



August 6, 1987  
CERTIFIED/RETURN RECEIPT

**Sun Exploration and  
Production Company**  
Sun Tower  
Claydesta Plaza  
No 24 Smith Rd Suite 600  
Midland TX 79705  
915 688 0532

Yates Petroleum  
Abo Petroleum  
MYCO Industries  
207 S. 4th Street  
Artesia, NM 88201

Attn: Land Department

Re: Scoggins Draw Fed Com #2  
S/2 Section 15, T-18-S, R-27-E  
Eddy County, New Mexico

Gentlemen:

Sun Exploration and Production Company on behalf of Sun Operating Limited Partnership hereby proposes the drilling of a 10,000' Morrow test to be located 660' FSL and 1980' FWL of Section 15. Enclosed you will find an AFE for your review. Sun requests that Yates, et al participate in the drilling of this well or in the alternative, farmout for the following terms:

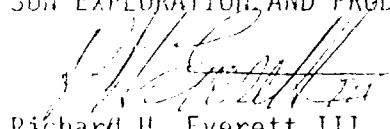
- 1) On or before December 31, 1987, Sun will commence a well to be drilled to a depth of 10,000' or a depth sufficient to test the Morrow formation, whichever is the lesser.
- 2) In return for completion of a well, Yates, et al will deliver to Sun a 75% NRI lease. Said assignment would be limited to lands within the proration unit from surface to 100' below total depth drilled.
- 3) Yates, et al will retain a 25% interest, less lease burdens, as an overriding royalty interest.
- 4) Upon payout, Yates, et al will have the option to convert its retained interest to a 25% working interest.

Sun requests your earliest response as we are under an obligation to spud this well by year's end.

If you have any questions or comments, please do not hesitate to call.

Yours very truly,

SUN EXPLORATION AND PRODUCTION COMPANY

  
Richard H. Everett III  
Senior Landman

cjw

Enclosure  
11/11/1997 - (1)

SUN EXPLORATION & PRODUCTION CO.

Date Of Hearing 10-7-87  
Docket No. 9223  
Exhibit No. 3

# AUTHORITY FOR EXPENDITURE - DRILLING

SUN 9580 A

ACCOUNTING USE ONLY

SUN EXPLORATION AND PRODUCTION COMPANY		ORIGINATING AGENCY		FILLUTION CONTROL			AFE NUMBER	
<input type="checkbox"/> 100% CO-OP <input type="checkbox"/> OBO <input checked="" type="checkbox"/> CO-P.I.		SOUTHWESTERN DISTRICT		EST. AMOUNT		OIL	GAS	DATE
				\$ 14,000		WATER	XX	7-28-87
						AIR		
AMOUNT REQUESTED		EXPENDITURE BUDGETED		COMPLETE FOR OBO APPROPRIATIONS ONLY				
\$656,000		<input type="checkbox"/> YES YEAR _____ <input checked="" type="checkbox"/> NO <input type="checkbox"/> PARTIALLY		OPERATOR'S NAME				
EST. COMPLETION DATE				AFE NUMBER				
1st QTR 1988								
PROPERTY ID NUMBER		PROPERTY NAME			WELL NO.		TOTAL DEPTH	
		SCOGGINS DRAW FEDERAL COMM.			2		10,000	
PROSPECT NAME				PROSPECT ID NUMBER		CLASSIFICATION		
SCOGGINS DRAW						D - MIS B1		
FIELD				MUNICIPALITY - PARISH/COUNTY		PROVINCE/STATE		
LOWER MORROW/WILDCAT				EDDY		NEW MEXICO		
PRIMARY OBJECTIVE				PREDICTED NET RESERVES				
<input type="checkbox"/> OIL <input checked="" type="checkbox"/> GAS Single <input type="checkbox"/> PLANT LIQUID				MMCF/OR M BBLs/OR MMCF/OR M BBLs: M BBLs: M BBLs:				
SUN W: TBD SUN INC. I:				TYPE: TYPE: TYPE:				

## NON DRILLING PROJECT DESCRIPTION

DRILL & COMPLETE A 10,000' LOWER MORROW TEST IN EDDY COUNTY, NEW MEXICO.

TENTATIVE LOCATION: 660' FSL & 1980' FWL, SECTION 15, T18S, R27E

	INTANGIBLE (\$M)	PRODUCER	DRY HOLE		TANGIBLE (\$M)	PRODUCER	DRY HOLE
40	LOCATION	35	35		PIPE 13-3/8" @ 500'	12	12
41	RIG MOVE	-	-		PIPE		
42	FOOTAGE \$17/FT.	170	170		PIPE 8-5/8" @ 2900'	32	32
43	DAY WORK \$4000/D	24	24		PIPE		
44	BITS AND RMRS	1	-		PIPE 5-1/2" @ 10,000'	81	-
45	FUEL	-	-		PIPE		
46	WATER	12	12		PIPE 2-7/8" @ 9900'	43	-
47	MUD AND CHEM	22	22		WELLHEAD	17	4
48	CMT AND CMTG SER	35	24		OTHER	10	10
49	DIRECTIONAL SER	-	-				
50	RENTALS	22	15				
51	MUD LOGGING	5	5				
52	DST AND TSTG EQPT	8	8				
53	CORING	-	-				
54	LOGS-WLT-SWC	35	27				
55	CSG/TBG TOOLS AND SER	15	7				
56	COMPLETION RIG 5 Days	8	-				
57	PERFORATING Tbg Conveyed	13	-				
58	STIMULATION	-	-				
59	SUPERVISION	16	14				
60	TRANSPORTATION	18	10				
61	MISC/CONTINGENCY 5%	22	19				
	TOTAL INTANGIBLE \$	461	392				

TOTAL TANGIBLE \$ 195 \$ 58

TOTAL DRILLING COST \$ 656 \$ 450

SUN'S NET COST \$ \$

## JOINT OWNERS APPROVAL

NAME \_\_\_\_\_

BY \_\_\_\_\_

DATE \_\_\_\_\_

BOB BAKER *RB*

APPROVAL LEVEL	DISTRICT	HEADQUARTERS	CORPORATE	JOINT OWNER(S) APPROVAL OBTAINED
APPROVED:	<i>Bure Guston</i>			
CONCURRENCE:	<i>J.C. Limke</i>			
DISAPPROVED:				
DATE:	<i>8-3-87</i>			