

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

October 8, 1999

FACSIMILE TRANSMISSION
Original by First Class Mail

713-431-1475

Exxon USA, Inc.
P.O. Box 4897
Houston, Tx. 77267

Attn: Mr. M. P. "Bob" Mathew, Land Dept.

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

Dear Mr. Mathew:

This letter is follow up with our telephone discussion yesterday when I called your office to discuss your latest offer. I have talked with the Prairie Sun, Inc. and they advised me that they would not be interested in a 75% NRI lease as was previously discussed. I tried to contact you yesterday afternoon but only contacted your voice mail.

Prairie Sun, Inc. has decided that negotiations have not been fruitful in this matter and is having their attorney, Mr. Carroll contact the New Mexico OCD to proceed with the forced pooling order. It appears to them that further delays have been incurred trying to reach a viable agreement with Exxon and past delays have been sufficient.

Sincerely,

H. E. Gene Lee
Agent

cc:
Lossee, Carson, Haas, & Carroll
Prairie Sun, Inc.

Exhibit No. 3
Exxon Corporation
Case No. 12236
Hearing Date: Oct. 21, 1999