

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

Yates Petroleum Corporation
105 South 4th Street
Artesia, NM 88210-2118

RECEIVED

SEP 16 2004

MAIL ROOM

9-22-04
C-*

RE: State "X" #1 - 1,980' fml & 660' fwl
W ½ of Section 12, Township 12 South, Range 34 East - E-004
Lea County, New Mexico

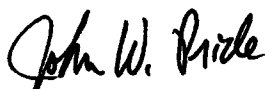
Gentlemen:

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

BEFORE THE OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case Nos. 13153 (Rehearing) Exhibit No. 3
Submitted by:
Yates Petroleum Corporation
Hearing Date: November 10, 2004

jp3877.sp.doc

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

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

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

Abo Petroleum Corporation
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

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

Sharbro Oil Ltd. Co.
105 S. 4th Street
Artesia, NM 88210

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

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"

C SW/4 N
Section 12-12S-
Lea County, New Mex

Drilling Intangibles

Water, Fresh	10	days at	\$	500	per day	\$	5,000.
Location and Road						\$	10,000.
Drilling Rig		Daywork				\$	85,000.
		Mobilization				\$	40,000.
	10	days at	\$	1,000.00	per day	\$	10,000.
Bits	2	bits	\$	5,500	per bit	\$	11,000.
Mud, Chemicals and Drayage						\$	10,000.
Mud Disposal						\$	5,000.
Open Hole Logging	3000	feet at	\$	7.00	per foot	\$	21,000.
Equipment Rental	10	days at	\$	400	per day	\$	4,000.
Cementing, Intermediate						\$	-
Casing Crews, Intermediate						\$	-
Trucking						\$	4,000.
Other Services						\$	2,000.
Geological/Engineering						\$	8,000.
Administrative Overhead						\$	5,000.
Contingency						10%	\$ 22,000.
Total Drilling Intangibles							\$ 242,000.

Drilling Tangibles

Wellhead Equipment						3,000 psi wp	\$ 3,000.
Float Equipment							\$ 800.
Contingency						10%	\$ 380.
Total Drilling Tangibles							\$ 4,180.

Completion Intangibles

Location & Road						\$	4,000.
Casing Crew, Production						\$	8,000.
Cementing, Production						\$	28,000.
Completion Rig	6	days at	\$	3,000	per day	\$	18,000.
Perforating, GR-CBL, Cmt. Retainer						\$	35,000.
Formation Treatments						\$	85,000.
Equipment Rentals	6	days at	\$	300	per day	\$	1,800.
Water or Diesel						\$	3,000.
Supplies						\$	2,000.
Trucking						\$	3,000.
Roustabout Work	3	days at	\$	1,000		\$	3,000.
Other Services						\$	3,000.
Engineering and Supervision	8	days at	\$	800	per day	\$	6,400.
Administrative Overhead						\$	-
Contingency						10%	\$ 20,020.
Total Completion Intangibles							\$ 220,220.

Completion Tangibles

Production Casing 5 1/2"	13019	feet at	\$	13.50	per foot	17 ppt & 20 ppt	\$ 175,756.
Float Equipment							\$ 2,000.
Wellhead Equipment						5,000 psi wp	\$ 8,000.
Production Tubing 2 3/8"	13019	feet at	\$	3.00	per foot	4.7 ppt, N-80, EUE, 8 rd thd	\$ 39,057.
Downhole Equipment							\$ 10,000.
Production Equipment							\$ 25,000.
Flowlines							\$ 1,000.
Contingency						10%	\$ 26,081.
Total Completion Tangibles							\$ 286,894.

Approved

Company

Date

Dry Hole Cost: \$ 248,180

Completion Cost: \$ 507,114

Working Interest: _____

Total Completed Well Cost: \$ 753,294

jp3873.sp

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	
Drilling Intangibles					
Water, Fresh	10	days at \$	500	per day	\$ 5,000.00
Location and Road					\$ 10,000.00
Drilling Rig	10	days at \$	8,500		\$ 85,000.00
		Daywork			\$ 40,000.00
		Mobilization			\$ 10,000.00
Fuel	10	days at \$	1,000.00	per day	\$ 11,000.00
Bits	2	bits \$	5,500	per bit	\$ 10,000.00
Mud, Chemicals and Drayage					\$ 5,000.00
Mud Disposal					\$ 21,000.00
Open Hole Logging	3000	feet at \$	7.00	per foot	\$ 4,000.00
Equipment Rental	10	days at \$	400	per day	\$ -
Cementing, Intermediate					\$ -
Casing Crews, Intermediate					\$ 4,000.00
Trucking					\$ 2,000.00
Other Services					\$ 8,000.00
Geological/Engineering					\$ 5,000.00
Administrative Overhead					\$ 22,000.00
Contingency				10%	\$ 242,000.00
Total Drilling Intangibles					\$ 242,000.00
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	day			\$ 3,000.00
Other Services					\$ 3,000.00
Engineering and Supervision	8	day			\$ 6,400.00
Administrative Overhead					\$ -
Contingency				10%	\$ 20,020.00
tion Intangibles					\$ 220,220.00
Completion Tangibles					
Production Casing 5 1/2"	13019	feet		17 ppt & 20 ppt	\$ 175,758.50
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	\$ 39,057.00
Downhole Equipment				4.7 ppt, N-80, EUE, & rd thd	\$ 10,000.00
Production Equipment					\$ 25,000.00
Flowlines					\$ 1,000.00
Contingency				10%	\$ 28,081.35
Total Completion Tangibles					\$ 286,894.85
Approved _____ Company _____ Date _____					Dry Hole Cost: \$ 248,180.00
Working Interest: _____					Completion Cost: \$ 507,114.85
					Total Completed Well Cost: \$ 753,294.85

WORKING INTEREST APPROVAL
OWNER

YATES PETROLEUM CORPORATION

By: [Signature]

Date: 10-13-04

SHARE

35.000000%

YATES DRILLING COMPANY

By: [Signature]

Date: 10-13-04

5.000000%

MYCO INDUSTRIES, INC.

By: [Signature]

Date: 10-13-04

5.000000%

ABO PETROLEUM CORPORAITON

By: [Signature]

Date: 10-13-04

5.000000%

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

October 13, 2004

Via Federal Express

Pride Energy Company
Attn: John W. Pride
Kensington Tower
2250 East 73rd Street, Suite 550
Tulsa, OK 74136

10/13/04 Sent To: PRIDE ENERGY CO
Man# 2 Trk# 636710419990
SHPR: TAMMY V. DV:
FEXP PL Base Chrg: 14.54
WT: 0.2 lbs Total Chrgs: 14.54

RE: State "X" #1 a/k/a Limbaugh AYO State #1
Township 12 South, Range 34 East, N.M.P.M.
Section 12: 1,980' FNL & 660' FWL
Lea County, New Mexico

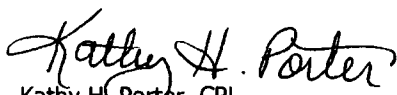
Dear Mr. Pride:

Yates Petroleum Corporation, Yates Drilling Company, Myco Industries, Inc. and Abo Petroleum Corporation submit the enclosed Authority for Expenditure and checks under protest and in no manner waive any rights to pursue their legal rights, and appeals thereof, of New Mexico Oil Conservation Division Order R-12108-A. The enclosed executed AFE and moneys are being tendered as a protective measure to comply with the time frames contained in the current Order to avoid being considered as not participating under Order R-12108-A. The Yates Petroleum Corporation, Yates Drilling Company, Myco Industries, Inc. and Abo Petroleum Corporation reserve the right to demand timely repayment of this money in the event that the Order is ultimately reversed.

If you have any questions, please contact Chuck Moran at 505-748-4349.

Very truly yours,

YATES PETROLEUM CORPORATION


Kathy H. Porter, CPL
Land Manager

/tv
Enclosure(s)

AFE		
Yates Petroleum Corporation	Check #101173	\$263,653.21
Yates Drilling Company	Check #32367	\$ 37,664.74
Myco Industries, Inc.	Check #22095	\$ 37,664.74
Abo Petroleum Corporation	Check #26570	<u>\$ 37,664.74</u>
		\$376,647.43

Cc: Mark Fesmire, P. E.
New Mexico Oil Conservation Division
1211 South Saint Francis Drive
Santa Fe, New Mexico 87505

William F. Carr, Esquire
Holland & Hart & Campbell
110 North Guadalupe, Suite 1
P. O. Box 2208 87504-2208
Santa Fe, New Mexico 87501

James Bruce, Esquire
P. O. Box 1056
Santa Fe, New Mexico 87504-1056

101173

CODE	INVOICE NUMBER	INVOICE DATE	INVOICE AMOUNT	DISCOUNT	NET AMOUNT PAYABLE
1	FORCE POOLING AFE	10/04	263653.21	.00	263653.21
			TOTAL FOR CHECK		263653.21

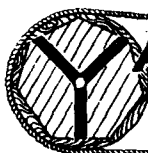
CODES

- 1 - YOUR INVOICE
2 - YOUR CREDIT MEMO

THE ATTACHED CHECK IS IN FULL SETTLEMENT OF INVOICES LISTED ABOVE.
PLEASE DETACH THIS VOUCHER BEFORE DEPOSITING CHECK. NO RECEIPT NECESSARY.

Bank of America

32-2
1110



**YATES
PETROLEUM
CORPORATION**

(505) 748-1471
105 SOUTH 4TH STREET

ARTESIA, NEW MEXICO - 88210

101173

DATE 10/12/2004 VENDOR NO. 718537

*****263.653DOLLARS***21CENTS

PAY TO THE ORDER OF:

PRIDE ENERGY COMPANY

PO BOX 701950

TULSA

OK 74170 1950

AMOUNT

*****263.653.21

Tom Kelly
John J. Steg

⑈101173⑈ ⑆111000025⑆ 004790751021⑈

CODE	INVOICE NUMBER	INVOICE DATE	INVOICE AMOUNT	DISCOUNT	NET AMOUNT PAYABLE
1	STATE X #1	10/04	37664.74	.00	37664.74
			TOTAL FOR CHECK		37664.74

CODES
1 - YOUR INVOICE
2 - YOUR CREDIT MEMO

THE ATTACHED CHECK IS IN FULL SETTLEMENT OF INVOICES LISTED ABOVE.
PLEASE DETACH THIS VOUCHER BEFORE DEPOSITING CHECK. NO RECEIPT NECESSARY.

Bank of America



YATES DRILLING COMPANY

32367

322
1110

YATES BUILDING - 105 SOUTH 4TH STREET
ARTESIA, NEW MEXICO - 88210
(505) 748-1471

DATE 10/13/2004 VENDOR NO. 718537

*****37,664 DOLLARS****74 CENTS

PAID TO THE ORDER OF:

PRIDE ENERGY COMPANY

PO BOX 701950

TULSA

OK 74170 1950

AMOUNT

*****37,664.74

[Signature]

⑈032367⑈ ⑆111000025⑆ 004790751018⑈



MYCO INDUSTRIES, INC.
OIL PRODUCERS

POST OFFICE BOX 840 • ARTESIA, NEW MEXICO 88211-0840

95-43

1122

22095

DATE October 12, 20 04

PAY

REGISTERED **37,664 DOLS 74 CTS**
19074A9

\$ 37,664.74

TO THE
ORDER
OF

Pride Energy Company
P.O. Box 701950
Tulsa, OK 74170-1950

MYCO INDUSTRIES, INC.

TO

FIRST NATIONAL BANK
ARTESIA, NEW MEXICO

BY Sharon Snowden

⑆ 112200439⑆

⑈ 48812710⑈

DETACH BEFORE DEPOSITING CHECK

From Myco Industries, Inc. — Artesia, New Mexico 88211-0840

THE ATTACHED CHECK IS TENDERED IN FULL
SETTLEMENT OF THE ITEMS LISTED HEREON

22095

DATE

DESCRIPTION

AMOUNT

Oct. 12, 2004

Force Pooling AFE
State X #1

\$37,664.74

ABO PETROLEUM CORPORATION

26570

• YATES BLDG. • 105 SOUTH 4TH • ARTESIA, NEW MEXICO 88210

CODE	INVOICE NUMBER	INVOICE DATE	INVOICE AMOUNT	DISCOUNT	NET AMOUNT PAYABLE
kp	State X #1 10/12/04	10/04	37,664.74		\$37,664.74

CODES

- 1 - YOUR INVOICE
- 2 - YOUR CREDIT MEMO

THE ATTACHED CHECK IS IN FULL SETTLEMENT OF INVOICES LISTED ABOVE.
PLEASE DETACH THIS VOUCHER BEFORE DEPOSITING CHECK. NO RECEIPT NECESSARY.

APC

ABO PETROLEUM CORPORATION

26570

(505) 748-1471

YATES BLDG. • 105 SOUTH 4TH • ARTESIA, NEW MEXICO 88210

VALLEY BANK OF COMMERCE
ROSWELL, NEW MEXICO

95-312
1122

718537

ABO PETROLEUM CORP. 37664 DOLS 74 CTS

PAY TO THE ORDER OF: PRIDE ENERGY COMPANY
PO BOX 701950
TULSA OK 74170-1950

DATE OF CHECK

10 / 12 / 04

AMOUNT

37,664.74*****

John A. Yates

⑈026570⑈ ⑆112203122⑆ 001058355⑈

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

October 14, 2004

Via Federal Express/Facsimile

Pride Energy Company
Attn: John W. Pride
Kensington Tower
2250 East 73rd Street, Suite 550
Tulsa, OK 74136

RE: **Compliance with OCD order R-12108-A**
State X #1 a/k/a Limbaugh AYO State #1
Township 12 South, Range 34 East, N.M.P.M.
Section 12: W/2
Lea County, New Mexico

Dear Mr. Pride:

Yates Petroleum Corporation, Yates Drilling Company, Myco Industries, Inc., and Abo Petroleum Corporation under cover letter dated October 13, 2004 inadvertently omitted the Authority for Expenditure from the Federal Express sent on October 13, 2004 which included the monies for said Authority for Expenditure. Therefore, subject to our letter dated October 13, 2004, please find enclosed said Authority for Expenditure in compliance within the time frames contained in the current Order to avoid being considered as not participating under Order R-12108-A.

If you have any questions, please contact Chuck Moran at 505-748-4349.

Very truly yours,

YATES PETROLEUM CORPORATION

Chuck Moran
Landman

/tv
Enclosure(s)

Cc: Mark Fesmire, P. E.
New Mexico Oil Conservation Division
1211 South Saint Francis Drive
Santa Fe, New Mexico 87505

William F. Carr, Esquire
Holland & Hart & Campbell
110 North Guadalupe, Suite 1
P. O. Box 2208 87504-2208
Santa Fe, New Mexico 87501

James Bruce, Esquire
P. O. Box 1056
Santa Fe, New Mexico 87504-1056