccessful attempts were made in the past, is Yates willing to consider an acreage trade? And, if not, is Yates willing to enter into a JOA on the W $\frac{1}{2}$, as opposed to traveling down the compulsory pooling process again? And, I believe Yates' preference is to P&A the State X Well No. 1. However, Pride may be interested in re-entering the X-1 again, and so does not want to plug the well immediately. Let's discuss this.

Very truly yours,


James Bruce



District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-101
Revised June 10, 2003

Submit to appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address Pride Energy Company PO Box 701602 Tulsa, OK 74170-1602		² OGRID Number 151323
		³ API Number 30-025-01838
⁴ Property Code 32545	⁵ Property Name State "X"	⁶ Well No. 1

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	12	12 S	34 E		1980	North	660	West	Lea

⁸ Proposed Bottom Hole Location If Different From Surface

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

⁹ Proposed Pool 1
Four Lakes Mississippian

¹⁰ Proposed Pool 2
Four Lakes Penn

¹¹ Work Type Code E	¹² Well Type Code G	¹³ Cable/Retary R	¹⁴ Lease Type Code S	¹⁵ Ground Level Elevation 4138.4
¹⁶ Multiple No	¹⁷ Proposed Depth 12,400'	¹⁸ Formation Mississippian	¹⁹ Contractor Unknown	²⁰ Spud Date ASAP

²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17 1/2"	13 3/8"	48#	389' in place	325 sk	Circulated
12 1/2"	9 5/8"	36#	4307' in place	1700 sk	Circulated
8 1/2"	5 1/2"	17# & 20#	0 to 12,400'	1000 sk	T.O.C. 5000'

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

(See attached)

Permit Expires 1 Year From Approval
Date Unless Drilling Underway
Re-Entry

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief.	OIL CONSERVATION DIVISION	
Signature: <i>John W. Pride</i>	Approved by: <i>[Signature]</i>	
Printed name: John W. Pride	Title: PETROLEUM ENGINEER	
Title: President of Pride Oil & Gas Co., Inc., or General Partner of Pride Energy Company	Approval Date: FEB 08 2006	Expiration Date:
E-mail Address: johnp@pride-energy.com		
Date: February 2, 2006	Phone: 918-524-9200	Conditions of Approval:
		Attached <input type="checkbox"/>



District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Hilo Branch Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised June 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-01838		² Pool Code 97053		³ Pool Name Four Lakes Mississippian	
⁴ Property Code 32545		⁵ Property Name State "X"			⁶ Well Number 1
⁷ OGRID No. 151323		⁸ Operator Name Pride Energy Company			⁹ Elevation 4138.4

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
E	12	12 S	34 E		1980	North	660	West	Lea

¹¹ Bottom Hole Location If Different From Surface

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

¹² Dedicated Acres 320	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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West Half of Section.

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
West Half OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature: <i>John W. Pride</i></p> <p>John W. Pride Printed Name: President of Pride Oil & Gas Co., Inc., as General Partner of Pride Energy Company; johnp@pride-energy.com Title and E-mail Address: February 2, 2006 Date:</p>
	<p>¹⁸ SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>See original plat.</p> <p>Date of Survey: Signature and Seal of Professional Surveyor: Certificate Number:</p>

PRIDE ENERGY COMPANY

(918) 524-9200 • Fax (918) 524-9292 • www.pride-energy.com

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

Mailing Address: P.O. Box 701950
Tulsa, OK 74170-1950
Email Address: johnp@pride-energy.com

February 24, 2006

Via Certified Mail
Return Receipt #
91 3408 2133 3930 9391 7617

Yates Petroleum Corporation
105 S. 4th Street
Artesia, NM 88210

ATTN: Chuck Moran

RE: State "X" #1
W ½ of Section 12-T12S-R34E
1,980' FNL and 660' FWL
Lea County, New Mexico

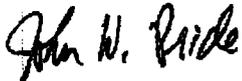
Mr. Moran:

In reference to the above, Pride Energy Company proposes to re-enter the wellbore and drill off of the cement plug, estimated top at 5,428' to a total depth of 12,400' to test the Mississippian Austin Cycle and/or Atoka Morrow and any other formations encountered.

Enclosed is an Authorization for Expenditure with a dry hole cost of \$1,263,200, completion cost of \$710,500, for a total completed well cost of \$1,973,700.

Please inform us as soon as possible as to your intent to participate, or not, in this proposed well. If you decide to participate please sign and return the enclosed AFE. We would then send you a Joint Operating Agreement covering this unit.

Sincerely,



John W. Pride
Pride Energy Company



PRIDE ENERGY COMPANY

(918) 524-9200 • Fax (918) 524-9292 • www.pride-energy.com

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2250 East 73rd Street, Suite 550
Tulsa, OK 74136

Mailing Address: P.O. Box 701950
Tulsa, OK 74170-1950
Email Address: johnp@pride-energy.com

February 24, 2006

Via Certified Mail

Yates Drilling
105 S. 4th Street
Artesia, NM 88210

Return Receipt #
91 3408 2133 3930 9391 7617

RE: State "X" #1
W ½ of Section 12-T12S-R34E
1,980' FNL and 660' FWL
Lea County, New Mexico

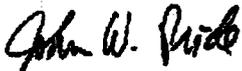
To Whom It May Concern:

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Sincerely,



John W. Pride
Pride Energy Company

PRIDE ENERGY COMPANY

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

Mailing Address: P.O. Box 701950
Tulsa, OK 74170-1950
Email Address: johnp@pride-energy.com

February 24, 2006

Via Certified Mail
Return Receipt #
91 3408 2133 3930 9391 7631

Abo Petroleum
P.O. Box 900
Artesia, NM 88211-0900

RE: State "X" #1
W 1/2 of Section 12-T12S-R34E
1,980' FNL and 660' FWL
Lea County, New Mexico

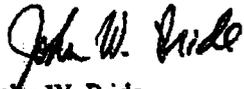
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Sincerely,



John W. Pride
Pride Energy Company

PRIDE ENERGY COMPANY

(918) 524-9200 ♦ Fax (918) 524-9292 ♦ www.pride-energy.com

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

Mailing Address: P.O. Box 701950
Tulsa, OK 74170-1950
Email Address: johnp@pride-energy.com

February 24, 2006

Via Certified Mail
Return Receipt #
91 3408 2133 3930 9391 7624

Myco Industries
P.O. Box 840
Artesia, NM 88211-0840

RE: State "X" #1
W ½ of Section 12-T12S-R34E
1,980' FNL and 660' FWL
Lea County, New Mexico

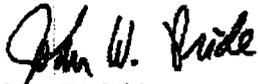
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Sincerely,



John W. Pride
Pride Energy Company

Pride Energy Company POB 701950 (74170) 2250 E. 73 rd St., Ste. 550 Tulsa, OK 74136 918 524 9200 office 918 524 9292 facsimile		Authorization for Expenditure Well: State X #1 Section 12 - T12S - R34E 1,980' FNL & 660' FWL Proposed Depth: 12,350' Primary Objectives: Morrow/Atoka/Mississippi		February 24, 2006
Drilling intangibles				
Water	30	day(s)	\$600 per day	18,000
Location and road				15,000
Drilling rig: daywork mobilization	30	days at	\$18,000 per day	540,000
fuel	30	days at	\$4,000 per day	120,000
Bits	5	bits at	\$9,000 each, average	45,000
Mud, chemicals & drayage				50,000
Mud Disposal				14,000
Open Hole Logging	2,500	feet at	\$10.00 per foot	25,000
Equipment Rental	30	days at	\$800 per day, average	24,000
Directional Services	5	days at	9000 per day	45,000
Trucking				6,000
Other Services				2,000
Geological/Engineering	30	days at	\$1,000 per day	30,000
			Subtotal	1,014,000
Contingency			20%	202,800
Overhead				38,000
			Total drilling intangibles	\$1,254,800
Drilling tangibles				
Casing, intermediate		feet at	per foot	0
Well head equipment			3,000 psi wp	7,000
Float equipment				0
			Subtotal	7,000
Contingency			20%	1,400
			Total drilling tangibles	\$8,400
Completion intangibles				
Location and road				2,000
Casing crews, production				11,000
Cementing, production				30,000
Completion rig	6	days at	\$3,000 per day	18,000
Perforating and GR-CBL				35,000
Formation treatments				150,000
Equipment Rentals	6	days at	\$2,000 per day	12,000
Water or Diesel				8,000
Supplies				2,500
Trucking				4,000
Roustabout work	6	days at	\$1,200 per day	7,200
Other Services				6,000
Engineering	8	days at	\$1,000 per day	8,000
			Subtotal	293,700
Contingency			20%	58,800
			Total completion intangibles	\$352,500
Completion tangibles				
Production casing	5 1/2	12,300	feet at \$15.50 per foot (17# & 20# N-80)	190,650
Float equipment				2,000
Well head			5,000 psi wp	8,000
Production tubing	2 3/4	12,300	feet at \$5.50 per foot 4.7 ppf, N-80, EUE, 8 rd thd	67,650
Downhole Equipment				10,000
Production Equipment				18,000
Flowlines				2,000
			Subtotal	298,300
Contingency			20%	59,700
			Total completion tangibles	\$358,000
Approved: <u>John W. Pride</u>	Date: <u>2/27/06</u>		Dry hole cost:	\$1,263,200
Pride Energy Company			Completed well cost:	\$1,973,700
Approved: _____	Date: _____		Your Interest	
Working Interest Owner			Your Total Cost	

The costs on this AFE are estimates only and may not be construed as ceilings on any specific item or the total cost of the project. In executing this AFE, the participant agrees to pay its proportionate share of actual costs incurred, including legal, curative, regulatory, brokerage and well costs under the terms of the applicable joint operating agreement, regulatory order or other agreement covering this well. The Operator may contract with an affiliated entity to drill the well at prevailing rates in the area. Participant shall be covered by and billed proportionately for Operator's well control and general liability insurance unless participant provides Operator a certificate evidencing its own insurance in amounts acceptable to the Operator by the date of spud.