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PLEASE DIRECT ALL CORRESPONDENCE
TO OUR ARTESIA OFFICE

October 21, 1999

VIA FAX & MAIL

Mr. Mark Ashley
Oil Conservation Division
2040 S. Pacheco Street
Santa Fe, NM 87505

Re: Case No. 12236, Application of Prairie Sun, Inc.

Dear Mr. Ashley:

As I had earlier reported to you, I have been ill with a stomach virus, and went home early Wednesday after faxing you my letter of that date requesting a two-week continuance of the above case because the parties were still negotiating. Throughout that day, I had attempted to contact Mr. Bruce. One time, my secretary actually got him on the telephone, and asked him if he had time to talk to me, whereupon, Mr. Bruce answered that he did, but before I could pick the phone up, either he hung up or the line went dead. I immediately attempted to re-establish phone contact with Mr. Bruce, but all I was able to get throughout the remainder of the day was his answering service, whereupon I called you, and wrote my letter dated October 20, 1999. That letter was to be able to facilitate continued negotiations between our two respective clients.

I was shocked by the letter received October 20, 1999 from Mr. Bruce, wherein he reported that after receiving the October 8, 1999 letter from Gene Lee on behalf of Prairie Sun, Inc. apparently Exxon thought that negotiations were at end. Mr. Lee advises me that after having written that letter, Mr. Bob Matthew of Exxon did call him, and one more round of negotiations were attempted. During that telephone conversation, an offer was put on the table by my client, whereupon Mr. Matthew advised that he would have no authority to accept it, but would take it to his management. As of the writing of this letter, no other communication has been received from Mr. Matthew advising the status of him taking the last and final offer of my client to his management. I would advise you that at no time did Mr. Bruce or did Exxon advise me or my client that they thought that negotiations were at an end. I can also

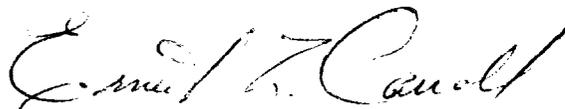
advise you that last week, I did have a conversation with Mr. Bruce, wherein I suggested that we tell you that negotiations were at an end. Mr. Bruce asked me to wait until he had had a chance to visit with his client, and get back to me. Mr. Bruce never called or left a message.

I will not object to Mr. Bruce putting testimony on from a witness traveling from Houston. However, I do request time to review that testimony, and will advise if I feel it necessary to put on any additional testimony in response thereto.

Your assistance in this matter is appreciated.

Yours very truly,

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



Ernest L. Carroll

ELC:bal