

**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 AND APPROVAL  
OF AN UNORTHODOX OIL WELL LOCATION,  
LEA COUNTY, NEW MEXICO.**

**Case No. 13,824**

**VERIFIED STATEMENT OF JOHN W. PRIDE**

John W. Pride, being duly sworn upon his oath, deposes and states:

1. I am a landman for Pride Energy Company, and have personal knowledge of the matters stated herein.

2. Pursuant to Division Rule 1207.A(1)(b), the following information is submitted in support of the compulsory pooling application filed herein:

(a) The parties being pooled are unleased mineral owners. No opposition to this case is expected because the locatable interest owners have been contacted regarding the proposed well, and have simply not decided whether to lease their interests to Pride Energy Company or to join in the well. In addition, there are some unlocatable owners.

(b) A plat outlining the lands being pooled, and marking the location of the subject well, is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests from the surface to the base of the Permo-Pennsylvanian formation underlying the following described acreage in Section 9, Township 11 South, Range 33 East, NMPM, Lea County, New Mexico:

(i) the SW $\frac{1}{4}$ NE $\frac{1}{4}$  to form a standard 40 acre oil and spacing and proration unit for any formations and/or pools developed on 40 acre spacing; and

(ii) the S $\frac{1}{2}$ NE $\frac{1}{4}$  to form a standard 80 acre oil and spacing and proration unit for any formations and/or pools developed on 80 acre spacing, including the North Bagley Permo-Pennsylvanian Pool.

The units will be dedicated to the Bagley Well No. 2, to be drilled at a location 1905 feet from the north line and 2130 feet from the east line of Section 9. This location

Oil Conservation Division  
Case No. \_\_\_\_\_  
Exhibit No. 1

was chosen because of surface terrain issues and the proximity of the well location to surface improvements.

(c) The parties being pooled, their last known addresses, and their interests in the well units, are:

Chisos, Ltd. 670 Dona Ana Road, SW Deming, NM 88030	1/128
Edge Petroleum Exploration Co. 1301 Travis St., Suite 2000 Houston, TX 77002	1/64
Pure Energy Group, Inc. 153 Treeline Park, Suite 220 San Antonio, TX 78209	1/128
Virginia R. Glenn, Trustee of the Virginia Glenn Trust P.O. Box 663 Midland, TX 79702	1/128
Judith A. Bench, a/k/a Judith A. Moseley Bench P.O. Box 733 Brownwood, TX 76804	1/128
Deborah Bench, a/k/a Deborah Smith 5003 Brunswick Circle Midland, TX 79705-2607	1/128

The mineral interests in the S $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 9 are undivided. Therefore, the ownership of the persons being pooled is the same in each well unit.

(d) Copies of the proposal letters sent to the mineral interest owners are attached hereto as Exhibit B.

(e) The interest owners named below are unlocatable:

Judith A. Bench, a/k/a Judith A. Moseley Bench; and

Deborah Bench, a/k/a Deborah Smith.

To locate these interest owners, Pride Energy Company examined the Lea County records, telephone directories and county records in the counties of residence of the out-of-state owners, and internet directories.

(f) Pride Energy Company has made a good faith effort to locate all interest owners, and to obtain their voluntary joinder in the proposed well.

(g) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit C. The drilling and completion costs set forth therein are fair and reasonable, and are comparable to those of other wells of this depth drilled in this area of Lea County.

(h) Overhead charges of \$7330/month for a drilling well, and \$767/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for well of this depth.

(i) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against the non-consenting interest owner.

(j) Applicant requests that it be designated operator of the well.

VERIFICATION

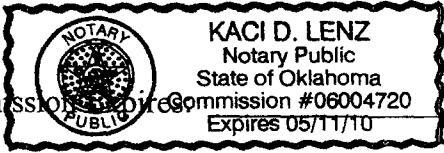
STATE OF OKLAHOMA   )  
  ) ss.  
COUNTY OF WAGONER   )

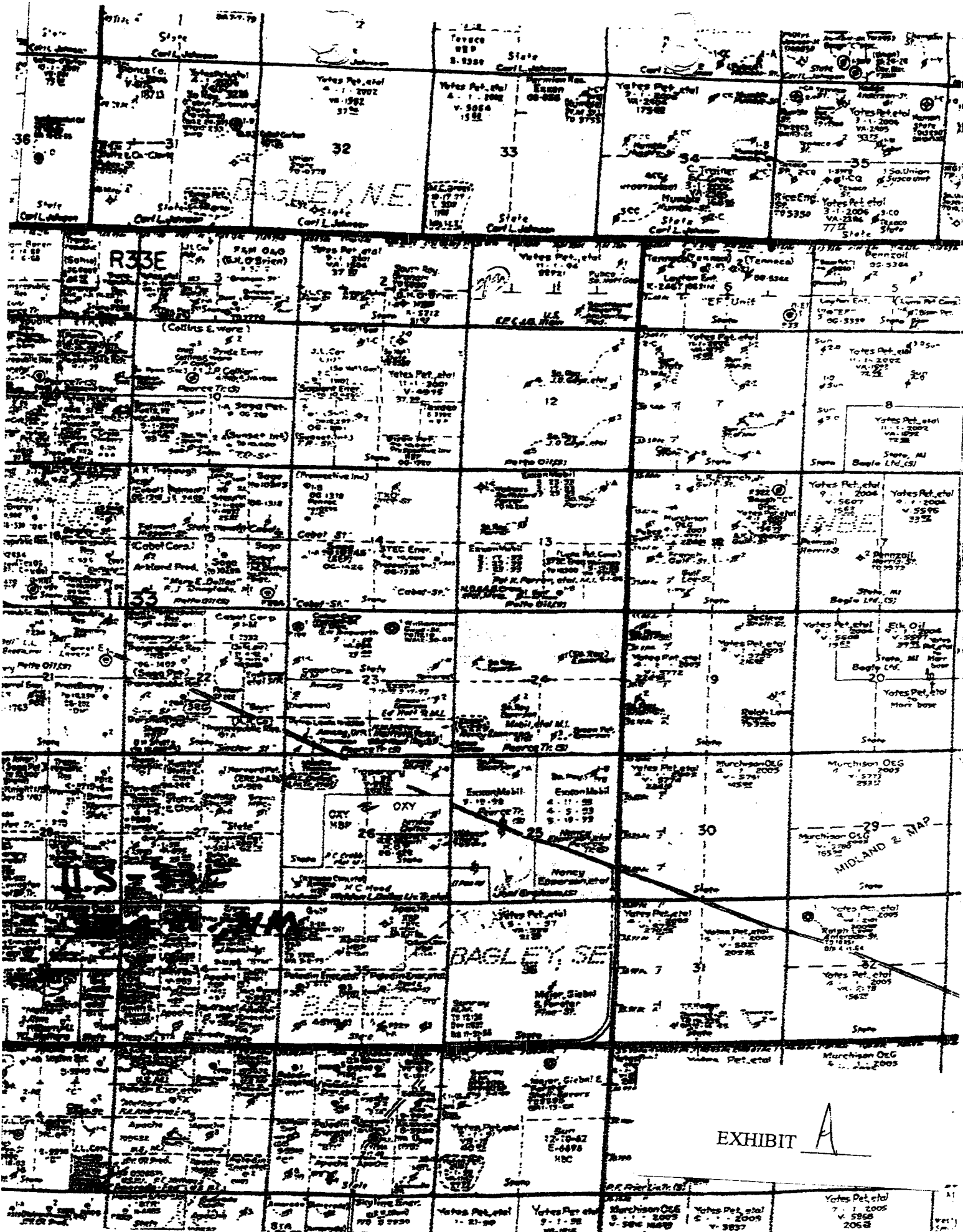
John W. Pride, being duly sworn upon his oath, deposes and states that: He is a landman for Pride Energy Company; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.

John W. Pride  
John W. Pride

SUBSCRIBED AND SWORN TO before me this 27<sup>th</sup> day of November, 2006 by  
John W. Pride.

Kaci D. Lenz  
Notary Public

My Commission Expires  KACI D. LENZ  
Notary Public  
State of Oklahoma  
Commission #06004720  
Expires 05/11/10



BAGLEY, NE

BAGLEY, SE

MIDLAND & MAP

EXHIBIT A

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R33E

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# 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  
Tulsa, OK 74136

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

October 3, 2006

Via Certified Mail  
Return Receipt #

RE: Bagley #1 or #1-A and Bagley #2 Proposed Wells  
N ½ NE ¼ and S ½ NE ¼ of Section 9, Township 11 South, Range 33 East  
Lea County, New Mexico

To Whom It May Concern:

In reference to the above, Pride Energy Company hereby proposes two wells for the NE ¼ of Section 9-T11S-R33E. The first proposed well, called the Bagley #1 is a re-entry of a currently plugged and abandoned wellbore located in the N ½ NE ¼ at 560' fnl and 560' fel of Section 9 and will be a 10,360' Pennsylvanian test. An Authorization for Expenditure is enclosed in the amount of \$180,056 Dry Hole Cost and \$738,284 Completed Cost.

If we are unsuccessful in being able to utilize said wellbore, we hereby propose as an alternate wellbore for the N ½ NE ¼ a new wellbore to be drilled, the Bagley #3, a 10,350' Pennsylvanian test, to be drilled at a legal location in the N ½ NE ¼. An Authorization for Expenditure is enclosed in the amount of \$2,073,640 Dry Hole Cost and \$2,857,040 Completed Cost.

Additionally, we hereby propose the drilling of a new wellbore, the Bagley #2, a 10,500' Pennsylvanian test, to be located in the S ½ NE ¼ of Section 9-11S-33E at 1,830' fnl and 2,130' fel of the Section. An Authorization for Expenditure is enclosed, in the amount of \$2,073,640 Dry Hole Cost and \$2,857,040 Completed Cost.

We are hereby offering to lease your oil and gas mineral interest for \$200 per net acre, 3/16 royalty, 3 year term or for \$0 per net acre, ¼ royalty, 3 year term.

If you are interested in participating in the drilling of the proposed wells, please sign the enclosed Authorization for Expenditures and return them, along with a check for your proportionate share of the Completed Well Cost.

Thank you for your immediate attention and response.

Sincerely,

John W. Pride  
Pride Energy Company

EXHIBIT B

## Respondent List – Pooling

S ½ NE ¼ of Section 9, T 11S, R 33E, Lea County, New Mexico.

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### Mineral Owner

Yeager Resources, a Partnership  
P.O. Box 990  
Midland, TX 79702-0990

Seven Ways Minerals, Ltd.  
214 W. Texas Ave., Suite 200  
Midland, TX 79702-3142

Patsy Hinchey Family Partnership  
P.O. Box 3142  
Midland, TX 79702-3142

Chisos, Ltd.  
670 Dona Ana Road, SW  
Deming, NM 88030

Edge Petroleum Exploration Co.  
1301 Travis St., Suite 2000  
Houston, TX 77002

Pure Energy Group, Inc.  
153 Treeline Park, Suite 220  
San Antonio, TX 78209

F. Ferrell Davis  
P.O. Box 3061  
Midland, TX 79702

Paul Davis Ltd.  
P.O. Box 871  
Midland, TX 79702

Collins Partners, Ltd.  
5000 Burnet Road  
Austin, TX 78756

Sealy & Company  
6100 Western Place  
Ft. Worth, TX 76107

Virginia R. Glenn, Trustee of the  
Virginia Glenn Trust  
P.O. Box 663  
Midland, TX 79702

Judith A. Bench, a/k/a Judith A. Moseley Bench  
P.O. Box 733  
Brownwood, TX 76804

Deborah Bench, a/k/a Deborah Smith  
5003 Brunswick Circle  
Midland, TX 79705-2607



Pride Energy Company  
 POB 701950 (74170)  
 2250 E. 73<sup>rd</sup> St., Ste. 550  
 Tulsa, OK 74136  
 918 524 9200 office  
 918 524 9292 facsimile

September 28, 2006

Authorization for Expenditure

Well: Bagley #2  
 Section 9 - T11S - R33E  
 1,830' FNL & 2,130' FEL

Proposed Depth: 10,500'  
 Primary Objectives: Pennsylvanian

**Drilling intangibles**

Water	47	day(s)	\$600	per day	28,200
Location and road					25,000
Drilling rig: daywork mobilization	47	days at	\$22,000	per day	1,034,000
fuel	47	days at	\$3,000	per day	141,000
Bits	5	bits at	\$9,000	each, average	45,000
Mud, chemicals & drayage					50,000
Mud Disposal					14,000
Open Hole Logging	2,500	feet at	\$10.00	per foot	25,000
Equipment Rental	47	days at	\$1,000	per day, average	47,000
Directional Services		days at		per day	
Trucking					15,000
Other Services					5,000
Geological/Engineering	47	days at	\$1,500	per day	70,500
				Subtotal	1,599,700
Contingency				20%	319,940
Overhead					10,000

**Total drilling intangibles \$1,929,640**

**Drilling tangibles**

Surface Casing: 13 3/8"	357	feet at	\$35	per foot	12,495
Casing, intermediate: 8 5/8"	4,150	feet at	\$20	per foot	85,000
Well head equipment				3,000 psi wp	7,000
Float equipment					0
Cement for Surf. & Int. Csg					30,000
				Subtotal	120,000
Contingency				20%	24,000
				<b>Total drilling tangibles</b>	<b>\$144,000</b>

**Completion intangibles**

Location and road					35,000
Casing crews, production					15,000
Cementing, production					40,000
Completion rig	6	days at	\$4,000	per day	24,000
Perforating and GR-CBL					35,000
Formation treatments					30,000
Equipment Rentals	6	days at	\$2,000	per day	12,000
Water or Diesel					8,000
Supplies					2,500
Trucking					5,000
Roustabout work	6	days at	\$1,200	per day	7,200
Other Services					6,000
Engineering	8	days at	\$1,100	per day	8,800
				Subtotal	228,500
Contingency				20%	91,400
				<b>Total completion intagibles</b>	<b>\$319,900</b>

**Completion tangibles**

Production casing: 5 1/2	10,500	feet at	\$16.00	per foot (17# & 20# N-80)	168,000
Float equipment					2,000
Well head				5,000 psi wp	8,000
Production tubing: 2 7/8	10,500	feet at	\$6.50	per foot 6.5 ppf, N-80, EUE, 8 rd thd	68,250
Downhole Equipment					10,000
Production Equipment					18,000
Flowlines					2,000
Sucker Rods					30,000
Pumping Unit					60,000
Tank Battery					20,000
				Subtotal	386,250
Contingency				20%	77,250
				<b>Total completion tangibles</b>	<b>\$463,500</b>

Approved: _____	Date: _____	Dry hole cost:	\$2,073,640
Pride Energy Company		Completed well cost:	\$2,857,040
Approved: _____	Date: _____	<b>Your Interest</b>	
Working Interest Owner		<b>Your Total Cost</b>	

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 proportionate share of actual costs incurred, including legal, curative, regulatory, brokerage and well costs under the terms of the applicable joint operating agreement.

EXHIBIT C