



April 26, 2005

HAND-DELIVERED

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Energy, Minerals and
Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Application of Yates Petroleum Corporation to re-open Case No. 13153 to permit Yates to withdraw its election to participate in further operations on the State "X" Well No. 1 and hereafter be a "non-consenting working interest owner" in the well and, pursuant to the provisions of Order No. R-12108-C, to determine the reasonableness of the actual well costs to be refunded by Pride Energy Company to Yates Petroleum Corporation pursuant to this order, Lea County, New Mexico.

Dear Mr. Fesmire:

Enclosed is the application of Yates Petroleum Corporation in the above-referenced case as well as a copy of a legal advertisement. Yates Petroleum Corporation requests that this matter be placed on the docket for the May 19, 2005 examiner hearings.

Very truly yours,

William F. Carr

Enclosures

cc: Mr. Charles Moran
105 South Fourth Street
Artesia, New Mexico 88210-2118

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

2005 APR 26 PM 3 15

APPLICATION OF YATES PETROLEUM CORPORATION TO RE-OPEN CASE NO. 13153 PURSUANT TO THE PROVISIONS OF ORDER NO. R-12108-C FOR THE PURPOSE OF DETERMINING THE REASONABLE COSTS TO BE REFUNDED TO YATES PETROLEUM CORPORATION AND TO PERMIT YATES TO WITHDRAW ITS ELECTION TO PARTICIPATE IN FURTHER OPERATIONS ON THE STATE X WELL NO. 1 AND HEREAFTER BE TREATED AS A NON-CONSENT PARTY , LEA COUNTY, NEW MEXICO.

CASE NO. 13153

APPLICATION

YATES PETROLEUM CORPORATION, ("Yates") through its undersigned attorneys, hereby makes application to the Oil Conservation Division for an order (1) determining the reasonableness of the costs that Yates is entitled to recover from Pride Energy Company pursuant to the provisions of Order No. R-12108-C, and (2) authorizing Yates to withdraw its election to participate in further operations by Pride Energy Corporation to re-enter the State "X" Well No. 1 (API No. 30-025-01838) located 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 12, Township 12 South, Range 34 East, NMPM, Lea County, New Mexico.¹ In support of its application, Yates states:

1. Yates Petroleum Corporation, Yates Drilling Company, ABO Petroleum Corporation and MYCO Industries, Inc. (hereinafter collectively referred to as "Yates") own 100% of the working interest in State of New Mexico Oil and Gas Lease No. V-5855 that covers the N/2 and SE/4 of Section 12, Township 12 South, Range 34 East, NMPM, Lea County, New Mexico. The State "X" Well No. 1 is located on this tract at a point 1980 feet from the North line and 660 feet from the West line of Section 12 ("the State X Well").

2. Pride Energy Company ("Pride") owns the working interest in the SW/4 of Section 12.

3. On August 25, 2003 Yates filed an APD for a re-entry of the State "X" Well No. 1 to test the Mississippian formation and dedicated thereto a standard spacing unit comprised of its acreage in the N/2 of the Section 12. This APD was approved by the Division on August 26, 2003.

4. Also on August 26, 2003, the Division cancelled an APD previously approved

¹ Yates' original name for this well was the Limbaugh AYO State Well No. 1. however for the purposes of this application we refer to the well as the state "X" Well No. 1

for Pride for a Mississippian formation spacing unit comprised of the W/2 of Section 12. The Division stated the pride APD was cancelled because the N/2 of the entire N/2 of Section was leased to Yates 12. On September 5, 2003, Yates moved a rig onto the location and commenced re-working activities.

5. Pride filed an application with the District Office seeking an order (a) canceling the Yates APD, (b) re-instating its drilling permit and (c) halting Yates operations on its well. Pride also sought an order compulsory pooling the W/2 of this Section and designating it the operator of the Yates well and the Yates acreage in the NW/4 of this section.

6. On September 10, 2003, after Yates had commenced operations on the well, Pride filed an application seeking an order of the Oil Conservation Division (a) canceling the Yates drilling permit, (b) re-instating its drilling permit, (c) halting drilling operations, (d) pooling the W/2 of Section 12, and (e) designating Pride operator of the State "X" Well No. 1 and the acreage on which it is located. On that date, Pride also filed its request that the Division enter an emergency order requiring Yates to cease all operations on the subject well. No action on Pride's application for an emergency order was required because Yates agreed to voluntarily move the rig off location and stop its work on this well pending a decision by the Division on the Pride application.

7. Pride's application came on for hearing before a Division Examiner on March 3, 2004, subsequently the Division entered Order No. R-12108 granting Pride's application.

8. Yates appealed to the Oil Conservation Commission and on October 14, 2004, the Commission entered order No. R-12108-B again granting pride's application.

9. On September 13, 2003, Yates filed an application for *de novo* review of this decision of the Examiner pursuant to NMSA § 70-2-13 (1978).

10. A partial rehearing was granted by the Commission and on December 9, 2004, the Oil Conservation Commission entered Order No. R-12108-C which (1) granted the application of Pride Energy Company in this case pooling the W/2 of Section 12 and naming Pride operator of the well; (2) authorized a 200% charge for risk to be applied against all working interest owners who did not voluntarily join in the well and (3) directed Pride to refund to Yates the actual well costs incurred from August 25, 2003 through October 7, 2004 while operating pursuant to a Division-approved Application for Permit to Drill.

11. Pride assumed operations of the State "X" Well No. 1 in August 2004 and provided Yates with an AFE as required by the pooling order.

12. Yates provided a schedule of the actual well costs it incurred while working oin the well and Pride has objected to some of these costs.

13. On October 13, 2004, Yates also paid to Pride \$376,647.43, which was its share of Pride's AFE costs. Accordingly, Yates became responsible for its share of the actual well costs but was no longer liable for the risk charges set by the Division's pooling order.

14. On February 15, 2005, Pride commenced re-entry operations on the well.

15. On or about February 27, 2005, Pride experienced problems with the well and, being unsuccessful in its efforts to correct these problems, on March 10, 2005, released the rig. On or about March 26, 2005, Pride ceased working on the well.

16. Based on the limited information on the well provided by Pride, on March 10, 2005, Yates wrote Pride and recommended that the State "X" Well No. 1 be plugged and abandoned.

17. Yates received no written response to its March 10, 2005 letter and Pride has failed or refused to advise Yates of its decision concerning future operations on the State "X" Well No. 1. Therefore, on April 22, 2005, Yates again wrote Pride to (i) advise that Yates did not want to "spend any additional money pursuing the development of the well", (ii) renew its request that the well be plugged and abandoned, and (iii) request that, should Pride not plug the well, Yates be treated "as non-participating under the force pooling order and return our monies, less the reasonable costs incurred to date." Yates also requested that the parties meet to discuss the cost issue and to try to resolve the cost issues.

18. Yates' State of New Mexico Oil and Gas Lease No. V-5855 expires on July 1, 2005 and all activity has stopped on the State "X" Well No. 1.

19. Yates intends to protect its property interests in Section 12 and has contingency plans to drill at another location on the lease acreage if required to do so. However, Yates needs to know what Pride plans to do with the State "X" well. Accordingly, in its April 22, 2005 letter, Yates asked Pride to advise it of its plans for the well by 5:00 p.m. on April 25, 2005. A response was needed by this date, for if Pride did not respond, Yates had to file an application with the Division to bring the issues that remain concerning the State "X" Well No. 1 to a Division at its May 19, 2005 examiner hearing.

20. No response has been received from Pride.

WHEREFORE, Yates Petroleum Corporation requests that this matter be set for hearing before an examiner of the Oil Conservation Division on May 19, 2005 and that after notice and hearing the Division enter its order:

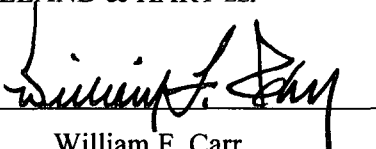
A. determining the reasonable well costs that Pride shall remit to Yates as the actual well costs that were incurred by Yates as part of its efforts to re-enter and return to production the State "X" Well No. 1 located in the NW/4 of Section 12;

B. ordering that as to any future operations on the State "X" Well No. 1, Yates Petroleum Corporation be treated as a "non-consenting working interest owner" under Order No. R-12108-C; and

C. ordering Pride to account for the well costs incurred to date and to refund to Yates its share of the AFE costs paid by Yates to Pride on October 13, 2004, that have not now been expended.

Respectfully submitted,

HOLLAND & HART LLP

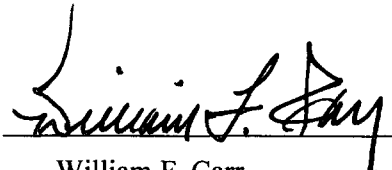
By: 

William F. Carr
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR YATES
PETROLEUM CORPORATION

CERTIFICATE OF SERVICE

I certify that I have caused a copy of the foregoing pleading to be delivered to Gail MacQuesten, Esq. Attorney for the Oil Conservation Division by Hand Delivery, David K. Brooks, Esq. Attorney for the Oil Conservation Commission by Hand Delivery and to James Bruce, Esq., attorney for Pride Energy Company, by facsimile [FAX NO. (505) 982-2151] on this 26th day of April, 2005.


William F. Carr

CASE 13153: Application of Yates Petroleum Corporation to re-open Case No. 13153 to permit Yates to withdraw its election to participate in further operations on the State "X" Well No. 1 and hereafter be a "non-consenting working interest owner" in the well and, pursuant to the provisions of Order No. R-12108-C, to determine the reasonableness of the actual well costs to be refunded by Pride Energy Company to Yates Petroleum Corporation pursuant to this order, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) authorizing Yates to withdraw its election to participate in further operations by Pride Energy Corporation to re-enter the State "X" Well No. 1 (API No. 30-025-01838) located 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 12, Township 12 South, Range 34 East, NMPM, Lea County, New Mexico and (2) determining the reasonableness of the actual well costs that Yates is entitled to recover from Pride Energy Company pursuant to the provisions of Order No. R-12108-C. Said unit is located approximately 12 miles west northwest of Tatum, New Mexico.



April 26, 2005

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. John Pride
Pride Energy Company
Post Office Box 701950
Tulsa, Oklahoma 74170

Re: Application of Yates Petroleum Corporation to re-open Case No. 13153 to permit Yates to withdraw its election to participate in further operations on the State "X" Well No. 1 and hereafter be a "non-consenting working interest owner" in the well and, pursuant to the provisions of Order No. R-12108-C, to determine the reasonableness of the actual well costs to be refunded by Pride Energy Company to Yates Petroleum Corporation pursuant to this order, Lea County, New Mexico.

Dear Mr. Pride:

This letter is to advise you that Yates Petroleum Corporation has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order (1) authorizing Yates to withdraw its election to participate in further operations by Pride Energy Corporation to re-enter the State "X" Well No. 1 (API No. 30-025-01838) located 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 12, Township 12 South, Range 34 East, NMPM, Lea County, New Mexico and (2) determining the reasonableness of the actual well costs that Yates is entitled to recover from Pride Energy Company pursuant to the provisions of Order No. R-12108-C.

This application has been set for hearing before a Division Examiner on May 19, 2005. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this amended application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-hearing Statement four days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the

HOLLAND & HART LLP



names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,

William F. Carr

ATTORNEY FOR YATES PETROLEUM CORPORATION

cc: Mr. Charles Moran
Yates Petroleum Corporation

James Bruce, Esq. (By Facsimile)
Attorney for Pride Energy Company