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October 23, 1999

Ernest L. Carroll  
Losee, Carson, Haas & Carroll, P.A.  
P.O. Box 1720  
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Re: OCD Case No. 12236  
Application of Prairie Sun, Inc.

Dear Ernie:

As noted in my letter of October 20th to the OCD, my witness was already on his way to Santa Fe when you requested a continuance. Therefore, at the October 21st hearing I requested permission to present my witness, even though the case would be continued.

My witness testified that (a) based on an October 8th letter from Prairie Sun (Exhibit No. 3), he assumed this matter was going to be heard on October 21st, (b) Exxon was willing to accept no bonus money for a term assignment of the subject lease, (c) the lease is already burdened by a 7.5% overriding royalty (Exhibit No. 1), and therefore Prairie Sun's offer of a 78% net revenue interest was not acceptable, because it would give Exxon only a 2% overriding royalty, (d) the parties have not come to terms, and (e) there are other operators willing to take a 75% net lease from Exxon if Prairie Sun does not do so. Enclosed are Exxon Exhibit Nos. 1-4 presented at the hearing.

Very truly yours,

  
James Bruce

cc: Mark Ashley