

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY)
 THE OIL CONSERVATION DIVISION FOR THE)
 PURPOSE OF CONSIDERING:)

CASE NO. 12,236

APPLICATION OF PRAIRIE SUN, INC.,)
 FOR COMPULSORY POOLING, EDDY COUNTY,)
 NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGSEXAMINER HEARING

BEFORE: MARK ASHLEY, Hearing Examiner

December 2nd, 1999

Santa Fe, New Mexico

OIL CONSERVATION DIV.
 99 DEC 16 PM 4:44

This matter came on for hearing before the New Mexico Oil Conservation Division, MARK ASHLEY, Hearing Examiner, on Thursday, December 2nd, 1999, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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I N D E X

December 2nd, 1999
 Examiner Hearing
 CASE NO. 12,236

PAGE

REPORTER'S CERTIFICATE

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit A	3	4

* * *

A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
 Attorney at Law
 Legal Counsel to the Division
 2040 South Pacheco
 Santa Fe, New Mexico 87505

FOR EXXON CORPORATION:

JAMES G. BRUCE, Attorney at Law
 3304 Camino Lisa
 Santa Fe, New Mexico 87501
 P.O. Box 1056
 Santa Fe, New Mexico 87504

* * *

1 WHEREUPON, the following proceedings were had at
2 1:20 p.m.:

3 EXAMINER ASHLEY: At this time the Division calls
4 Case 12,236, Application of Prairie Sun, Inc., for
5 compulsory pooling, Eddy County, New Mexico. This case was
6 continued from October 21st, 1999, hearing.

7 Call for appearances.

8 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
9 representing Exxon Corporation. I just have a very short
10 statement.

11 EXAMINER ASHLEY: Any additional appearances?

12 Mr. Bruce?

13 MR. BRUCE: Mr. Examiner, as you know, this
14 matter came up for a hearing. It was continued a couple of
15 times.

16 Today I would like to submit as Exhibit A an
17 affidavit prepared by the landman at Exxon who testified in
18 this matter.

19 Exxon's position in this matter is that Prairie
20 Sun is now offering a worse deal than they were when they
21 initially began bargaining on this. Once again, you may
22 have heard this term before today, but bad faith
23 negotiations.

24 Secondly, Mr. Examiner, I'm not asking for a
25 continuance or anything else today. It's ready to be taken

1 under advisement. If it is, we had thought the parties
2 were going to come to terms. They have not as yet. If you
3 will recall, this is a re-entry to the Morrow. If the
4 pooling is granted, Exxon requests that a penalty less than
5 200 percent be assessed against the nonconsenting working
6 interest owners, and I base that on two orders:

7 R-11,047, which was a re-entry and a deepening of
8 a certain well described in that order, in which 150
9 percent was granted as the production penalty because they
10 were re-entering an existing well.

11 And secondly, there is an order -- and I cannot
12 recall the number; I will try to find it for you. The
13 Applicant was Primero Operating Company, similar to this
14 case. They were re-entering a well, and I believe the
15 Hearing Examiner in that case granted a 100-percent penalty
16 on production, because they did not have to drill or deepen
17 but simply complete the well.

18 And with that, I'd move the admission of Exxon's
19 Exhibit A.

20 EXAMINER ASHLEY: Mr. Bruce -- Exhibit A will be
21 admitted at this time.

22 Mr. Bruce, can you find out what order that
23 Primero decision is?

24 MR. BRUCE: I will find out what order number
25 that is, I just forgot to do it this morning.

1 EXAMINER ASHLEY: And has Prairie Sun been
2 provided a copy of this exhibit?

3 MR. BRUCE: I just got it last night, and I
4 slipped it in the mail to them today --

5 EXAMINER ASHLEY: Okay.

6 MR. BRUCE: -- to Mr. Carroll on behalf of
7 Prairie Sun.

8 EXAMINER ASHLEY: Okay, thank you.

9 There being nothing further in this case, Case
10 12,236 will be taken under advisement.

11 MR. CARROLL: Mr. Bruce?

12 MR. BRUCE: Yes, sir.

13 MR. CARROLL: Where is Prairie Sun located? Do
14 you remember? Roswell or --

15 MR. BRUCE: Well, it's -- Yeah, Roswell and/or
16 Artesia. I think the principals are in Roswell, although
17 they might have operations out in Artesia.

18 MR. CARROLL: Okay, thanks.

19 (Thereupon, these proceedings were concluded at
20 1:28 p.m.)

21 * * *

22 I do hereby certify that this is a
23 a complete record of the proceedings
24 the Examiners hearing of Case 12236
25 heard by me on 12-2-99
Mark Ashley
Off Conservation Division

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL December 8th, 1999.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002

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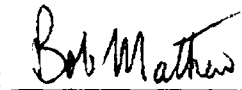
AFFIDAVIT

My name is Bob Mathew and I am a Senior Land Representative for Exxon Corporation in Houston, Texas, with responsibility for Land issues in the State of New Mexico. I have previously testified in person and submitted chronological affidavits in connection with Prairie Sun's Compulsory Pooling Application (Case No. 12236) before the New Mexico Oil Conservation Division. The following statements are being submitted in connection with Exxon's request to the NMOCD that 1) the application of Prairie Sun be dismissed or 2) that the penalty be reduced to reasonable amount due to the existence of a well bore.

1) Prairie Sun continues to demonstrate bad faith in its negotiations since September 2, 1999. Prairie Sun had offered Exxon a bonus of \$75.00 per acre for a 78% NRI trade at the commencement of negotiations and now offers a bonus of \$zero for a 78% NRI trade for the land being force pooled, a worse offer than at the start. Exxon on the other hand has reduced its bonus expected from \$250 per acre to \$75 per acre and then to zero dollars for a 75% NRI trade.

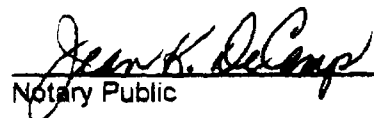
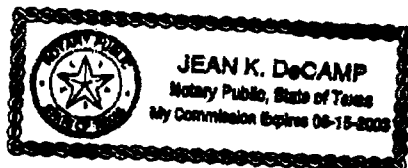
2) Exxon has attempted to promote the acreage to other parties in the industry who have had an interest in taking Exxon's interest. Mr. Gene Lee has refused to return the phone calls from Mr. Tom Beall of Fuel Products Inc. who had attempted to secure more information from Mr. Lee regarding the workover procedures for the well. Mr. Beall has offered to testify to this effect in the event the Division should so desire. My experience with Mr. Gene Lee has been similar in that Mr. Lee has not returned many of my telephone calls or is not available to answer his phone. My overall impression during my contact with Prairie Sun, is that they are not a professional oil & gas company and it would not be our company's desire to be forced into a partnership with them.

Signed :



Bob Mathew

Subscribed and sworn before me this 1st day of December, 1999.


Notary Public

NEW MEXICO
OIL CONSERVATION DIVISION

Exxon EXHIBIT A

CASE NO. 12236