

November 1, 1999

The Oil Conservation Division  
 2040 So. Pacheco Street  
 Santa Fe, NM 87505

NOV - 4 1999  
 OIL CONSERVATION DIVISION

RE: Case #12278  
 Arco State #1 & #2  
 Lea County, NM

Ladies & Gentlemen:

Nielson & Associates, as a working interest owner in the above wells, recently voted in favor of EGL Resources, Inc. as new operator of the wells. The previous operator, Pride Energy Company, was not administratively complying with the terms of the Joint Operating Agreement to our satisfaction. Specifically, Pride paid both oil & gas revenues from the property on an extremely delayed schedule, often accumulating three or more months of production before disbursement. We expect to receive revenues within 30 to 60 days from the end of the production month, and preferably from the purchaser directly. The following is a synopsis of our actual revenues received under Pride's operating:

<u>Production Month</u>	<u>Check Date</u>	<u>Received in Mail Date</u>	<u>Total check Amount</u>
6/98,7/98,8/98 9/98, 10/98	12/31/98	03/16/99	\$972.67
11/98	01/18/99	02/08/99	\$171.43
1/99,2/99,3/99	05/27/99	06/07/99	\$903.13
4/99,5/99,6/99	08/05/99	08/23/99	\$1127.06
12/98,1/99,2/99	05/05/99	09/30/99	\$116.49
7/99	9/10/99	10/07/99	\$383.08

On the joint interest billing side we believe that Pride has over charged for monthly administrative overhead based on the original JOA rate and escalated per COPAS. We never received a response to our letter asking for their overhead calculation. There were also several thousands of dollars in SWD credits that were consistently missing from the JIBs from June 1998 through June 1999.

We finally received these credits on a Pride Energy check dated 9/28/99. There were several months in which we did not receive a JIB at all, and had to request copies of such after seeing the charges on our accounts receivable statement several months later.

It is for these reasons that Nielson & Associates seeks a change in operator of the wells in hopes that revenues will be paid and expenses accounted for on a more consistent and timely basis.

Sincerely,

A handwritten signature in cursive script that reads "Amy Brosious".

Amy C. Brosious  
Controller