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May 16, 2006

Via fax

David Catanach  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Re: Case No. 13, 690/Pride Energy Company  
State "X" Well No. 1/W½ §12-12S-34E, Lea County, New Mexico

Dear Mr. Catanach:

I received Mr. Carr's proposed order, and cover letter, in which he argues that Pride is not entitled to a risk charge because it did not request one. Please note:

1. Pride requested a 200% risk charge in its application (page 2);
2. Rule 35.A provides for a standard 200% risk charge in a pooling order; and
3. Rule 35.B provides that any person seeking a different risk charge than provided in Rule 35.A "shall so state in a timely pre-hearing statement filed with the Division," and "shall have the burden to prove the justification for the risk charge sought by relevant geologic or technical evidence."

Thus, (a) Pride requested a risk charge, and (b) it was Yates' obligation to object to the standard charge. It did not do so, and thus a 200% charge should be approved in the order.

Very truly yours,



James Bruce

Attorney for Pride Energy Company

cc: William F. Carr