

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

IN THE MATTER OF THE APPLICATION OF
PRAIRIE SUN, INC. FOR FORCED POOLING
EDDY COUNTY, NEW MEXICO

CASE NO. 12236

RESPONSE TO MOTION TO DISMISS

COMES NOW Prairie Sun, Inc. (Prairie Sun) and files its response to Exxon

Corporation's (Exxon) Motion to Dismiss Prairie Sun's application. In support thereof, Prairie Sun states:

1. On July 30, 1999, Prairie Sun filed an application for compulsory pooling of the E/2 of Section 28, Township 23 South, Range 29 East, N.M.P.M. from the top of the Wolfcamp Formation through the base of the Morrow Formation to form a standard 320-acre spacing and proration unit for all pools or formations developed on 320-acre spacing. The spacing unit is to be dedicated to the Laguna Grande No. 1 Well. The Laguna Grande well No. 1 was drilled to test the Morrow foundation some years prior to the filing of the application and is in a temporarily abandoned status. Prairie Sun seeks to re-enter the well in an attempt to re-establish production from the Morrow Formation as a primary objective with secondary objectives being the Wolfcamp, the Strawn, and the Atoka formations.

2. In its Motion, Exxon states that Prairie Sun's well proposal was sent to Exxon after the pooling application was filed. Such a representation is false, and apparently Exxon has not been candid with its counsel.

3. Beginning in January, 1999, H.E. Lee, as agent for Prairie Sun, began calling Exxon offices in Midland, Texas. Each time Mr. Lee attempted to contact Mr. Randy

Lewicki, whom he understood to be the head of the Land Department of Exxon in Midland at that time. Upon each call Mr. Lee was given Mr. Lewicki's voice mail, whereupon a message was left for Mr. Lewicki to call Mr. Lee about the aboved described proposal. Mr. Lewicki never returned Mr. Lee's calls.

3. Once it became apparent that Mr. Lewicki would not return his phone calls, Mr. Lee began to write Exxon Corporation. By letter dated March 3, 1999, Mr. Lee attempted to get Exxon's participation in the reworking operation or a farm-out from Exxon. A copy of the March 3, 1999 well proposal is attached hereto as Exhibit "A". Mr. Lee received no response to the March 3, 1999 letter.

4. On April 20, 1999, Mr. Lee wrote a follow-up letter not only to Exxon's headquarters in Midland, Texas, but also to Exxon headquarters in Houston, Texas. Copies of those two letters are attached hereto as Exhibits "B" and "C". Prairie Sun's well proposal was attached to each letter.

5. These letters were sent to the addresses as shown. These letters were not returned to Mr. Lee, and no response was ever received from Exxon. Mr. Lee then began calling every month to Exxon in Midland, Texas to attempt to talk to someone in the Land Department. At each time he called the Exxon Land Department, a secretary determined the area that he was concerned with and directed his call to the person who was in charge of that area. Each time he was answered by a voice mail, whereupon, a message was left describing the proposal. No response was ever made by Exxon.

6. An application for forced pooling was then filed with the OCD as previously stated, along with one last attempt to get Exxon to agree to participate or farm out its interest. .

7. Approximately ten days to two weeks ago, Mr. Bob Matthew of Exxon called Mr. Lee. Mr. Matthew related that he had seen Prairie Sun's forced pooling action and that Exxon did not wish to join, and that they would have an attorney file an opposition to the pooling action. Mr. Matthew then stated to Mr. Lee that Exxon would be willing to sell Prairie Sun a term assignment for a period of 18 months on the entire 1,760 acres under the lease, which included the acreage involved in the forced pooling application. Exxon wanted \$275 per acre, and would turn a 75% net revenue interest to Prairie Sun. Mr. Lee advised that Prairie Sun was not interested in that large of an acreage position, and again asked that Exxon consider a farm out on the 160 acres or participation with Prairie Sun. Mr. Matthew advised that Exxon did not want to join or farm out.


8. Prairie Sun attempted for more than six months to negotiate with Exxon as related above. As indicated by the telephone conversations between Mr. Matthew and Mr. Lee, Exxon has no intention to further negotiate concerning its participation in the project. Compliance with §70-2-17 N.M.S.A. 1978 has been made in good faith by Prairie Sun as evidenced by the recited facts. Exxon has not in good faith responded to Prairie Sun's efforts and further, the filing of the Motion based on its recital of facts and the failure to advise the Division of its attempt to force Prairie Sun to purchase a term assignment of the entire 1,760 acres is evidence of its own bad faith and abuse of the rules of the Division.

9. Therefore, Prairie Sun's application, Case No. 12236, must not be dismissed.

WHEREFORE, Prairie Sun requests that this commission deny the relief sought by Exxon and that the hearing on its application proceed as scheduled on September 2, 1999.

Respectfully submitted,

LOSEE, CARSON, HAAS & CARROLL, P.A.

By: 
Ernest L. Carroll
P.O. Box 1720
Artesia, NM 88211-1720
(505)746-3505

Attorneys for Prairie Sun, Inc.

CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing pleading to be mailed to counsel of record this August 26, 1999.


Ernest L. Carroll

Mr. James Bruce
P.O. Box 1056
Santa Fe, NM 87504

Mr. Rand L. Carroll
Oil Conservation Division
2040 S. Pacheco St.
Santa Fe, NM 87505

FILED BY FACSIMILE AND MAIL

PRAIRIE SUN, INC.

**P.O. Box 8280
Roswell, New Mexico 88202
505-622-7355
505-624-2911 Fax**

March 3, 1999

**Exxon, Inc
P.O. Box 1600
Midland, Tx. 79701**

Attn: Mr. Randy Lewicki

**RE: Farm Out Agreement or Participation Agreement
Eddy County, New Mexico
T23S-R29E, N.M.P.M.
Section 28: W/2E/2
160 Acres**

Gentlemen:

This letter is to requesting a Farmout Agreement or Participation in the above described lands in Eddy County, New Mexico. I have included for your review, a copy of the procedure and AFE to perform the workover. Upon receipt of your acceptance, a farmout agreement or participation agreement with JOA will be forwarded for your execution.

The Laguna Grande #1 well originally drilled by Exxon is currently operated by Prairie Sun, Inc. (PSI) and has been temporarily abandoned. Paloma Resources, Inc. had previously made the same request and now PSI has intentions of a proposed workover on the Laguna Grande #1 well in the E/2E/2 and must have a portion of your acreage to complete its necessary proration unit as specified by the regulations of the New Mexico OCD. PSI would like to tender our AFE for your portion of the proposed workover expenses expected to be incurred in this workover. **Please approve this AFE within 30 days from time of receipt of this Certified Letter, or confirm our Farmout request to prevent an action of Forced Pooling to protect our correlative rights in the E2/E2 of Sec.28-T23S-R29E, N.M.P.M.**

Please find enclosed a self-addressed stamped envelope to return your approved AFE along with a check in the amount of \$103,000.00 for your proportionate share of dry hole costs, or your approved copy of the farmout letter. A mutually acceptable JOA will be sent to you for approval. Your prompt attention in this matter is greatly appreciated. If you have any questions, please contact either myself at the above address.

Sincerely,

**H.E. Gene LEE
Operations Manager
Prairie Sun, Inc.
505-622-7355
505-624-2911 Fax.**



PRAIRIE SUN, INC.
Workover Procedure

Laguna Grande Fed. #1
1380' FSL & 990' FEL
Sec. 28-T23S-R29E
Eddy County, New Mexico

1. Repair road and location. Dig workover pit. Test anchors.
2. Move in and rig up double drum pulling unit. Move in and rig up reverse equipment, pipe racks & catwalk. Set frac tanks and load with water. Unflange wellhead and nipple up BOP. Install kill lines and flowlines with chokes. Pull out of hole with 2 7/8" tubing laying down on racks. Unload and tally work string. Pick up 7 5/8" cement retainer and go in hole on tubing. Set CR at 5025'. Squeeze Delaware perms 5080-90' with 200 sx. Class "C" cement. Reverse out and pull out of hole with tubing. Break off setting tool. SION.
3. Make up 6.5" milltooth bit, and 6--4.75" drill collars. Go in hole picking up work string. Drill out CR and squeeze. Test casing to 2000#. Continue in hole and drill out CIBP at 6400', & CIBP @ 6510'. Circ. Clean & SION.
4. Drill out CIBP @ 6580' and CIBP @ 6690'. Pull out of hole. Stand back drill collars. Make up Uni-V packer and go in hole. Set packer at 6625'. Squeeze perms 6701--6936' with 300 sx. Class "H" + additives. Squeeze to 2000#. Reverse out and POH w/tbg to above 5080'. SION.
5. Go in hole and set packer at 6400' and squeeze perms 6437--6604' with 400 sx. Class "H" + .2% FL. Pull up hole to 5000', reverse out and set packer. Pressure up on tbg to 2000# overnight. SION.
6. Pull out of hole with packer. Make up 6.5" bit and go in hole. Drill out squeezes. Test casing to 2000#. Re-squeeze if necessary. SION.
7. Continue in hole with bit. Drill out CIBP at 10,100' (Above liner at 10,343'). Chase down to top of liner at 10,343'. Circ. Off gas from leaking liner. POH, break off bit and make up cutrite shoe and extension. Go in hole with tubing. SION.
8. Washover 7 5/8" CIBP and catch in shoe. POH with tubing. Lay down 4.75" drill collars. Make up 3 1/16" drill collars with 3 7/8" bit and go in hole. SION.
9. Drill out CIBP at 11,800'. Circ. Off gas. GIH to 12,850'. SION.
10. Drill out CIBP at 12,850'. Circ. Off Gas. GIH to 13,000'. Drill CIBP at 13,000' Circ. Off gas and SION.
11. Drill out cement retainer at 13,400' and cement down to 13,586'. Clean out to 13,607'. Circulate hole with 3% KCL water. SION.

12. POH with tubing. Lay down drill collars. Go in hole with Elder E-1 pkr. Set at 13,500' with wireline. Go in hole with hyd. Pkr at 12,800' and seal assembly into packer at 13,500'. Sliding sleeve at 12,900'. Swab test all Morrow Perfs. Stimulate as necessary for commercial production.
13. If Morrow is non-commercial, plug back to Wolfcamp. Perf and stimulate as necessary for commercial production.
14. Install production facilities.

PRAIRIE SUN, INC.
AUTHORITY FOR EXPENDITURE

LAGUNA GRANDE FED. #1

1380' FSL & 990' FEL

SEC. 28-T23S-R29E

EDDY COUNTY, NEW MEXICO N.M.P.M.

Pool: Laguna Grande Morrow Proposed Depth: PBD--13,607' Date: 3-3-99

Administrative Order NSL-724 (9-22-75) for Non-Standard Location.

Objective: Well currently is shut in, non commercial in the Delaware. Workover will place well back in production, paying in commercial quantities from the Morrow or Wolfcamp formations.

INTANGIBLE EXPENSES:	Dry Hole	Producer
Road Repairs, Dirt Work	10,500	12,500
Double Drum Pulling Unit (14 Days @ \$1500)	60,000	60,000
Reverse Unit & Rental Equipment	34,800	34,800
Bits	7,500	7,500
Water, KCL & Brine	4,000	4,000
Work String	11,000	11,000
Packers & Cement retainers	4,500	11,600
Perforating and Wireline	9,500	9,500
Cementing charges	22,000	22,000
Acid & Stimulation	25,000	25,000
Frac Tanks & Transportation	3,500	3,500
Forklift and Trucking	4,200	6,000
BHP Bombs & Testing		7,500
Roustabout Gang & installation charges	2,500	4,500
Supervision & Engineering	7,000	9,000
	<hr/>	<hr/>
Total Intangibles	206,000	228,400
TANGIBLE EXPENSES:		
Remanufactured & tested 10K Tree		25,500
2 7/8" P-105 tbg. 13,500' @ 4.50		60,750
Misc. Valves & fittings		4,500
Stack-Pack & connections		20,000
Tanks & flowlines		21,000
Packer & On/Off tool		6,500
Meter run, & connections		7,500

Total Tangibles		145,750
TOTAL WELL COSTS:	<u>\$206,000</u>	<u>\$374,150</u>

APPROVALS:

PRAIRIE SUN, INC.

50% WI

By: _____

Title: _____

Date: _____

EXXON, INC.

By: _____

Date: _____

PRAIRIE SUN, INC.
P.O. Box 8280
Roswell, New Mexico 88202
505-622-7355
505-624-2911 Fax

April 20, 1999

Exxon, Inc
P.O. Box 1600
Midland, Tx. 79701

Attn: Mr. Randy Lewicki

RE: Farm Out Agreement or Participation Agreement
Eddy County, New Mexico
T23S-R29E, N.M.P.M.
Section 28: W/2E/2
160 Acres

Gentlemen:

I previously sent you a request for a farmout or your agreement to participate in the workover of the Laguna Grande Fed. #1 on the above described acreage. To date I have not received any correspondence or returned telephone calls.

It is my understanding that the Term Assignment to Penwell Energy was carried on to Concho Resources and has since expired. I am attempting to determine your position in the above acreage in an attempt to create a proration unit of 320 acres as was described in my previous letters. Please contact me as soon as possible or advise if someone else is to be contacted about this matter.

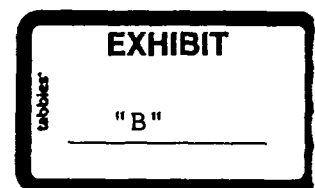
A copy of this letter is going to be forwarded to the Houston office as well in an attempt to get someone to inform me of Exxon's position. If you have any questions, please contact me at the above numbers.

Sincerely,

H. E. Gene Lee
Agent for Prairie Sun Inc.

Enclosures:

cc: Exxon-Houston
BLM-Carlsbad



PRAIRIE SUN, INC.
P.O. Box 8280
Roswell, New Mexico 88202
505-622-7355
505-624-2911 Fax

April 20, 1999

Exxon, Inc
P.O. Box 2180
800 Bell
Houston, Tx. 77252

Attn: Land Manager

RE: Farm Out Agreement or Participation Agreement
Eddy County, New Mexico
T23S-R29E, N.M.P.M.
Section 28: W/2E/2
160 Acres

Gentlemen:

Please find enclosed a copy of the correspondence I have been sending to your Midland, Tx office to attempt a Farmout on the above acreage.

As is shown, I have been having a difficult time getting the correspondence either in the correct office or getting someone to contact me regarding this matter. It is imperative that some sort of correspondence be established to resolve this matter.

I realize that many changes have occurred in the last few years in many offices and a number of personnel have been transferred or terminated, but I do not understand why no correspondence has been received from your company with a turn down or who to contact in reference to this acreage.

Any assistance you might provide is greatly appreciated. If you have any questions, please contact me at the above numbers.

Sincerely,

H. E. Gene Lee
Agent for Prairie Sun Inc.

Enclosures:
cc: Exxon-Midland

