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DELIVER TO: David K. Brooks

COMPANY: Oil Conservation Division

CITY: Santa Fe, New Mexico

FAX NUMBER: (505) 476-3462

PAGES: 4 (including cover sheet)

DATE: 4/19/06

MEMO: David: FYI. Also faxed to Bill Carr.

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PRIDE ENERGY COMPANY

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Tulsa, OK 74170-1950
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April 19, 2006

Via FAX and US Mail

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

ATTN: Chuck Moran

RE: State X #1
W ½ of Section 12-T12S-R34E
Lea County, NM

Dear Mr. Moran:

In reference to your letter dated March 3, 2006, there were some questions you had regarding the above well.

Question: Have you identified the drilling rig you plan to use and it's capabilities?

Answer: Yes, Golden Eagle Drilling, Rig #1, capable of drilling to 15,000', with a combined 1,500 HP engines.

Question: What is the expected spud date?

Answer: Approximately the third or fourth week in May, 2006.

Question: Could you please provide a complete drilling and completion prognosis?

Answer: Yes (see copy enclosed).

Question: Do you plan to drill stem test any zones? No costs for drill stem tests shown on AFE.

Answer: No.

Question: Do you plan to have a mud logger on location and if so at what point in the drilling process?

Answer: Yes, when we reach approximately 9,500'.

Question: Do you plan to directly supervise the drilling and completion of the well with a company man on location or use a service contractor? If contractor, please identify the contractor.

Answer: Directly supervise the drilling and completion of the well with a company man on location.

Question: What methods do you plan to implement to provide current information for participants in the well? Current information being daily reports.

Answer: Daily drilling reports will be e-mailed to the personnel designated by the participants in the well.

Question: Are all permits on the well valid?

Answer: Yes.

Question: What is your financial ability as operator to keep the properties free of mechanical and material man liens?

Answer: We are financially able to drill and complete this well without any mechanical and material man liens.

Also, we propose all parties participating in the drilling of this well enter into a Joint Operating Agreement, equivalent to the one we entered into in the drilling of the State I-M well.

Please inform us of your decision to either participate in the drilling of the proposed well or not to participate.

Sincerely,

**John W. Pride
Pride Energy Company**

Drilling Prognosis

PEC - State X-1
Sec 12, T12S-R34E
Lea Co, NM

June 14, 2004

Geologic Tops:

Yates	2833	
San Andres	4184	
Glorieta	5614	
Tubb	7030	
Abo	7795	
Wolfcamp	9300	
Penn Series	9640	
Penn Zn (1)	10010-10025	***Potential Pay
Penn Zn (2)	10170-10210	***Potential Pay
Penn Zn (3)	10530-10540	***Potential Pay
Canyon 'A'	10670 10680	***Potential Pay
Canyon 'B'	10720-10810	***Potential Pay
L. Penn (1)	11180-11200	***Potential Pay
Atoka-Morrow	11520-?	
Miss	12070-12200	***Potential Pay
TD	12350	

*Hold mud wt at or below 9.8

*Bring Mud logger on @ 9500ft

*Potential need for RFT to be determined at logging point