

PRIDE ENERGY COMPANY

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

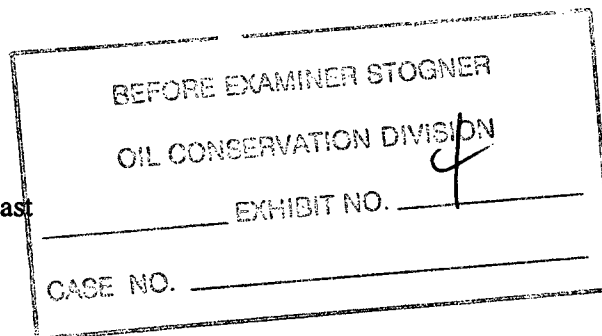
Physical Address: Kensington Tower
2250 East 73rd Street, Suite 550
Tulsa, OK 74136

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

July 15, 2003

Yates Petroleum Corporation
105 South 4th Street
Artesia, NM 88210

RE: State "X" #1
W ½ of Section 12, Township 12 South, Range 34 East
Lea County, New Mexico



Gentlemen:

In reference to the above, Pride Energy Company hereby proposes the re-entering of the State "X" #1 wellbore, located in the center of the SW ¼ NW ¼, being 1980' fml and 660' fwl of Section 12, T12S, R34E, Lea County, New Mexico, to a depth of 13,019, to test the Atoka/Morrow &/or Austin Cycle Mississippian.

A stand-up 320-acre unit is being proposed, consisting of the W ½ of Section 12-T12S-R34E. Enclosed are two copies of our Authorization for Expenditure reflecting estimated costs of \$239,852 for a dry hole and \$628,291 as a completed well. If Yates is interested in participating, please so indicate by signing the enclosed AFE and returning to the address above. If Yates is not interested in participating, perhaps we can farm-in or purchase Yates interest.

If you have any questions, please feel free to contact me at 918-524-9200.

Sincerely,

John W. Pride
Pride Energy Company

Certified Mail, Return Receipt #7002-2410-0007-1841-6005

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none">Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.Print your name and address on the reverse so that we can return the card to you.Attach this card to the back of the mailpiece, or on the front if space permits.	<p>A. Signature </p> <p>B. Received by (Printed Name) KATHY DONAGHE</p> <p>C. Date of Delivery 7/18/03</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p> <p>JUL 24 2003</p>
<p>1. Article Addressed to:</p> <p>Yates Petroleum Corp. 105 S. 4th St. Artesia NM 88210</p>	<p>3. Service Type</p> <p><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>2. Article Number (Transfer from service label)</p> <p>7002 2410 0007 1841 6005</p>	

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

jp3303.hq

Drilling Intangibles									
Water, Fresh	10	days at	\$	500	per day			\$	5,000.00
Location and Road								\$	9,500.00
Drilling Rig		Daywork	10	days at	\$	7,500	per day	\$	75,000.00
		Mobilization						\$	30,000.00
		Fuel	10	gpd at	\$	600.00	per day	\$	6,000.00
Bits	2	bits	\$	5,500	per bit			\$	11,000.00
Mud, Chemicals and Drayage	13019	feet at	\$	2.00	per foot			\$	26,038.00
Mud Disposal bpf 0.30	80	bbbls/load	\$	130.00	per load			\$	6,348.00
Open Hole Logging	3000	feet at	\$	7.00	per foot			\$	21,000.00
Equipment Rental	10	days at	\$	400	per day			\$	4,000.00
Cementing, Intermediate								\$	4,500.00
Casing Crews, Intermediate								\$	2,200.00
Trucking								\$	4,000.00
Other Services								\$	2,000.00
Geological / Engineering	10	days at	\$	600	per day			\$	6,000.00
Administrative Overhead	10	days at	\$	167	per day			\$	1,667.00
Contingency							10%	\$	21,425.00
Total Drilling Intangibles								\$	235,676.00

Drilling Tangibles									
Wellhead Equipment							3,000 psi wp	\$	3,000.00
Float Equipment								\$	800.00
Contingency							10%	\$	380.00
Total Drilling Tangibles								\$	4,180.00

Completion Intangibles									
Location & Road								\$	4,000.00
Casing Crew, Production								\$	8,000.00
Cementing, Production								\$	18,000.00
Completion Rig	6	days at	\$	2,500	per day			\$	15,000.00
Perforating, GR-CBL, Cmt. Retainer								\$	35,000.00
Formation Treatments								\$	85,000.00
Equipment Rentals	6	days at	\$	300	per day			\$	1,800.00
Water or Diesel								\$	3,000.00
Supplies								\$	2,000.00
Trucking								\$	3,000.00
Roustabout Work	3	days at	\$	1,000	per day			\$	3,000.00
Other Services								\$	3,000.00
Engineering and Supervision	8	days at	\$	600	per day			\$	4,800.00
Administrative Overhead	8	days at	\$	167	per day			\$	1,336.00
Contingency							10%	\$	18,694.00
Total Completion Intangibles								\$	205,630.00

Completion Tangibles									
Production Casing 5 1/2"	13019	feet at	\$	7.00	per foot		17 ppf & 20 ppf	\$	91,133.00
Float Equipment								\$	2,000.00
Wellhead Equipment							5,000 psi wp	\$	8,000.00
Production Tubing 2 7/8"	13019	feet at	\$	3.00	per foot		6.5 ppf, N-80, EUE, 8 rd thd	\$	39,057.00
Downhole Equipment								\$	10,000.00
Production Equipment								\$	15,000.00
Flowlines								\$	1,000.00
Contingency							10%	\$	16,619.00
Total Completion Tangibles								\$	182,809.00

				Dry Hole Cost:	\$	239,856.00
Approved	Company	Date		Completion Cost:	\$	388,439.00
Working Interest:				Total Completed Well Cost:	\$	628,295.00