

# PRAIRIE SUN, INC.

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

March 3, 1999

Exxon, Inc  
P.O. Box 1600  
Midland, Tx. 79701

Attn: Mr. Randy Lewicki

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

## Gentlemen:

This letter is to requesting a Farmout Agreement or Participation in the above described lands in Eddy County, New Mexico. I have included for your review, a copy of the procedure and AFE to perform the workover. Upon receipt of your acceptance, a farmout agreement or participation agreement with JOA will be forwarded for your execution.

The Laguna Grande #1 well originally drilled by Exxon is currently operated by Prairie Sun, Inc. (PSI) and has been temporarily abandoned. Paloma Resources, Inc. had previously made the same request and now PSI has intentions of a proposed workover on the Laguna Grande #1 well in the E/2E/2 and must have a portion of your acreage to complete its necessary proration unit as specified by the regulations of the New Mexico OCD. PSI would like to tender our AFE for your portion of the proposed workover expenses expected to be incurred in this workover. **Please approve this AFE within 30 days from time of receipt of this Certified Letter, or confirm our Farmout request to prevent an action of Forced Pooling to protect our correlative rights in the E2/E2 of Sec.28-T23S-R29E, N.M.P.M.**

Please find enclosed a self-addressed stamped envelope to return your approved AFE along with a check in the amount of \$103,000.00 for your proportionate share of dry hole costs, or your approved copy of the farmout letter. A mutually acceptable JOA will be sent to you for approval. Your prompt attention in this matter is greatly appreciated. If you have any questions, please contact either myself at the above address.

Sincerely,

H.E. Gene LEE  
Operations Manager  
Prairie Sun, Inc.  
505-622-7355  
505-624-2911 Fax.

PRAIRIE SUN, INC.  
BEFORE EXAMINER ASHLEY  
NMOCD CASE NO. 12236  
DATE: 09/02/99  
EXHIBIT NO. 10

**PRAIRIE SUN, INC.**  
**Workover Procedure**

**Laguna Grande Fed. #1**  
**1380' FSL & 990' FEL**  
**Sec. 28-T23S-R29E**  
**Eddy County, New Mexico**

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1. Repair road and location. Dig workover pit. Test anchors.
2. Move in and rig up double drum pulling unit. Move in and rig up reverse equipment, pipe racks & catwalk. Set frac tanks and load with water. Unflange wellhead and nipple up BOP. Install kill lines and flowlines with chokes. Pull out of hole with 2 7/8" tubing laying down on racks. Unload and tally work string. Pick up 7 5/8" cement retainer and go in hole on tubing. Set CR at 5025'. Squeeze Delaware perms 5080-90' with 200 sx. Class "C" cement. Reverse out and pull out of hole with tubing. Break off setting tool. SION.
3. Make up 6.5" milltooth bit, and 6--4.75" drill collars. Go in hole picking up work string. Drill out CR and squeeze. Test casing to 2000#. Continue in hole and drill out CIBP at 6400', & CIBP @ 6510'. Circ. Clean & SION.
4. Drill out CIBP @ 6580' and CIBP @ 6690'. Pull out of hole. Stand back drill collars. Make up Uni-V packer and go in hole. Set packer at 6625'. Squeeze perms 6701--6936' with 300 sx. Class "H" + additives. Squeeze to 2000#. Reverse out and POH w/tbg to above 5080'. SION.
5. Go in hole and set packer at 6400' and squeeze perms 6437--6604' with 400 sx. Class "H" + .2% FL. Pull up hole to 5000', reverse out and set packer. Pressure up on tbg to 2000# overnight. SION.
6. Pull out of hole with packer. Make up 6.5" bit and go in hole. Drill out squeezes. Test casing to 2000#. Re-squeeze if necessary. SION.
7. Continue in hole with bit. Drill out CIBP at 10,100' (Above liner at 10,343'). Chase down to top of liner at 10,343'. Circ. Off gas from leaking liner. POH, break off bit and make up cutrite shoe and extension. Go in hole with tubing. SION.
8. Washover 7 5/8" CIBP and catch in shoe. POH with tubing. Lay down 4.75" drill collars. Make up 3 1/16" drill collars with 3 7/8" bit and go in hole. SION.
9. Drill out CIBP at 11,800'. Circ. Off gas. GIH to 12,850'. SION.
10. Drill out CIBP at 12,850'. Circ. Off Gas. GIH to 13,000'. Drill CIBP at 13,000' Circ. Off gas and SION.
11. Drill out cement retainer at 13,400' and cement down to 13,586'. Clean out to 13,607'. Circulate hole with 3% KCL water. SION.

12. POH with tubing. Lay down drill collars. Go in hole with Elder E-1 pkr. Set at 13,500' with wireline. Go in hole with hyd. Pkr at 12,800' and seal assembly into packer at 13,500'. Sliding sleeve at 12,900'. Swab test all Morrow Perfs. Stimulate as necessary for commercial production.
13. If Morrow is non-commercial, plug back to Wolfcamp. Perf and stimulate as necessary for commercial production.
14. Install production facilities.

**PRAIRIE SUN, INC.**  
**AUTHORITY FOR EXPENDITURE**

**LAGUNA GRANDE FED. #1**

**1380' FSL & 990' FEL**

**SEC. 28-T23S-R29E**

**EDDY COUNTY, NEW MEXICO N.M.P.M.**

**Pool: Laguna Grande Morrow      Proposed Depth: PBTD-13,607'      Date: 3-3-99**

**Administrative Order NSL-724 (9-22-75) for Non-Standard Location.**

**Objective: Well currently is shut in, non commercial in the Delaware. Workover will place well back in production, paying in commercial quantities from the Morrow or Wolfcamp formations.**

<b>INTANGIBLE EXPENSES:</b>	<b>Dry Hole</b>	<b>Producer</b>
Road Repairs, Dirt Work	10,500	12,500
Double Drum Pulling Unit (14 Days @ \$1500)	60,000	60,000
Reverse Unit & Rental Equipment	34,800	34,800
Bits	7,500	7,500
Water, KCL & Brine	4,000	4,000
Work String	11,000	11,000
Packers & Cement retainers	4,500	11,600
Perforating and Wireline	9,500	9,500
Cementing charges	22,000	22,000
Acid & Stimulation	25,000	25,000
Frac Tanks & Transportation	3,500	3,500
Forklift and Trucking	4,200	6,000
BHP Bombs & Testing		7,500
Roustabout Gang & installation charges	2,500	4,500
Supervision & Engineering	7,000	9,000
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Total Intangibles	206,000	228,400
<b>TANGIBLE EXPENSES:</b>		
Remanufactured & tested 10K Tree		25,500
2 7/8" P-105 tbg. 13,500' @ 4.50		60,750
Misc. Valves & fittings		4,500
Stack-Pack & connections		20,000
Tanks & flowlines		21,000
Packer & On/Off tool		6,500
Meter run, & connections		7,500
		*****
Total Tangibles		145,750
<b>TOTAL WELL COSTS:</b>	<b><u>\$206,000</u></b>	<b><u>\$374,150</u></b>

**APPROVALS:**

**PRAIRIE SUN, INC.**

**50% WI**

**By: \_\_\_\_\_**

**Title: \_\_\_\_\_**

**Date: \_\_\_\_\_**

**EXXON, INC.**

**By: \_\_\_\_\_**

**Date: \_\_\_\_\_**