

**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 AND APPROVAL
OF AN UNORTHODOX OIL WELL LOCATION,
LEA COUNTY, NEW MEXICO.**

Case No. 13,824

VERIFIED STATEMENT OF JOHN W. PRIDE

John W. Pride, being duly sworn upon his oath, deposes and states:

1. I am a landman for Pride Energy Company, and have personal knowledge of the matters stated herein.

2. Pursuant to Division Rule 1207.A(1)(b), the following information is submitted in support of the compulsory pooling application filed herein:

(a) The parties being pooled are unleased mineral owners. No opposition to this case is expected because the locatable interest owners have been contacted regarding the proposed well, and have simply not decided whether to lease their interests to Pride Energy Company or to join in the well. In addition, there are some unlocatable owners.

(b) A plat outlining the lands being pooled, and marking the location of the subject well, is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests from the surface to the base of the Permo-Pennsylvanian formation underlying the following described acreage in Section 9, Township 11 South, Range 33 East, NMPM, Lea County, New Mexico:

(i) the SW $\frac{1}{4}$ NE $\frac{1}{4}$ to form a standard 40 acre oil and spacing and proration unit for any formations and/or pools developed on 40 acre spacing; and

(ii) the S $\frac{1}{2}$ NE $\frac{1}{4}$ to form a standard 80 acre oil and spacing and proration unit for any formations and/or pools developed on 80 acre spacing, including the North Bagley Permo-Pennsylvanian Pool.

The units will be dedicated to the Bagley Well No. 2, to be drilled at a location 1905 feet from the north line and 2130 feet from the east line of Section 9. This location

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Exhibit No. 1

was chosen because of surface terrain issues and the proximity of the well location to surface improvements.

(c) The parties being pooled, their last known addresses, and their interests in the well units, are:

Chisos, Ltd. 670 Dona Ana Road, SW Deming, NM 88030	1/128
Edge Petroleum Exploration Co. 1301 Travis St., Suite 2000 Houston, TX 77002	1/64
Pure Energy Group, Inc. 153 Treeline Park, Suite 220 San Antonio, TX 78209	1/128
Virginia R. Glenn, Trustee of the Virginia Glenn Trust P.O. Box 663 Midland, TX 79702	1/128
† Judith A. Bench, a/k/a Judith A. Moseley Bench P.O. Box 733 Brownwood, TX 76804	1/128
† Deborah Bench, a/k/a Deborah Smith 5003 Brunswick Circle Midland, TX 79705-2607	1/128

The mineral interests in the S $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 9 are undivided. Therefore, the ownership of the persons being pooled is the same in each well unit.

(d) Copies of the proposal letters sent to the mineral interest owners are attached hereto as Exhibit B.

(e) The interest owners named below are unlocatable:

Judith A. Bench, a/k/a Judith A. Moseley Bench; and

Deborah Bench, a/k/a Deborah Smith.

To locate these interest owners, Pride Energy Company examined the Lea County records, telephone directories and county records in the counties of residence of the out-of-state owners, and internet directories.

- (f) Pride Energy Company has made a good faith effort to locate all interest owners, and to obtain their voluntary joinder in the proposed well.
- (g) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit C. The drilling and completion costs set forth therein are fair and reasonable, and are comparable to those of other wells of this depth drilled in this area of Lea County.
- (h) Overhead charges of \$7330/month for a drilling well, and \$767/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for well of this depth.
- (i) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against the non-consenting interest owner.
- (j) Applicant requests that it be designated operator of the well.

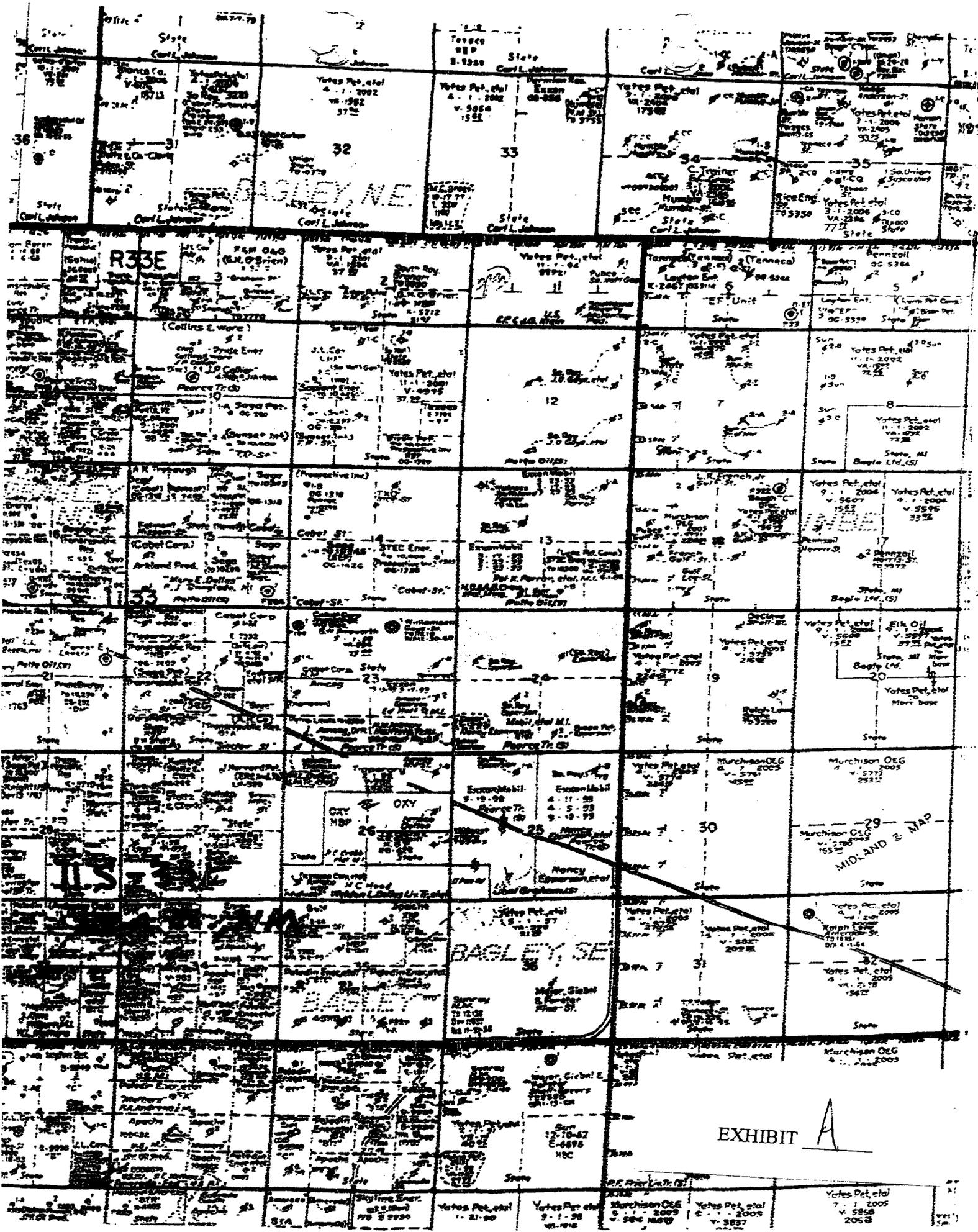


EXHIBIT A

A

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

October 3, 2006

Via Certified Mail
Return Receipt #

RE: Bagley #1 or #1-A and Bagley #2 Proposed Wells
N ½ NE ¼ and S ½ NE ¼ of Section 9, Township 11 South, Range 33 East
Lea County, New Mexico

To Whom It May Concern:

In reference to the above, Pride Energy Company hereby proposes two wells for the NE ¼ of Section 9-T11S-R33E. The first proposed well, called the Bagley #1 is a re-entry of a currently plugged and abandoned wellbore located in the N ½ NE ¼ at 560' fnl and 560' fel of Section 9 and will be a 10,360' Pennsylvanian test. An Authorization for Expenditure is enclosed in the amount of \$180,056 Dry Hole Cost and \$738,284 Completed Cost.

If we are unsuccessful in being able to utilize said wellbore, we hereby propose as an alternate wellbore for the N ½ NE ¼ a new wellbore to be drilled, the Bagley #3, a 10,350' Pennsylvanian test, to be drilled at a legal location in the N ½ NE ¼. An Authorization for Expenditure is enclosed in the amount of \$2,073,640 Dry Hole Cost and \$2,857,040 Completed Cost.

Additionally, we hereby propose the drilling of a new wellbore, the Bagley #2, a 10,500' Pennsylvanian test, to be located in the S ½ NE ¼ of Section 9-11S-33E at 1,830' fnl and 2,130' fel of the Section. An Authorization for Expenditure is enclosed, in the amount of \$2,073,640 Dry Hole Cost and \$2,857,040 Completed Cost.

We are hereby offering to lease your oil and gas mineral interest for \$200 per net acre, 3/16 royalty, 3 year term or for \$0 per net acre, ¼ royalty, 3 year term.

If you are interested in participating in the drilling of the proposed wells, please sign the enclosed Authorization for Expenditures and return them, along with a check for your proportionate share of the Completed Well Cost.

Thank you for your immediate attention and response.

Sincerely,

John W. Pride
Pride Energy Company

EXHIBIT B

Respondent List – Pooling

S ½ NE ¼ of Section 9, T 11S, R 33E, Lea County, New Mexico.

Mineral Owner

Yeager Resources, a Partnership
P.O. Box 990
Midland, TX 79702-0990

Seven Ways Minerals, Ltd.
214 W. Texas Ave., Suite 200
Midland, TX 79702-3142

Patsy Hinchey Family Partnership
P.O. Box 3142
Midland, TX 79702-3142

Chisos, Ltd.
670 Dona Ana Road, SW
Deming, NM 88030

Edge Petroleum Exploration Co.
1301 Travis St., Suite 2000
Houston, TX 77002

Pure Energy Group, Inc.
153 Treeline Park, Suite 220
San Antonio, TX 78209

F. Ferrell Davis
P.O. Box 3061
Midland, TX 79702

Paul Davis Ltd.
P.O. Box 871
Midland, TX 79702

Collins Partners, Ltd.
5000 Burnet Road
Austin, TX 78756

Sealy & Company
6100 Western Place
Ft. Worth, TX 76107

Virginia R. Glenn, Trustee of the
Virginia Glenn Trust
P.O. Box 663
Midland, TX 79702

Judith A. Bench, a/k/a Judith A. Moseley Bench
P.O. Box 733
Brownwood, TX 76804

Deborah Bench, a/k/a Deborah Smith
5003 Brunswick Circle
Midland, TX 79705-2607

Pride Energy Company
 POB 701950 (74170)
 2250 E. 73rd St., Ste. 550
 Tulsa, OK 74136
 918 524 9200 office
 918 524 9292 facsimile

September 28, 2006

Authorization for Expenditure

Well: Bagley #2
 Section 9 - T11S - R33E
 1,830' FNL & 2,130' FEL

Proposed Depth: 10,500'
 Primary Objectives: Pennsylvanian

Drilling intangibles					
Water	47	day(s)	\$600	per day	28,200
Location and road					25,000
Drilling rig:	47	days at	\$22,000	per day	1,034,000
daywork mobilization					100,000
fuel	47	days at	\$3,000	per day	141,000
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	47	days at	\$1,000	per day, average	47,000
Directional Services		days at		per day	
Trucking					15,000
Other Services					5,000
Geological/Engineering	47	days at	\$1,500	per day	70,500
				Subtotal	1,599,700
Contingency				20%	319,940
Overhead					10,000
				Total drilling intangibles	\$1,929,640
Drilling tangibles					
Surface Casing: 13 3/8"	357	feet at	\$35	per foot	12,495
Casing, intermediate: 8 5/8"	4,150	feet at	\$20	per foot	85,000
Well head equipment				3,000 psi wp	7,000
Float equipment					0
Cement for Surf. & Int. Csg					30,000
				Subtotal	120,000
Contingency				20%	24,000
				Total drilling tangibles	\$144,000
Completion intangibles					
Location and road					35,000
Casing crews, production					15,000
Cementing, production					40,000
Completion rig	6	days at	\$4,000	per day	24,000
Perforating and GR-CBL					35,000
Formation treatments					30,000
Equipment Rentals	6	days at	\$2,000	per day	12,000
Water or Diesel					8,000
Supplies					2,500
Trucking					5,000
Roustabout work	6	days at	\$1,200	per day	7,200
Other Services					6,000
Engineering	8	days at	\$1,100	per day	8,800
				Subtotal	228,500
Contingency				20%	91,400
				Total completion intangibles	\$319,900
Completion tangibles					
Production casing: 5 1/2	10,500	feet at	\$16.00	per foot (17# & 20# N-80)	168,000
Float equipment				5,000 psi wp	2,000
Well head					8,000
Production tubing: 2 7/8	10,500	feet at	\$6.50	per foot 6.5 ppf, N-80, EUE, 8 rd thd	68,250
Downhole Equipment					10,000
Production Equipment					18,000
Flowlines					2,000
Sucker Rods					30,000
Pumping Unit					60,000
Tank Battery					20,000
				Subtotal	386,250
Contingency				20%	77,250
				Total completion tangibles	\$463,500

Approved: _____	Date: _____	Dry hole cost:	\$2,073,640
Pride Energy Company		Completed well cost:	\$2,857,040
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 proportionate share of actual costs incurred, including legal, curative, regulatory, brokerage and well costs under the terms of the applicable joint operating agreement. The Operator, in accordance with an approved certificate, shall be the well owner for the purposes of this AFE.

EXHIBIT C