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

#### IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

#### APPLICATION OF PRIDE ENERGY COMPANY FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

2006 APR 12 PM 22

#### **RESPONSE IN OPPOSITION TO MOTION TO DISMISS**

Pride Energy Company ("Pride") submits this response in opposition to the motion to dismiss filed by Yates Petroleum Corporation ("Yates").

#### A. LANDS INVOLVED

1. This case involves the pooling of the  $W\frac{1}{2}$  of Section 12, Township 12 South, Range 34 east, N.M.P.M., Lea County, New Mexico. Pride seeks to pool all depths from the surface to the base of the Mississippian formation, for all pools or formations developed on 320 acre spacing. Pride seeks permission to re-enter the existing State X Well No. 1, located in the NW<sup>1</sup>/4 of Section 12. In addition, Pride requests that the order entered herein approve the drilling of an infill well on the well unit.

2. Pride is the lessee of the SW¼ of Section 12. **Exhibit A**. Yates (and its sister companies) are the lessees of the NW¼ of Section 12.

B. <u>ARGUMENT</u>

1. Yates moves to dismiss the application based on three issues:

(a) Pride does not have the authority to re-enter the State X Well No. 1;

(b) Pride did not make a good faith effort to obtain the voluntary joinder of Yates; and

(c) there are outstanding issues regarding the first re-entry of the State X Well No. 1.<sup>1</sup>

These issues are addressed separately below:

2. <u>Authority to Re-Enter</u>: The State X Well No. 1 is located on Yates' lease. Thus, without pooling <u>or</u> a voluntary agreement, Pride agrees that it cannot enter onto Yates' lease to re-enter the well. However, Yates has steadfastly refused to enter into a voluntary agreement with Pride regarding the development of the W<sup>1</sup>/<sub>2</sub> of Section 12. Therefore, Pride filed its application herein. Certainly, once a pooling order is issued, Pride will have the necessary authority to enter onto Yates' lease to commence re-entry operations. NMSA 1978 §70-2-17.C. That legal principle is undisputed, and the Commission so held in the original pooling case involving this acreage. Order No. R-12108-C.

3. <u>Good Faith Effort</u>: As noted above, the initial re-entry attempt on the State X Well No. 1 was unsuccessful, and the original pooling order expired. However, Pride continued to have an interest in developing the  $W\frac{1}{2}$  of Section 12. As a result, Pride took the following steps:

(a) Counsel for Pride wrote to counsel for Yates in early December 2005 inquiring whether Yates would agree to the voluntary development of the W<sup>1</sup>/<sub>2</sub> of Section 12. Exhibit B. No response to this letter was ever received by Pride.

(b) Pride filed a new APD for the re-entry of the State X Well No. 1 in February 2006. Exhibit C.

<sup>&</sup>lt;sup>1</sup> Pride and Yates both participated in a re-entry of the State X Well No. 1 in 2005. That re-entry was unsuccessful.

(c) Counsel for Pride verbally inquired of opposing counsel in late February 2006 whether Yates would agree to enter into an operating agreement covering the  $W^{1/2}$  of Section 12. A few days later a response, in the negative, was received.

(d) Pride then sent Yates a well proposal, with an AFE, on February 24, 2006.Exhibit D.

(e) Yates sent a letter to Pride on March 3, 2006. Subsequently John Pride, one of the principles of Pride, called Chuck Moran of Yates to discuss matters between the companies. However, they could not come to terms.

The evidence shows that Pride took all steps normally required by the Division prior to seeking pooling. Yates' response to these proposals was simply to say "No." Yates has not proposed its own well, obtained an APD, requested Pride to join in an operating agreement, or filed a pooling application of its own.

The pooling statute requires the Division to pool the well unit if the parties cannot agree on a voluntary agreement. NMSA 1978 §70-2-17.C. It is clear that Yates will not enter into a voluntary agreement. As a result, Pride was <u>required</u> to file this pooling application in order to develop the  $W_{2}^{1/2}$  of Section 12. Yates' argument is without merit.<sup>2</sup>

Pride further notes that its lease expires on May 31, 2006, and thus time is of the essence in this application.

4. <u>Outstanding Issues</u>: Yates asserts that pooling should not be approved until the Division decides Case No. 13,531. While Pride also desires a decision in that case, it is

<sup>2</sup> If Yates believes the proposed re-entry is not economic, it has the right to go non-consent under a pooling order.

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not Pride's fault that an order has not been issued therein, and it has no bearing on the present case.<sup>3</sup>

#### C. <u>CONCLUSION</u>

Pride has made a good faith effort to obtain Yates' joinder in the development of the  $W\frac{1}{2}$  of Section 12. Yates refuses to voluntarily join in the well, and thus pooling is necessary. Pride will not enter onto Yates' lease until a pooling order is issued, and it has the legal right to do so. Therefore, Yates motion must be denied.

Respectfully submitted,

ames Bruce Post Office Box 1056 Santa Fe, New Mexico 87504 (505) 982-2043

Attorney for Pride Energy Company

#### CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 1277 day of April, 2006, in the manner indicated:

<u>Via fax</u> William F. Carr Holland & Hart LLP P.O. Box 2208 Santa Fe, New Mexico 87504 (505) 983-6043

Hand delivered Gail MacQuesten Oil Conservation Division 1220 South St. Francis Drive Santa Fe, New Mexico 87505

) MILLE

James Bruce

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Yates complains of \$84,391.58 that Pride is allegedly holding. Pride notes that Yates and its sister companies have not paid Pride approximately \$120,000 in unpaid joint interest billings on several wells.

4 Records found.

Lease Number:

### V0-6256-0000

Company name:	PRIDE ENERGY COMPANY
Company ID:	151323
Assigned from:	N/A
Total acres:	160.00
Prod stat:	N/A

#### Lease term:

Lease term:	FIVE(5) YEAR TERM, 1/6th ROYALTY
Issue date:	6/1/2001
Termination date:	Active
Termination reason:	N/A
Current term:	Primary Term

### **Billing information:**

Bill to:	PRIDE ENERGY COMPANY
Rent per acre:	0.50
Billing frequency:	Annual
Minimum annual rent:	80.00
Last bill date:	5/5/2005
Next bill date:	6/1/2006
Escalation:	0

#### Land information:

Section	Township	Range	Unit Letter	Lot	Tract	Acreage
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			Μ			40.00
			N			40.00



#### JAMES BRUCE ATTORNEY AT LAW

POST OFFICE BOX 1056 SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213 SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone) (505) 660-6612 (Cell) (5050 982-2151 (Fax)

jamesbruc@aol.com

December 9, 2005

William F. Carr Holland & Hart LLP P.O. Box 2208 Santa Fe, New Mexico 87504

Re: Pride/Yates

Dear Bill:

Regarding the future of the  $W\frac{1}{2}$  §12-12S-34E: Yates has completed a producing well in the  $E\frac{1}{2}$ , so the parties have to decide what to do in the  $W\frac{1}{2}$ . Although unsuccessful attempts were made in the past, is Yates willing to consider an acreage trade? And, if not, is Yates willing to enter into a JOA on the  $W\frac{1}{2}$ , as opposed to traveling down the compulsory pooling process again? And, I believe Yates' preference is to P&A the State X Well No. 1. However, Pride may be interested in re-entering the X-1 again, and so does not want to plug the well immediately. Let's discuss this.

Very truly yours,

James Bruce



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PRIDE ENERGY

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(918) 524-9200 + Fax (918) 524-9292 + www.pride-energy.com

Physical Address;

Kensington Tower 2250 East 73<sup>rd</sup> Street, Suite 550 Tulsa, OK 74136 Maliing Address: Email Address: P.O. Box 701950 Tuisa, OK 74170-1950 johnp@pride-energy.com

February 24, 2006

Yates Petroleum Corporation 105 S. 4<sup>th</sup> Street Artesia, NM 88210 Via Certified Mail Return Receipt # 91 3408 2133 3930 9391 7617

ATTN: Chuck Moran

RE: State "X" #1 W ½ of Section 12-T12S-R34E 1,980' FNL and 660' FWL Lea County, New Mexico

Mr. Moran:

In reference to the above, Pride Energy Company proposes to re-enter the wellbore and drill off of the cement plug, estimated top at 5,428' to a total depth of 12,400' to test the Mississippian Austin Cycle and/or Atoka Morrow and any other formations encountered.

Enclosed is an Authorization for Expenditure with a dry hole cost of \$1,263,200, completion cost of \$710, 500, for a total completed well cost of \$1,973,700.

Please inform us as soon as possible as to your intent to participate, or not, in this proposed well. If you decide to participate please sign and return the enclosed AFE. We would then send you a Joint Operating Agreement covering this unit.

Sincerely,

Vide

John W. Pride Pride Energy Company



jp4157.aj.doc

(918) 524-9200 + Fax (918) 524-9292 + www.pride-energy.com

Physical Address:

Kensington Tower 2250 East 73<sup>rd</sup> Street, Suite 550 Tulsa, OK 74136 Mailing Address; Email Address;

> Via Certified Mail Return Receipt #

91 3408 2133 3930 9391 7617

P.O. Box 701950 Tuisa, OK 74170-1950 johnp@pride-energy.com

February 24, 2006

Yates Drilling 105 S. 4<sup>th</sup> Street Artesia, NM 88210

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To Whom It May Concern:

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Sincerely,

Wite Com W.

John W. Pride Pride Energy Company

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(918) 524-9200 + Fax (918) 524-9292 + www.pride-energy.com

Physical Address:

Kensington Tower 2250 East 73<sup>rd</sup> Street, Suite 550 Tulse, OK 74136 Mailing Address: Email Address: P.O. Box 701950 Tulsa, OK 74170-1950 johnp@pride-energy.com

91 3408 2133 3930 9391 7631

Via Certified Mail

Return Receipt #

February 24, 2006

RE:

Abo Petroleum P.O. Box 900 Artesia, NM 88211-0900

NM 88211-0900 State "X" #1 W ½ of Section 12-T12S-R34E

W ½ of Section 12-T12S-R34E 1,980' FNL and 660' FWL Lea County, New Mexico

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Sincerely,

Vill

John W. Pride Pride Energy Company

jp4160.aj.doc

(918) 524-9200 + Fax (918) 524-9292 + www.pride-energy.com

Physical Address:

Kensington Tower 2250 East 73<sup>rd</sup> Street, Suite 550 Tuisa, OK 74136

Mailing Address: Email Address: P.O. Box 701950 Tulsa, OK 74170-1950 johnp@pride-energy.com

91 3408 2133 3930 9391 7624

Via Certified Mail Return Receipt #

February 24, 2006

Myco Industries P.O. Box 840 Artesia, NM 88211-0840

RE: State "X" #1 W ½ of Section 12-T12S-R34E 1,980' FNL and 660' FWL Lea County, New Mexico

To Whom It May Concern:

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Sincerely,

Aido

John W. Pride Pride Energy Company

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Location and road         15,000           Drilling rig:         city work         30         days at         \$14,000         per day         \$54,000           Bin         30         days at         \$54,000         per day         \$120,000           Mod. chamicals & daryage         30         days at         \$50,000         ext.         \$120,000           Mod. Chamicals & daryage         30         days at         \$10,000         per day         \$120,000           Open Nota Logging         2,000         freet at         \$10,000         per day, average         \$22,000           Capazineera         30         days at         \$10,000         per day, average         \$2000           Other Services         3         days at         \$10,000         per day, average         \$2000           Order Services         30         days at         \$10,000         per day, average         \$2000           Order Services         30         days at         \$10,000         per day, average         \$2000           Contingency         2006         2006         \$2000         \$2000         \$2000         \$2000         \$2000         \$2000         \$2000         \$2000         \$2000         \$2000         \$2000         \$2000		30	dav(s)	\$600	per day		18,000
Drilling rig:         dayw at         \$18,000         per day         \$40,000           Brin         30         days at         \$40,000         per day         \$120,000           Brin         5         brin at         \$90,000         each, average         \$40,000           Mid:         Chemicals & drayage         \$10,000         per day         \$10,000           Mid:         Dirgonal         \$10,000         per day, average         \$24,000           Depression         Status         \$10,000         per day         \$20,000           Equipment Rental         30         days at         \$10,000         per day         \$20,000           Order Services         2000         per day         \$20,000         \$20,000         \$20,000           Order Services         2000         per day         \$20,000         \$20,000         \$20,000           Contingenery         2004         \$20,000 <td< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td>15,000</td></td<>							15,000
mohilization         180,00           Bit         30         days at         \$4,000         per day         (120,001           Mitd, Ghenish & drayage         30,000         mitd, Ghenish & drayage         14,000           Mutd, Disposal         2,500         fiet at         \$10,000         per Hole Logating         2,500           Open Hole Logating         2,500         fiet at         \$10,000         per day         45,000           Open Hole Logating         30         days at         \$10,000         per day         30,000           Observation         30         days at         \$10,000         per day         \$10,000           Outside Services		30	davs at	\$18,000	) oer dav		540,000
Bits         5         bits at         \$90,000         each, average         45,000           Mind, Ghernisha & drayage         14,000         0,000         14,000         0,000         14,000         0,000         14,000         0,000         14,000         0,000         14,000         0,000         0,000         14,000         0,000         14,000         0,000         14,000         0,000         14,000         0,000         14,000         0,000         14,000         0,000         14,000         0,000         14,000         0,000         14,000         0,000         14,000         0,000         14,000         0,000         14,000         0,000         14,000 <td></td> <td></td> <td></td> <td>••••</td> <td>, <b>1</b>, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,</td> <td></td> <td>80,000</td>				••••	, <b>1</b> , 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,		80,000
Mod. Observices & deryage         90,000           Mod. Digscold         14,000           Open Refe Logging         2,300           Equipment Ramai         20           days at         \$10,00           protectional Services         3           Other Services         30           Other Services         90,000           Other Services         90,000           Other Services         90,000           Contingency         20%           Overtimed         51,000           Protectional Services         90,000           Contingency         20%           Overtimed         70,000           Priming tangibles         Total drilling intangibles           Oratingency         30,000           Prist equipment         3000           Weil hand couptonent         7,000           Prist equipment         30,000           Contingency         20%           Orating energibles         2,000           Location and road         2,000           Contingency         6           Orating environ         10,000           Conspletion intangibles         2,000           Locating and road         6,000 <tr< td=""><td>fuel</td><td>30</td><td>days at</td><td>\$4,000</td><td>) per day</td><td></td><td>120,000</td></tr<>	fuel	30	days at	\$4,000	) per day		120,000
Mata Disposal         14,000           Open Hole Logging         2,300         freet at         \$10,000         per foort         25,000           Buytoment Ramal         30         days at         \$8000         per day, average         24,000           Directional Services         3         days at         \$10,000         per day         45,000           Order Services         -         -         2000         \$2000         \$2000           Geologicat/Engineering         30         days at         \$1,000         per day         \$30,000           Overhead         -         2006         \$22,800         \$30,000         \$30,000           Orating insplotes         -         -         \$30,000         \$12,84,800         \$12,84,800           Orating insplotes         -         -         30,000 psi wp         7,000         \$12,94,800           Orating insplotes         -         -         30,000 psi wp         7,000         \$12,94,800           Priles equipment         -         -         30,000 psi wp         7,000         \$12,94,800         \$12,94,800         \$12,94,800         \$12,900         \$12,900         \$12,94,800         \$12,900         \$12,900         \$12,900         \$12,900         \$12,900		. 5	bits at	\$9,000	) cach, av	stage	45,000
Open Hole Logging         2,300         feet at \$10.00         per foot         25.00           Equipment Ramal         30         days at \$8000         per day, average         24.000           Directional Services         3         days at \$8000         per day         6000           Other Services         30         days at \$10.00         per day         6000           Other Services         30         days at \$10.00         per day         30.000           Contingency         20%         20%         20%         20.280           Overhead         Total drilling intangibles         31.284,960         7000         20%         20.280           Origing englibles         7000         Total drilling intangibles         51.284,960         7000           Completion intangibles         51.284,960         7000         7000         7000         7000         7000         7000         7000         7000         70000         7000 <td>Mud, chemicals &amp; drayage</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>50,000</td>	Mud, chemicals & drayage						50,000
Equipment Remain         30         days at         \$24000         per day, everage         24000           Directional Services         3         days at         \$9000         per day         45000           Other Services         0000         per day         0000         per day         0000           Other Services         30         days at         \$1,000         per day         \$9000           Geological/Oranization         1014 down         1014 down         1014 down         1016 down           Contingency         2006         202 300         2006         202 300         2006           Overhead         Total drilling intangibles         \$1,248 400         7.000         7.000         7.000           Prilere quagment         fent at         per foot         3.000 pai vp         7.000         7.000           Contingency         2.000         rest at signifies         3.000         7.000         7.000           Contingency         2.000         rest at signifies         3.000         7.000         7.000           Contingency         2.000         rest at signifies         3.000         7.000         7.000           Contingency         6         days at         \$3.000         7.000							
Directional Services         3         days at         9000         per day         45,000           Other Services         2,000         Geological/Engineering         30         days at         \$1,000         per day         90,000           Geological/Engineering         30         days at         \$1,000         per day         \$0,000           Contingency         20%         20%         20%         20,20%         20%         20%         20%         20%         20,40%         20,40%         20,40%         20,40%         20,40%         20,40%         20,40%         20,40%         20,40%         20,40%         20%		2,500	feet at	\$10.00			
Tracking         6 000           Other Services         2000           Geological/Engineering         30         days at         \$1,000         per day         90.000           Cootingency         20%         20%         20.000         33.000           Overthead         Total drilling intangibles         33.000         per foot         33.000           Casisa, intermedians         feut at         per foot         3.000 pai vp         7.000           Priling tangibles         Subtotal         7.000 <td></td> <td>the second s</td> <td></td> <td></td> <td></td> <td>average</td> <td></td>		the second s				average	
Other Services         2.000           Geological/Engineering         30         days at         \$1,000         per day         \$30,000           Contingency         20%         20%         20,200         32,000           Overthead         Total drilling intangibles         \$1,244,800         32,000           Prifting tangibles         fest at         per foot         00           Casing, intermediate         fest at         per foot         000           Well head acquipment         3,000 pel vp         7,000           Completion intangibles         Subtonial         7,000           Completion intangibles         Subtonial         7,000           Completion intangibles         2,000         20%         1,400           Completion intangibles         2,000         20%         1,400           Completion intangibles         2,000         2,000         2,000         2,000           Completion intangibles         2,000         2,000         2,000         2,000         2,000           Conspletion intangibles         2,000         2,000         2,000         35,000         2,000           Completion intangibles         6         days at         \$1,000         2,000         2,000		5	days at	9000	per day		
Geological/Engineering         30         days at         \$1,000         per day         30,000           Contingency         20%         20%         20%         22,90         20,90         22,90         20,90<			· · · · · · · · · · · · · · · · · · ·				
Souther and prime by the set of the se							
Contingency         20%         222,800           Overhead         38,000         38,000           Driting tangibles         Total drilling intangibles         \$1,254,800           Casing, intermediate         fost at         per foot         3,000 pil wp         7,000           Pride guipment         Subtoola         7,000         7,000         7,000         7,000           Completion intangibles         Subtoola         7,000         7,000         7,000         7,000           Completion intangibles         Subtoola         7,000	Geological/Engineering		days at	\$1,000	per day	California (	
Overhead         38.000           Dritting tangibles         Total drilling intangibles         \$1,254,800           Casing, intermediate         feet at         per foot         0           Well head equipment         \$1,000 psi wp         0         0           Veril head equipment         \$1,000 psi wp         0         0           Completion intangibles         \$20%         1,400         0           Completion intangibles         \$20%         1,400         0         0           Completion intangibles         \$20%         1,400         0         0         0           Consing creves, production         \$2,000         per day         11,000         0	Contin						
Drilling tangibles         Total drilling intangibles         \$1,254,800           Casing, intermediate         feet at         per foot         (0)           Well head equipment         3,000 psl wp         7,000           Contingency         20% (1,400         20% (1,400           Completion intangibles         20% (1,400         20% (1,400           Location and road         2,000         20% (1,400           Completion intangibles         2,000         20% (1,400           Completion intangibles         2,000         2,000           Completion and road         2,000         2,000           Completion intangibles         3,000         30,000           Completion readiation read         31,000         2,000           Completion readiation readiatin readiation readiation readiation readiation readiation		· · · · · · · · · · · · · · · · · · ·				2078	
Drilling tangelbles Casing, intermediate Casing, intermediate Casing, intermediate Cospletion intangibles Completion intangibles Location and road Location reatments Location GR-CBL Forwation Registration Registration Registration Registration Registration casing S days at S1,000 per day Subtoral 223,700 Location casing S days at S1,000 per day Subtoral 223,700 Location casing S days at S1,000 per day Subtoral 223,700 Location casing S days at S1,000 per day Subtoral 223,700 Location casing S days at S1,000 Per foot (17# & 20# N-80) Production tabing S days Registration Regist	Overnead					Total deilling integribles	
Cating intermediate     feet at     per foot     0       Weil head equipment     3,000 pei wp     7,000       Priost equipment     Subtotal     7,000       Contingency     20%     1,400       Completion intangibles     2,000     2,000       Location and road     2,000     2,000       Campletion intangibles     2,000     2,000       Completion intangibles     2,000     2,000       Completion intangibles     2,000     3,000 per day       Completion intangibles     3,000 per day     18,000       Completion restancests     2,000     2,000       Perforating and GR-CBL     33,000 per day     3,000       Perforation restancests     22,000     2,000       Perforation restancests     22,000     2,000       Completion stangents     6 days at \$2,000 per day     2,000       Weter or Diesel     3,000 per day     2,000       Supplies     2,000     2,000       Trucking     6 days at \$1,000 per day     7,200       Other Services     0,000     2,000       Contingency     2,000     2,000       Contingency     2,000     2,000       Contingency     2,000     5,000 piller       Contingency     2,000     5,000 piller </td <td>Drilling togoibles</td> <td></td> <td></td> <td></td> <td></td> <td>1 OCS1 OLUUNB III SURVICE</td> <td>91,2.34,000</td>	Drilling togoibles					1 OCS1 OLUUNB III SURVICE	91,2.34,000
Well head equipment         3,000 pail wp         7,000           Float equipment         Subtoral         7,000           Contingency         Subtoral         7,000           Contingency         Subtoral         7,000           Contingency         Subtoral         7,000           Contingency         Total drilling tangibles         20%           Location and road         2,000         2,000           Campletion intangibles         30,000         30,000           Completion intangibles         33,000         9er day         18,000           Completion intangibles         150,000         35,000         9er day         12,000           Performing and GR-CB1.         6         days at         \$2,000         9er day         12,000           Performing and GR-CB1.         6         days at         \$2,000         9er day         12,000           Routschout work         6         days at         \$1,200         9er day         7,200           Routschout work         6         days at         \$1,000         9er day         \$2,000           Routschout work         6         days at         \$1,000         9er day         \$2,000           Completion tangibles         7,200			feet at		ner foot		0
Float equipment         Subtotal         7,000           Contingency         20%         1,400           Completion integribles         20%         1,400           Location and read         2,000         58,400           Completion integribles         2,000         11,000           Completion integribles         2,000         11,000           Completion integribles         30,000         97 day           Completion tradition         30,000         97 day         30,000           Completion tradition         6         days at         \$3,000         97 day         12,000           Perforeing and GR-CBL         6         days at         \$2,000         97 day         12,000           Weter or Diesel         6         days at         \$2,000         97 day         \$2,000           Subtotal         20,000         97 day         12,000         97 day         \$2,000           Weter or Diesel         5         6         4007         \$2,000         97 day         \$2,000           Subtotal         20,000         97 day         \$2,000         97 day         \$2,000         90 days at         \$1,000         \$2,000         \$2,000         \$2,000         \$2,000         \$2,000						3,000 psi wp	7,000
Contingency         20%         1,400           Completion intangibles         S8,400           Location and read         2,000           Casing arway, production         11,000           Cementing, production         30,000           Completion rig         6         days at         \$3,000           Perforation treatments         33,000         18,000           Perforation treatments         150,000         35,000           Perforation treatments         6         days at         \$2,000           Building and GR-CBL         35,000         150,000         36,000           Perforation treatments         6         days at         \$2,000         12,000           Building         6         days at         \$2,000         12,000           Wetter or Disect         8,000         \$2,000         \$2,000         \$2,000           Supplies         7,200         4,000         \$2,000         \$2,000         \$2,000         \$2,000         \$2,000         \$2,000         \$2,000         \$3,000         \$2,000         \$2,000         \$2,000         \$2,000         \$2,000         \$2,000         \$2,000         \$2,000         \$2,000         \$2,000         \$2,000         \$2,000         \$2,000         \$2							0
Total drilling tangibles     S8,400       Location and road     2,000       Casing revex, production     11,000       Completion rig     6     days at     \$3,000       Perforating and GR-CB1     53,000     per day     150,000       Perforating and GR-CB1     53,000     per day     150,000       Equipment Rentals     6     days at     \$2,000       Vertorating and GR-CB1     53,000     per day     150,000       Equipment Rentals     6     days at     \$2,000     per day     12,000       Water or Disect     6     days at     \$1,200     per day     4,000       Other Services     0     days at     \$1,200     per day     6,000       Engineering     8     days at     \$1,000     per day     6,000       Completion tangibles     7,200     6,000     \$0,000     \$0,000       Contrigency     2,300     per day     5,000     \$0,000       Completion tangibles     702,000     \$1,200     per day     \$2,000       Production casing     5 ½     12,300     feet at     \$1,5.00     per foot (17# & 20# N-80)     190,650       Downhole Equipment     10,000     10,000     10,000     \$2,000     \$2,000     \$2,000							7,000
Completion intangibles       2,000         Location and road       11,000         Carnenting, production       30,000         Consisting trows, production       30,000         Constitution interaction       30,000         Construction       30,000         Construction interaction       30,000         Construction interaction       30,000         Construction interaction       35,000         Performation treatments       6         days at \$1,000       per day         Water or Diesel       8,000         Supplies       2,500         Trucking       6         Konstabout work       6         days at \$1,200       per day         Other Services       6,000         Engineering       8       days at \$1,000         Conspletion tangibles       7,200         Conspletion tangibles       3530,000         Production casing       5 ½       12,300         Production casing       5 ½ <td>Contingency</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>1,400</td>	Contingency						1,400
Location and road         2,000           Casing creve, production         11,000           Completion rig         6         days at         \$3,000         per day         18,000           Pertorating and GR-CBL         6         days at         \$3,000         per day         18,000           Pertorating and GR-CBL         35,000         per day         120,000         35,000           Pertorating and GR-CBL         6         days at         \$2,000         per day         120,000           Pertorating and GR-CBL         6         days at         \$2,000         per day         120,000           Water or Diesel         8,000         8,000         8,000         8,000         8,000           Supplies         2,500         per day         7,200         6,000         6,000         8,000         2,096         5,000         2,93,700         2,096         5,300         2,096         5,352,500         7,000         2,096         5,352,500         7,000         2,096         5,352,500         2,096         5,352,500         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000						Total drilling tanglibles	\$8,400
Location and road         2,000           Casing creve, production         11,000           Completion rig         6         days at         \$3,000         per day         18,000           Pertorating and GR-CBL         6         days at         \$3,000         per day         18,000           Pertorating and GR-CBL         35,000         per day         120,000         35,000           Pertorating and GR-CBL         6         days at         \$2,000         per day         120,000           Pertorating and GR-CBL         6         days at         \$2,000         per day         120,000           Water or Diesel         8,000         8,000         8,000         8,000         8,000           Supplies         2,500         per day         7,200         6,000         6,000         8,000         2,096         5,000         2,93,700         2,096         5,300         2,096         5,352,500         7,000         2,096         5,352,500         7,000         2,096         5,352,500         2,096         5,352,500         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000							
Casing crows, production       11,000         Cementing, production       30,000         Completion rig       6       days at       \$3,000       per day       18,000         Perforating and GR-CBI.       35,000       35,000       35,000       35,000         Performating and GR-CBI.       35,000       98,000       35,000       150,000         Caulpment Rentals       6       days at       \$2,000       98,000       \$8,000         Supplies       2,500       71 usking       4,000       \$8,000       \$8,000         Registrout work       6       days at       \$1,200       per day       7,200         Other Services       6,000       50,000       98,000       \$1,200       98,800       \$2,300         Contingency       20%       \$8,000       \$2,000       \$2,000       \$2,000       \$2,000         Contingency       20%       \$8,800       \$357,500       \$357,500         Contingency       20%       \$1,2300       feet at       \$15.50       per foot (17# & 20# N-80)       190,650         Production casing       5 ½       12,300       feet at       \$15.50       per foot       4.7 ppf, N-80, EUE, 8 rd thd       67,650         Downhole Equipment							
Cententing, production         30,000           Completion rig         6         days at         \$3,000         per day         18,000           Perforation reactments         35,000         150,000         35,000         25,000         25,000         25,000         25,000         26,000         20%         58,800         20%         58,800         20%         58,800         20%         58,800         20%         58,800         20%         58,800         20%         20%         58,800         20%         20%         58,800         20%         20%         58,800         20%         20%         58,800         20%         20%         59,000         20%         59,000         20%         59,000         20%         59,000         20%         59,000         20%         59,000         20%         <							
Completion rig         6         days at         \$3,000         per day         18,000           Perforating and GR-CB1.         35,000         35,000         35,000         35,000         35,000         35,000         35,000         150,000         35,000         150,000         35,000         150,000         35,000         150,000         35,000         150,000         35,000         150,000         35,000         150,000         35,000         150,000         35,000							
Perforating and GR-CBL         35,000           Formation treatments         150,000           Equipment Restals         6         days at         \$2,000         per day         12,000           Water or Diesel         8,000         \$3,000         \$3,000         \$3,000         \$35,000           Supplies         2,500         \$3,000         \$3,000         \$3,000         \$3,000           Roustebout work         6         days at         \$1,200         per day         \$3,000           Roustebout work         6         days at         \$1,200         per day         \$3,000           Considerating         8         days at         \$1,000         per day         \$3,000           Contingency         20%         \$5,800         \$3,0							
Formation treatments         150,000           Equipment Rentals         6         days at         \$2,000         per day         12,000           Water or Diesel         8,000         8,000         8,000         8,000           Supplies         2,500         4,000         8,000         8,000         8,000           Recestabout work         6         days at         \$1,200         per day         7,200           Other Services         6,000         6,000         8,000         8,000         8,000           Contingency         8         days at         \$1,000         per day         8,000           Consupletion tangibles         9         8,000         20%         58,800         704           Production casing         5 ½         12,300         feet at         \$15.50         per foot (17# & 20# N-80)         190,650           Ploat equipment         2,300         feet at         \$15.50         per foot (17# & 20# N-80)         190,650           Production tabing         2 ½         12,300         feet at         \$15.50         per foot (17# & 20# N-80)         190,650           Production tabing         2 ½         12,300         feet at         \$15.50         per foot (17# & 20# N-80)         190,		<u> </u>	days at	\$3,000	per day		
Equipment Rentals         6         days at         \$2,000         per day         12,000           Water or Diesel         8,000         5,000         8,	Periorating and GK-CBL						
Water or Diesel         8,000           Supplies         2,500           Trucking         4,000           Roustabout work         6         days at \$1,200 per day         7,200           Other Services         6,000         6,000         6,000           Engineering         8         days at \$1,000 per day         8,000           Contingency         8         days at \$1,000 per day         8,000           Completion tangibles         90,650         704         20% 58,800           Production casing         5 ½         12,300 feet at \$15.50 per foot (17# & 20# N-80)         190,650           Pleat equipment         5,000 psi wp         8,000           Weil head         5,000 psi wp         8,000           Production tubing         2 ½         12,300 feet at \$15.50 per foot (17# & 20# N-80)         190,650           Downhole Equipment         10,000         7,000         2,000         2,000           Production tubing         2 ½         12,300 feet at \$5.50 per foot         4.7 ppf, N-80, EUE, 8 rd thd         67,650           Downhole Equipment         10,000         10,000         10,000         10,000           Production taugineer         2,000         2,000         2,000         2,000			day of	to 000	non den		
Supplies         2,500           Trucking         4,000           Rousstabout work         6         days at \$1,200 per day         7,200           Other Services         6,000         6,000         6,000           Engineering         8         days at \$1,000 per day         8,000           Contingency         20%         58,800         20%           Completion tangibles         Total completion intagibles         \$352,500           Production casing         5 ½         12,300 feet at \$15.50 per foot (17# & 20# N-80)         190,650           Production tabing         2 ½         12,300 feet at \$5.50 per foot 4.7 ppf, N-80, EUE, 8 rd thd         67,650           Downhole Equipment         10,000         900 per day         10,000         10,000           Production tabing         2 ½         12,300 feet at \$5.50 per foot 4.7 ppf, N-80, EUE, 8 rd thd         67,650           Downhole Equipment         10,000         10,000         10,000         10,000           Production Equipment         2,000         10,000         10,000         10,000           Production Equipment         2,000         5,000 psi wp         8,000           Other Seriges         2,000         5,000 psi wp         8,000           Contingency <t< td=""><td></td><td>0</td><td>CRA2 ST</td><td>\$2,000</td><td>percay</td><td></td><td></td></t<>		0	CRA2 ST	\$2,000	percay		
Trucking         4,000           Rousstabout work         6         days at \$1,200 per day         7,200           Other Services         6,000         6,000           Engineering         8         days at \$1,000 per day         6,000           Contingency         8         days at \$1,000 per day         6,000           Contingency         8         days at \$1,000 per day         8,000           Completion tangibles         Total completion initagibles         \$352,500           Production casing         5 ½         12,300         feet at \$15.50         per foot (17# & 20# N-80)         190,650           Production casing         5 ½         12,300         feet at \$15.50         per foot (17# & 20# N-80)         190,650           Production tabing         2 ½         12,300         feet at \$15.50         per foot (17# & 20# N-80)         190,650           Production tabing         2 ½         12,300         feet at \$5.50         per foot 4.7 ppf, N-80, EUE, 8 rd thd         67,650           Downhole Equipment         10,000         10,000         18,000         18,000         18,000           Flowtines         2,000         Subtotal         298,300         2,000         53,58,000           Contingency         20% 59,700				·····			
Roustabout work         6         days at         \$1,200         per day         7,200           Other Services         6,000         6,000         6,000         6,000         6,000         6,000         6,000         6,000         6,000         6,000         6,000         6,000         6,000         6,000         6,000         6,000         6,000         6,000         6,000         5,000         58,800         20%         58,800         20%         58,800         20%         58,800         5352,500         58,800         700         20%         58,800         20%         58,800         20%         58,800         20%         58,800         20%         50,000         psi wp         8,000         8,000         8,000         8,000         8,000         8,000         8,000         8,000         8,000         90,650         2,000         8,000         90,650         2,000         8,000         90,650         2,000         8,000         8,000         8,000         8,000         8,000         90,650         2,000         8,000         90,650         2,000         8,000         90,650         2,000         8,000         90,650         90,000         90,000         90,000         90,000         90,000         90,000         <			· · · · · · · · · · · · · · · · · · ·				
Other Services         6,000           Engineering         8         days at         \$1,000         per day         8,000           Contingency         20%         \$8,800         20%         \$8,800           Completion tangibles         Total completion intagibles         \$352,500           Production casing         5 ½         12,300         feet at         \$15.50         per foot (17# & 20# N-80)         190,650           Ploat equipment         5,000 psi wp         8,000         2,000         \$000 psi wp         8,000           Production tabing         2 ½         12,300         feet at         \$5.50         per foot (17# & 20# N-80)         190,650           Production tabing         2 ½         12,300         feet at         \$5.50         per foot (17# & 20# N-80)         190,650           Production tabing         2 ½         12,300         feet at         \$5.50         per foot (17# & 20# N-80)         190,650           Downhole Equipment         10,000         190,650         \$1,000         \$1,000         \$1,000           Production tabing         2 ½         12,300         feet at         \$5.50         per foot         4.7 ppf, N-80, EUE, 8 rd thd         67,650           Contingency         20%         59,700 <td></td> <td></td> <td>daw at</td> <td>\$1.200</td> <td>on day</td> <td></td> <td></td>			daw at	\$1.200	on day		
Engineering         8         days at         \$1,000         per day         8,000           Contingency         20%         58,800         20%         58,800           Completion tangibles         Total completion intagibles         \$357,500           Production casing         5 ½         12,300         feet at         \$15.50         per foot (17# & 20# N-80)         190,650           Float equipment         2,000         2,000         2,000         2,000         2,000           Well head         5,000 psi wp         8,000         8,000         9,000         9,000           Production tabing         2 ½         12,300         feet at         \$5.50         per foot         4.7 ppf, N-80, EUE, 8 rd thd         67,650           Downhole Equipment         10,000         190,650         2,000         2,000         2,000         2,000           Production Equipment         10,000         18,000         18,000         18,000         18,000         2,000         2,000           Contingency         20% 59,700         20% 59,700         20% 59,700         20% 59,700         20% 59,700           Contingency         20% 59,700         20% 59,700         20% 59,700         20% 59,700         20% 59,700         20% 59,700			uays at	51,200	per uay	· · · · · · · · · · · · · · · · · · ·	
Subtotal         293,700           Contingency         20%         58,800           Total completion intagibles         \$352,500           Production casing         5 ½         12,300         feet at         \$15.50         per foot (17# & 20# N-80)         190,650           Ploat equipment         2,000         2,000         2,000         2,000         2,000           Production tabing         2 ½         12,300         feet at         \$5.50         per foot         4.7 ppf, N-80, EUE, 8 rd thd         67,650           Downhole Equipment         10,000         Production tabing         2 ½         12,300         feet at         \$5.50         per foot         4.7 ppf, N-80, EUE, 8 rd thd         67,650           Downhole Equipment         10,000         Production Equipment         10,000         Subtotal         298,300           Contingency         20%         59,700         Subtotal         298,300           Approved:         Mark         Date:         M		8	dave et	\$1.000	ner dav		
Contingensy         20%         58,800           Completion tangibles         Total completion intagibles         \$357,500           Production casing         5 ½         12,300         feet at         \$15.50         per foot (17# & 20# N-80)         190,650           Production casing         5 ½         12,300         feet at         \$15.50         per foot (17# & 20# N-80)         190,650           Production casing         5 ½         12,300         feet at         \$15.50         per foot (17# & 20# N-80)         190,650           Well head         5,000 psi wp         8,000         \$000         \$190,650         2,000           Production tubing         2 ½         12,300         feet at         \$5.50         per foot         4.7 ppf, N-80, EUE, 8 rd thd         67,650           Downhole Equipment         10,000         128,000         2,000         5,000         5,9,700         2,000         2,000         2,000			days at	01,000	per ouy	Subtotal	
Total completion integibles         S352,500           Production casing         5 ½         12,300         feet at         \$15.50         per foot (17# & 20# N-80)         190,650           Ploat equipment         2,000         2,000         2,000         2,000           Weil head         \$,000 psi wp         8,000         8,000         98,000           Production tabing         2 ½         12,300         feet at         \$5.50         per foot         4.7 ppf, N-80, EUE, 8 rd thd         67,650           Downhole Equipment         10,000         10,000         10,000         10,000         10,000           Production Equipment         10,000         2,00	Contingency						
Completion tangibles         Froduction casing         5 ½         12,300         feet at         \$15.50         per foot (17# & 20# N-80)         190,650           Float equipment         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         10,000         10,000         10,000         10,000         10,000         10,000         10,000         10,000         2,000         2,000         2,000         2,000         2,000         10,000         10,000         10,000         10,000         10,000         10,000         2,000         <						المتحقق ومنتجب يشتقنه ويرار ومعروف فالمتحصين والمتحصين والمتحصين والمتحد	
Production casing         5 ½         12,300         fest at         \$15.50         per foot (17# & 20# N-80)         190,650           Ploat equipment         2,000         2,000         2,000         2,000         2,000         2,000         9,0	Completion tangibles					I VIAI COMPRESSION MURBORS	20024000
Float equipment         2,000           Weil head         \$,000 psi wp         8,000           Production tubing         2 %         12,300         feet at         \$5.50         per foot         4.7 ppf, N-80, EUE, 8 rd thd         67,650           Downhole Equipment         10,000         10,000         18,000         18,000         7           Production Equipment         2,000         20%         59,700         20%         59,700           Contingency         20%         59,700         20%         59,700         20%         59,700           Contingency         20%         59,700         Total completion tangibles         \$358,000           Approved:         Mark M. Midde         Date:         217/06         Completed well cost:         \$1,263,200           Vour Interest         Your Total Cost         \$1,973,700         Your Total Cost         \$1,973,700		12 300	feet at	\$15 50	ner foot (17	1# & 20# N_80)	190.650
Weil head         5,000 psi wp         8,000           Production tabing         2 ½         12,300         feet at         \$5.50         per foot         4.7 ppf, N-80, EUE, 8 rd thd         67,650           Downhole Equipment         10,000         18,000         18,000         18,000         18,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         2,000         59,300         2,000<			loot at	410,00	201 1001 (11		
Production tubing       2 ½       12,300       feet at       \$5.50       per foot       4.7 ppf, N-80, EUE, 8 rd thd       67,650         Downhole Equipment       10,000         Production Equipment       18,000         Flowlines       2,000         Contingency       20%       59,700         Contingency       20%       59,700         Total completion tangibles       \$358,000         Approved:		<u></u>				5.000 psi wp	8,000
Downhole Equipment       10,000         Production Equipment       18,000         Flowlines       2,000         Contingency       20%         20%       59,700         Total completion tangibles       \$358,000         Approved:       Mark N. Mille         Pride mergy Company       Date:         Approved:       Date:         Your Total Cost       \$1,973,700         Your Total Cost       Your Total Cost		12,300	feet at	\$5.50	ner foot		
Production Equipment       18,000         Flowlines       2,000         Contingency       20% 59,700         Contingency       20% 59,700         Total completion tangibles       \$358,000         Approved:							10,000
Flowlines       2,000         Subtotal       298,300         Contingency       20%         20%       59,700         Total completion tangibles       \$358,000         Approved:		· · · · · · ·					18,000
Contingency       20%       59,700         Total completion tangibles       \$358,000         Approved:	Flowlines						2,000
Approved: Date:						Subtotal	298,300
Approved: Date: Date: Date: Date: Date: Date: Date: Dry hole cost: S1,263,200 Completed well cost: \$1,263,200 Completed well cost: \$1,973,700 Your Interest Your Total Cost	Contingency						59,700
Approved: Date: Date: Completed well cost: \$1,973,700 Pride Barry Company Vour Interest Your Total Cost						Total completion tangibles	\$358,000
Approved: Date: Date: Completed well cost: \$1,973,700 Pride Barry Company Vour Interest Your Total Cost	<u> </u>						
Pride Baergy Company Your Interest Approved: Date: Your Total Cost	Annual ( by b) Vara		Nonla	<i>c</i>			\$1,263,200
Approved: Date: Your Total Cost		Date:	<u><u>n</u>r[100</u>	<b>9</b>		Completed well cost:	\$1,973,700
Approved: Date:	Price Haergy Company						
	Annound-	•				Your Total Cost	
T WITH BUILDER UWINET		Date:					
	working interest Owner						

The costs on this AFE are estimates only and may not be construed as ceilings on any specific item or the total cost of the project. In executing this AFE, the participant agrees to pay its proportionate share of actual costs incurred, including legal, curative, regulatory, brokenage and well costs under the terms of the applicable joint operating agreement, regulatory order or other agreement covering this well. The Operator may contract with an affiliated entity to drill the well at prevailing rates in the area. Participant shall be covered by and billed proportionately for Operator's well control and general liability insurance unless participant provides Operator a certificate evidencing its own insurance in amounts acceptable to the Operator by the date of spud.