

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

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

CASE NO. 13153, *de novo*

**APPLICATION OF PRIDE ENERGY COMPANY
FOR CANCELLATION OF A DRILLING PERMIT
AND REINSTATEMENT OF A DRILLING
PERMIT, AN EMERGENCY ORDER HALTING
OPERATIONS, AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

ORDER NO. R-12108-B

ORDER OF THE OIL CONSERVATION COMMISSION

BY THE COMMISSION:

THIS MATTER came before the Oil Conservation Commission (the Commission) for hearing on October 14, 2004 at Santa Fe, New Mexico on the Application for Rehearing of Yates Petroleum Corporation and the Motion of Yates Petroleum Corporation for a Stay of Commission Order No. R-12108-A and for an Emergency Order, and the Commission, having carefully considered the same, now, on this 14th day of October, 2004,

FINDS:

1. Notice has been given of the application and motion, and the Commission has jurisdiction of the parties and the subject matter.
2. This matter previously came before the Commission on August 12, 2004, on the application of Yates Petroleum Corporation (Yates) for *de novo* review, and, on September 9, 2004, the Commission issued Order No. R-12108-A granting the original Application of Pride Energy Company (Pride) for Cancellation of a Drilling Permit and Reinstatement of a Drilling Permit, and Compulsory Pooling.

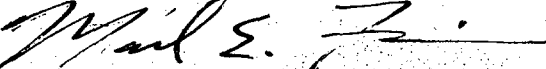
3. On September 29, 2004, Yates filed a timely motion for rehearing.
4. On October 12, 2004, Yates filed a motion to stay Order R-12108-A "until such time as the Oil Conservation Commission process in this case has been completed."
5. Both parties had notice of the hearing held by the Commission in this case on August 12, 2004, and were present at that hearing through counsel and corporate representatives.
6. Both parties were given a full opportunity to present evidence and argument to the Commission at the September 9 hearing, and each party did, in fact, present extensive testimony.
7. The Motion for Rehearing does not allege that any evidence has been newly discovered, or that any party was precluded from offering evidence it sought to offer at the September 9 hearing.
8. The Commission accordingly concludes that a rehearing of the matters that were the subject of the evidentiary presentations at the September 9 hearing is not necessary.
9. However, the Motion for Rehearing raises an issue concerning the right of Yates to reimbursement for costs incurred in preparation to re-enter the State X Well No. 1 (API No. 30-025-07838) (the subject well) prior to the time that Yates ceased operations to abide the decision of the Oil Conservation Division.
10. Order No. R-12108-A provided that Yates should be allowed reimbursement for expenses it incurred in conducting re-entry operations on the subject well after August 25, 2003 and prior to the time when Yates received notice of the filing of the original application in this case.
11. No evidence was offered at the hearing on August 12, 2004, nor was evidence otherwise before the Commission, of the amount or nature of expenses incurred either within or subsequent to the time period for which reimbursement is allowed by Order R-12108-A.
12. The Commission accordingly concludes that a rehearing should be granted with respect to Order No. R-12108-A limited to the issues of the expenses for which Yates should be allowed reimbursement and the correction of clerical errors in Order R-12108-A.
13. Because these issues do not affect the right of Pride to operate the subject well, Yates' Motion for Stay should be denied.

IT IS THEREFORE ORDERED THAT:

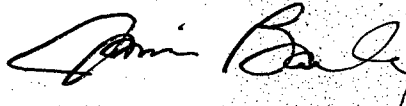
1. Yates' Motion for Rehearing in this case is granted to the extent herein provided.
2. The issues for consideration upon rehearing shall be limited to the determination of costs for which Yates shall be allowed reimbursement.
3. This case will be set on the docket of the Commission for a new hearing, at which Yates may offer evidence concerning the expenses it incurred for which it seeks reimbursement that were not incurred within the time period provided in Order No. R-12108-A, and both parties may present evidence and argument concerning the propriety of allowing Yates reimbursement for such expenses.
4. The Motion of Yates Petroleum Corporation for a Stay of Commission Order No. R-12108-A and for an Emergency Order is denied.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

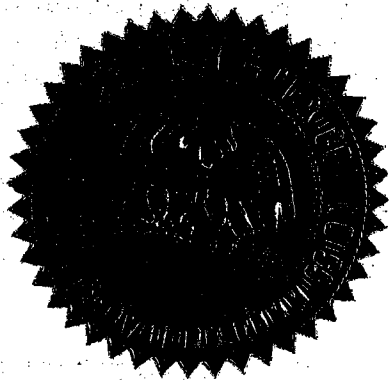


MARK E. FESMIRE, P.E., CHAIR



JAMI BAILEY, CPG, MEMBER

FRANK T. CHAVEZ, MEMBER



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October 13, 2004

Hand Delivered

Mark Fesmire
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Case No. 13153 (de novo); Order No. R-12108-A

Dear Mr. Fesmire:

With respect to the October 14, 2004 Commission hearing, enclosed for the Commission's consideration are an original and four copies Pride Energy Company's response to the application for rehearing.

Very truly yours,

A handwritten signature in cursive script that reads "James Bruce". The signature is written in dark ink and is positioned above the printed name "James Bruce".

James Bruce

Attorney for Pride Energy Company