

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

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January 14, 2001

Mr. Tim Gum
Oil Conservation Division
811 South First St.
Artesia, NM 88210

RE: Wells in Non-Compliance

Dear Sir,

I am in receipt of your letter regarding the wells operated by Prairie Sun, Inc that are not in compliance as of the date of your letter. According to my records, the following wells are currently producing.

- Dalton Fed. #1
- Tracey Fed. 28-1

The Laguna Grande Fed. #1 well was just recompleted and is currently connected to Pinnacle Natural Gas pipeline. I will forward you a copy of the BLM completion report as well as the C104.

The Keohane Fed. #2 well is TA'd and is scheduled to be P&A'd. The Sundry to the BLM has been approved for the well to be plugged, however, the current situation with plugging companies has this well still a long way down the line to be plugged.

I will forward to your office copies of the C115's on the Dalton and the Tracey leases and will start mailing copies of these C115's and all other operated wells to your office each month for your records instead of just sending to Santa Fe by electronic media.

As you know, we have also purchased the remaining working interest in the Connie "C" lease that is being operated by Sure Energy and is bonded by Dorothy Boyce. We are in the process of bringing this lease into compliance as well. I have just completed the overhaul of the gas engines on the Connie C #1, Connie C #2 and installed the gas engine on the Connie C" #17 well on Jan 7, 2001. The Connie C #17 is currently producing and I expect to have the other

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wells producing into the tank battery no later than Feb. 1, 2001. As soon as these wells are producing, I will notify your office of the gas connection that Duke Energy is supposed to be installing by the 1st week of Feb., 2001. Upon your satisfaction that these wells are in compliance, I would like to have the C104's approved that will change operator from Sure Energy to Prairie Sun, Inc, and release the bond held by Dorothy Boyce.

If you have any questions or comments, please contact me at the above office or on my cellular telephone at 505-626-4292. We are working diligently to get all wells that have not been producing, back into an actively producing state and will continue until your office is satisfied with any requirements to bring these wells into compliance. Thank you for your cooperation. Any recommendations or suggestions are sincerely welcome.

Sincerely,

Gene Lee
Agent.

CC: Losee Carson Haas & Carroll
Jim Pierce
Dorothy Boyce