

JAMES BRUCE
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jamesbruce@aol.com

RECEIVED

SEP 12 2003

Oil Conservation Division

September 10, 2003

Via Fax and Hand Delivery

Lori Wrotenbery
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Case 13153

Dear Ms. Wrotenbery:

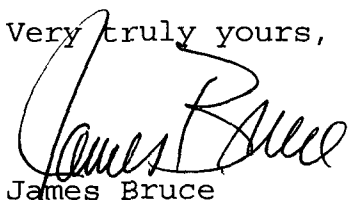
Very truly yours,

Enclosed for filing are an original and one copy of an application for cancellation and re-instatement of an APD, etc., together with a proposed advertisement, filed on behalf of Pride Energy Company. Please set this matter for the October 9, 2003 Examiner hearing.

Pursuant to Rule 1202, applicant requests entry of an emergency order in this matter. I cannot express in writing what I think of the actions of the Hobbs District Office. I request the Division to enter an order forthwith placing the action of the District Office in abeyance pending a full hearing.

By fax I am notifying Yates' attorney of this application.

Very truly yours,



James Bruce

Attorney for Pride Energy Company

cc: William F. Carr w/encl.
David K. Brooks w/encl.

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

RECEIVED

SEP 15 2003

Oil Conservation Division

APPLICATION OF PRIDE ENERGY COMPANY
FOR CANCELLATION OF A DRILLING PERMIT
AND RE-INSTATEMENT OF A DRILLING PERMIT,
AN EMERGENCY ORDER HALTING OPERATIONS,
AND COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

Case No. 13153

APPLICATION

Pride Energy Company, for its application, states:

PARTIES, LANDS, AND WELL

1. Applicant is Pride Energy Company ("Pride"). Pride owns the working interest in State Lease V-6256, covering the SW¼ of Section 12, Township 12 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

2. The adverse parties are Yates Petroleum Corporation ("Yates"), Yates Drilling Company, Abo Petroleum Corporation, and Myco Industries, Inc. Yates et al. collectively own the working interest in State Lease V-5855 covering the N½ and SE¼ of Section 12, Township 12 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

3. The well unit involved is the W½ of Section 12. Pride plans to re-enter and deepen the existing State "X" Well No. 1, located 1980 feet from the north line and 660 feet from the west line of Section 12.

DRILLING PERMITS AND EMERGENCY ORDER

4. On July 16, 2003, Pride obtained an approved Application for Permit to Drill ("APD") covering the W½ of Section 12, and the State "X" Well No. 1. A copy of the APD is attached hereto as Exhibit A. Pursuant to Division regulations, the APD is valid for

one year.

5. In furtherance of its plans, during this time frame Pride contacted Yates in writing and by phone in an effort to obtain the voluntary joinder of Yates et al. in its well proposal. Yates stated that they'd respond to the proposal, but never did.

6. On or about September 9, 2003, Pride determined that Yates was re-entering the State "X" Well No. 1. Pride immediately called the Division's Hobbs District Office, and was informed that its APD had been canceled. A letter dated August 26, 2003 from the Division, attached hereto as Exhibit B, was faxed to Pride on September 9th. **The letter was never received by Pride in the U.S. Mail.**

7. The Division, in its letter of August 26th, states as reason for cancellation of Pride's APD that the N½ is leased to another operator, and no Form C-103's have been filed with the Division by Pride.

8. The Hobbs District Office then re-instated an expired Yates APD on the N½ of Section 12.

9. The actions of the Hobbs District office are illegal and contrary to Division regulations, for the following reasons:

- (a) Pride's APD is valid for one year. There is no Division regulation authorizing the Division to unilaterally change that time period. Filing of Form C-103's is not necessary for the maintenance of the APD.
- (b) The Hobbs District Office cannot unilaterally change or ignore duly adopted Division regulations.

- (c) The revocation of the APD was done without notice to Pride, and violates its due process rights.
- (d) Yates had previously had an approved APD affecting the NW¼ of Section 12 for **two years**, but had done nothing on this acreage. Furthermore, Yates had filed no Form C-103's during this period, yet its APD was not revoked by the Hobbs District Office.
- (e) It is immaterial that the N½ is leased to another operator. An operator, whether under voluntary agreement or under a compulsory pooling order, has the right to drill on another person's lease. If that was not the case, New Mexico's pooling statutes would be meaningless.

10. The actions of the Hobbs District Office in revoking Pride's APD give new meaning to the term "arbitrary and capricious." If its action is not reversed, there is no need for the Division's rules and regulations: All that is necessary is an arbitrary decision of the District Office acting as it sees fit.

11. In the TMBR/SHARP-Arrington-Ocean cases (Order No. R-11700, etc.), decided in 2002 and 2003, the Commission held that conflicting APD's should not be issued by the Division. The Hobbs District Office avoids those orders by the simple expedient of illegally canceling one permit and granting another.

WHEREFORE, applicant requests that:

- A. The Yates APD be canceled;
- B. The Pride APD be re-instated; and

C. An emergency order be issued under Division Rule 1202 requiring Yates to cease all operations in the NW¼ of Section 12 pending resolution of this matter.

COMPULSORY POOLING

12. Applicant is a working interest owner in the W½ of Section 12, and has the right to drill a well thereon.

13. Applicant proposes to re-enter and deepen drill the State "X" Well No. 1, at an orthodox well location in the SW¼NW¼ of the section, to a depth sufficient to test the Mississippian formation, and seeks to dedicate the W½ of Section 12 to the well to form a standard 320 acre gas spacing and proration unit for any and all formations and/or pools developed on 320 acre spacing within that vertical extent, including the Undesignated Four Lakes-Morrow Gas Pool and Undesignated Four Lakes-Mississippian Gas Pool.

14. Applicant has in good faith sought to obtain the voluntary joinder of all other interest owners in the W½ of Section 12 for the purposes set forth herein.

15. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the W½ of Section 12, pursuant to NMSA 1978 §70-2-17.


16. The pooling of all mineral interests underlying the W½ of Section 12 will prevent the drilling of unnecessary wells, prevent

waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interest owners in the W½ of Section 12 from the surface to the base of the Mississippian formation;
- B. Designating applicant as operator of the well;
- C. Considering the cost of re-entering, deepening, and completing the well, and allocating the cost thereof among the well's working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure;
- E. Setting a penalty for the risk involved in, re-entering, deepening and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James Bruce", is written over a horizontal line.

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

Attorney for Pride Energy Company

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-101
Revised June 10, 2003

JUL 21 2003

Submit to appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address Pride Energy Company PO Box 701602 Tulsa, OK 74170-1602		² OGRID Number 151323
		³ API Number 30 - 025-01838
³ Property Code 32545	³ Property Name State "X"	⁴ Well No. 1

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	12	12 S	34 E		1980	North	660	West	Lea

⁸ Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

⁹ Proposed Pool 1

Four Lakes Mississippian

¹⁰ Proposed Pool 2

Four Lakes Merrow / 1000

¹¹ Work Type Code E	¹² Well Type Code G	¹³ Cable/Rotary R	¹⁴ Lease Type Code S	¹⁵ Ground Level Elevation 4138.4
¹⁶ Multiple No	¹⁷ Proposed Depth 13,019'	¹⁸ Formation Mississippian	¹⁹ Contractor Unknown	²⁰ Spud Date ASAP

²¹ Proposed Casing and Cement Program

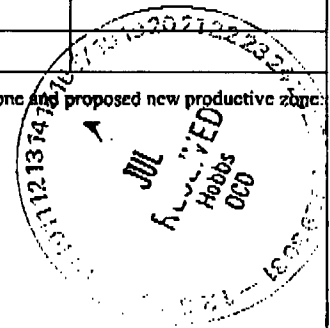
Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17 1/2"	13 3/8"	48#	389' in place	325 sx	Circulated
12 1/4"	9 5/8"	36#	4307' in place	1700 sx	Circulated
8 1/4"	5 1/2"	17# & 20#	0 to 13,019'	1000 sx	T.O.C. 6000'

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

(See attached)

Permit Expires 1 Year From Approval
Date Unless Drilling Underway

176-8174-X



²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief.		OIL CONSERVATION DIVISION	
Signature: <i>John W. Pride</i>		Approved by: ORIGINAL SIGNED BY PAUL F. KAUTZ	
Printed name: John W. Pride		Title: PETROLEUM ENGINEER	
Title: President of Pride Oil & Gas Co., Inc., as General Partner of Pride Energy Company		Approval Date: JUL 16 2003	Expiration Date:
E-mail Address: johnp@pride-energy.com			
Date: July 10, 2003	Phone: 918-524-9200	Conditions of Approval:	
		Attached <input type="checkbox"/>	



District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Avenue, Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico

Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

Form C-102

Revised June 10, 2003

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-01838		² Pool Code 97053 & 97082		³ Pool Name Four Lakes Mississippian & Four Lakes Morrow	
⁴ Property Code 32545		⁵ Property Name State "X"			⁶ Well Number 1
⁷ OGRID No. 151323		⁸ Operator Name Pride Energy Company			⁹ Elevation 4138.4

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	12	12 S	34 E		1980	North	660	West	Lea

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 320	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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West Half of Section.

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

¹⁶	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature: <i>John W. Pride</i> John W. Pride Printed Name President of Pride Oil & Gas Co., Inc., as General Partner of Pride Energy Company: johnp@pride-energy.com Title and E-mail Address: July 8, 2003 Date
	¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. See original plat. Date of Survey Signature and Seal of Professional Surveyor: Certificate Number

SEP-09-03 TUE 12:48 PM

FAX:

PAGE 2



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSONGovernor
Joanna Frankop
Cabinet Secretary**Lori Wrotenberg**
Director**Oil Conservation Division**

August 26, 2003

Pride Energy Co
ATT: John W Pride
P O Box 701602
Tulsa OK 74170

RE: CANCELLATION OF INTENT TO RE-ENTER

State X #1-ESec. 12, T-12s, R-34sAPI # 30-025-01838

Gentlemen:

With further review of the area, the North half of this section is leased to another operator. The Oil Conservation Division Hobbs office at this time has to cancel Division Form C-101, Notice of Intent to Re-Enter the subject well that was approved July 19, 2003. To date no progress reports, form C-103, have not been received.

If drilling has been done, please file subsequent reports of this work immediately to bring this file into current status. If you have further questions on this matter, please contact Chris Williams (505) 393-6161 ex 102 or Donna Mull (505) 393-6161 ex 115.

Truly yours,

OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "Chris Williams".

Chris Williams
District I, Supervisor

CW:dm

CC: OCD Santa Fe
OCD Hobbs
BLM
State Land Office

Oil Conservation Division * 1625 N. French Drive * Hobbs, New Mexico 88240
Phone: (505) 393-6161 * Fax (505) 393-0720 * <http://www.emand.state.nm.us>



PROPOSED ADVERTISEMENT

Case 13153 : Application of Pride Energy Company for cancellation of a drilling permit and re-instatement of a drilling permit, an emergency order halting operations, and compulsory pooling, Lea County, New Mexico. Applicant seeks an order canceling one drilling permit and re-instating another drilling permit, ordering operations halted on the well unit, and pooling all mineral interests from the surface to the base of the Mississippian formation underlying the W $\frac{1}{2}$ of Section 12, Township 12 South, Range 34 East, NMPM, to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, including the Undesignated Four Lakes-Morrow Gas Pool and Undesignated Four Lakes-Mississippian Gas Pool. The unit is to be dedicated to the existing State "X" Well No. 1, located at an orthodox well location in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 12. Also to be considered will be the cost of re-entering, deepening, and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in re-entering, deepening, and completing the well. The unit is located approximately 12 miles west-northwest of Tatum, New Mexico.