

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

September 14, 2004

Attn: Lori Wrotenbery
Director
Oil Conservation Division
Energy, Minerals, and Natural Resources Department
State of New Mexico
1220 S. St. Francis Drive
Santa Fe, NM 87505

RE: Case No. 13153 - denovo
Order No. R-12108-A
W1/2 of Section 12-T12S-R34E
State "X" #1 Well
Lea County, NM

Ms. Wrotenbery:

In reference to the above order of the Division, please find enclosed copies of the letter and itemized schedule of estimated costs of re-entering, cleaning out, completing, and equipping the subject well, which were mailed to the four working interest owners, on September 14, 2004, certified mail, return receipt.

After thirty days have elapsed from the date they receive their letter, we will notify the Division in writing of each of the working interest owner's election to either participate or to go non-consent.

If you have any questions, please feel free to contact me at 918-524-9200.

Sincerely,

John W. Pride
Pride Energy Company

Certified Mail, Return Receipt #7003.0500-0005-4006-0442

2004 SEP 17 AM 10 57

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September 14, 2004

Yates Drilling Company
105 South 4th Street
Artesia, NM 88210-2118

RE: State "X" #1 – 1,980' fnl & 660' fwl
W ½ of Section 12, Township 12 South, Range 34 East
Lea County, New Mexico

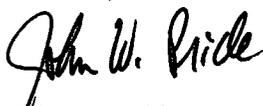
Gentlemen:

In reference to the above, and in accordance to the order of the State of New Mexico Oil Conservation Division in Case No. 13153, de novo, Order No. R-12108-A, please find enclosed an itemized schedule of estimated costs of re-entering, cleaning out, completing and equipping the subject well.

Enclosed are two copies of our Authorization for Expenditure reflecting estimated costs of \$246,180 for a dry hole and \$753,295 as a completed well. If you elect to participate, please remit your proportionate share of the estimated well costs within thirty (30) days from receiving this letter, along with the signed AFE. If you elect not to participate and not to pay your proportionate share of the estimated well costs, your interest shall be deemed non-consent.

If you have any questions, please feel free to contact me at 918-524-9200.

Sincerely,



John W. Pride
Pride Energy Company

Certified Mail, Return Receipt #7003.0500.0005.4006.0459

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|---|---|---|
| Pride Energy Company P.O. Box 701950 2250 E 73rd Street, Suite 550 Tulsa OK 74170-1950 918-524-9200 Office 918-524-9292 Facsimile | Authorization for Expenditure September 14, 2004 Proposed Depth: 13,019 Feet Primary Objectives: Atoka/Morrow &/or Austin Cycle Miss. | State "X" #1 C SW/4 NW/4 Section 12-12S-34E Lea County, New Mexico |
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|-----------------------------------|------|--------------|----|------|----------|----|----------|---------|----|-----------|------------|
| Drilling Intangibles | | | | | | | | | | | |
| Water, Fresh | 10 | days at | \$ | 500 | per day | | | | \$ | 5,000.00 | |
| Location and Road | | | | | | | | | \$ | 10,000.00 | |
| Drilling Rig | | Daywork | | 10 | days at | \$ | 8,500 | | \$ | 85,000.00 | |
| | | Mobilization | | | | | | | \$ | 40,000.00 | |
| | | Fuel | | 10 | days at | \$ | 1,000.00 | per day | \$ | 10,000.00 | |
| Bits | 2 | | | | bits | \$ | 5,500 | per bit | \$ | 11,000.00 | |
| Mud, Chemicals and Drayage | | | | | | | | | \$ | 10,000.00 | |
| Mud Disposal | | | | | | | | | \$ | 5,000.00 | |
| Open Hole Logging | 3000 | feet at | \$ | 7.00 | per foot | | | | \$ | 21,000.00 | |
| Equipment Rental | 10 | days at | \$ | 400 | per day | | | | \$ | 4,000.00 | |
| Cementing, Intermediate | | | | | | | | | \$ | - | |
| Casing Crews, Intermediate | | | | | | | | | \$ | - | |
| Trucking | | | | | | | | | \$ | 4,000.00 | |
| Other Services | | | | | | | | | \$ | 2,000.00 | |
| Geological/Engineering | | | | | | | | | \$ | 8,000.00 | |
| Administrative Overhead | | | | | | | | | \$ | 5,000.00 | |
| Contingency | | | | | | | | 10% | \$ | 22,000.00 | |
| Total Drilling Intangibles | | | | | | | | | | \$ | 242,000.00 |

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|---------------------------------|--|--|--|--|--|--|--|--------------|----|----------|----------|
| Drilling Tangibles | | | | | | | | | | | |
| Wellhead Equipment | | | | | | | | 3,000 psi wp | \$ | 3,000.00 | |
| Float Equipment | | | | | | | | | \$ | 800.00 | |
| Contingency | | | | | | | | 10% | \$ | 380.00 | |
| Total Drilling Tangibles | | | | | | | | | | \$ | 4,180.00 |

| | | | | | | | | | | | |
|-------------------------------------|---|---------|----|-------|---------|--|--|-----|----|-----------|------------|
| Completion Intangibles | | | | | | | | | | | |
| Location & Road | | | | | | | | | \$ | 4,000.00 | |
| Casing Crew, Production | | | | | | | | | \$ | 8,000.00 | |
| Cementing, Production | | | | | | | | | \$ | 28,000.00 | |
| Completion Rig | 6 | days at | \$ | 3,000 | per day | | | | \$ | 18,000.00 | |
| Perforating, GR-CBL, Cmt. Retainer | | | | | | | | | \$ | 35,000.00 | |
| Formation Treatments | | | | | | | | | \$ | 85,000.00 | |
| Equipment Rentals | 6 | days at | \$ | 300 | per day | | | | \$ | 1,800.00 | |
| Water or Diesel | | | | | | | | | \$ | 3,000.00 | |
| Supplies | | | | | | | | | \$ | 2,000.00 | |
| Trucking | | | | | | | | | \$ | 3,000.00 | |
| Roustabout Work | 3 | days at | \$ | 1,000 | | | | | \$ | 3,000.00 | |
| Other Services | | | | | | | | | \$ | 3,000.00 | |
| Engineering and Supervision | 8 | days at | \$ | 800 | per day | | | | \$ | 6,400.00 | |
| Administrative Overhead | | | | | | | | | \$ | - | |
| Contingency | | | | | | | | 10% | \$ | 20,020.00 | |
| Total Completion Intangibles | | | | | | | | | | \$ | 220,220.00 |

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|-----------------------------------|-------|---------|----|-------|----------|--|--|------------------------------|----|------------|------------|
| Completion Tangibles | | | | | | | | | | | |
| Production Casing 5 1/2" | 13019 | feet at | \$ | 13.50 | per foot | | | 17 ppf & 20 ppf | \$ | 175,756.50 | |
| Float Equipment | | | | | | | | | \$ | 2,000.00 | |
| Wellhead Equipment | | | | | | | | 5,000 psi wp | \$ | 8,000.00 | |
| Production Tubing 2 3/8" | 13019 | feet at | \$ | 3.00 | per foot | | | 4.7 ppf, N-80, EUE, 8 rd thd | \$ | 39,057.00 | |
| Downhole Equipment | | | | | | | | | \$ | 10,000.00 | |
| Production Equipment | | | | | | | | | \$ | 25,000.00 | |
| Flowlines | | | | | | | | | \$ | 1,000.00 | |
| Contingency | | | | | | | | 10% | \$ | 26,081.35 | |
| Total Completion Tangibles | | | | | | | | | | \$ | 286,894.85 |

| | | | |
|-------------------------|---------------|------------|--|
| Approved _____ | Company _____ | Date _____ | Dry Hole Cost: \$ 246,180.00 |
| | | | Completion Cost: \$ 507,114.85 |
| Working Interest: _____ | | | Total Completed Well Cost: \$ 753,294.85 |