

October 21, 1985

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

Doyle Hartman P. O. Box 10426 Midland, TX 79702

Re: Proposed Van Zandt A #1 Well, SW/4 Section 25, T-24-S, R-36-E Lea County, New Mexico

Sun Lease #T-20193

Dear Mr. Hartman;

Sun Exploration and Production Company proposes the drilling of the captioned well at a location 1980' FSL and 1980'FEL of Section 25, to be drilled to a depth of 3800'.

Enclosed for your evaluation are two (2) copies of the AFE. Should your interest be limited to the Jalmat Pool, gross costs will be allocated as follows:

| Tangibles | \$ 50,000.00 |
|-------------------|--------------|
| Intangibles | 165,000.00 |
| Equipment | 13,000.00 |
| Total (Completed) | \$228,000.00 |
| Total (Dry Hole) | \$120,000.00 |

If this proposal is acceptable to you, please execute one (1) copy of the AFE and return to my attention. At such time, we will begin contract preparation.

Sincerely,

SUN EXPLORATION AND PRODUCTION COMPANY

Richard H. Everett III

Senior Landman

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Enclosure(s)

LL11/72 - (1)

| THORITY FOR EXPEND | ITHRE - DRILLING | | | | 1 | | 166 USE C | (was to |
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| UN DIL CO. (DELAWARE) | ORIGINATING LOCAT | | | PC | LLUTION C | ONTROI | | AFE NUMBER |
|] 100% CO-OP | | | _ | EST. AMOU | | OIL | GAS | S 1320 |
|]080 | SOUTHWEST | TERN DISTRIC | T | | WATER | X | | DATE |
| ₹C.OP.I. | | | | \$ 10,00 | AIR | | | 10/18/85 |
| MOUNT REQUESTED | EXPENDITURE SUDG | | | COM | PLETE FOR | OBO A | PPROPRI | ATIONS ONLY |
| \$ 171,275 | · | EAR | | 0 | PERATOR'S | NAME | | AFE NUMBER |
| ST. COMPLETION DATE | M NO | | | | | | 1 | |
| ROPERTY ID NUMBER | PROPERTY NAME | | | ļ | WELL NO | | | |
| HOPERTY ID NUMBER | | | | | MELL NO | • | | TOTAL DEPTH |
| ROSPECT NAME | VAN ZANDT A | | SPECT ID NUM | | | 1 | | 3,800' |
| TOSPECT NAME | | | SPECT ID NOW | IDEN | | í | FICATION | nc n. |
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| un wi: 0.5525 | SUN INC. I: | | TYPE: | | TYPE | | TYP | F. |
| ON DRILLING PROJECT DE | | | | | · · · · · | | 117 | <u> </u> |
| | | | | | | | | |
| DRILL & COMPL | ETE 3800' JALM | MAT/LANGLIE-N | MATTIX WEL | L. | | | | |
| | 980' FEL, SEC. | - | | | | | | |
| 1300 L2F & T | FEL, SEL. | 20, 1-24-3, | V-70-E | | | | | |
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| | | | - | | | | | |
| / | | 108 TOO 1111 | | - | UE 00070 | | | DUCED +4++ |
| (NOTE: IF USE | D 7" CSG & 2-3 | 1/8" IRC AVAI | LABLE, IH | E TANGTE | ILL COSIS | COULT |) RF KF | DUCED ±\$13,000 |
| - <u>:</u> | | | | | | | | |
| INTANGIBLE (\$00 | | R DRY HOLE | | TANCIBL | E (\$000s | | PRODU | CED |
| INTANGIBLE (SOO | OS) PRODUCE | | | | E (\ (| | | CER DRY HOLE |
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| LOCATION | 15 | 15 | | PIPE 9 | -5/8" (4 | 00') | | <u></u> |
| D LOCATION TRIG MOVE | 15 | | | PIPE 9 | -5/8" (4 | 00') | | |
| DELOCATION RIG MOVE FOOTAGE \$12/F | 15 | | | PIPE 9 PIPE PIPE | -5/8" (4 |) 00') | 4 | |
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| O LOCATION I RIG MOVE FOOTAGE \$12/F DAY WORK BITS AND RMRS FUEL WATER MUD AND CHEM | T. 46 | 464 | | PIPE 9 PIPE PIPE PIPE PIPE PIPE | 7" (38 7" (38 -3/8"(38 | 00') | 4 | |
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| AUTHORITY FOR EXPEN | DITURE | | | ACCOUNTING | USE ONL | V | | | |
|---------------------------------------|---|----------------|------------------------------------|-----------------|-------------|----------------|------------|-------------|--|
| SUN -5406-C SUN OIL CO. (DELAWARE) | AWARE) ORIGINATING LOCATION | | | POLL | CONTROL | | AFE NUMBER | | |
| 100% CO-OP | | | | EST. AMOUNT | | OIL | GAS | | |
| ОВО | Southwestern | ct | s | | <u> </u> | | \$1320 | | |
| | | •• | | | <u> </u> | 1 | DATE | | |
| C.O P.I. | | | | | AIR | | · | 10-21-85 | |
| AMOUNT REQUESTED | EXPENDITURE BUDGETED | | COMPLETE FOR OBO APPROPRIATIONS ON | | | | | | |
| 42.700 | 2.700 · YES YEAR | | | QPERATOR'S NAME | | | | AFE NUMBER | |
| EST. COMPLETION DATE | | | | | | | | T | |
| | PARTIALLY | | • | | | | | 1 | |
| ROPERTY NUMBER | PROPERTY NAME | | | | WELL N | 0. | | TOTAL DEPTH | |
| IA . | Van Zandt A | | | | 1 | | | ļ | |
| PROSPECT NAME | | | PROSPECT NUMBER | | | CLASSIFICATION | | MIS CODE | |
| | | | | | | PD | | B-1 | |
| FIELD | | | MUNICIPALITY/PARISH/COUNTY | | | PROVINCE/STATE | | | |
| Jalmat/Langlie-Mattix | | | Lea | New Mexi | | | Mexico | со | |
| RIMARY OBJECTIVE | SUNWORKING INTEREST | 43350 | PREDICTED | CLASS AND RE | SERVE | <u> </u> | CLASS A | NO RESERVE | |
| X OIL | Jalmat Langlie-Mattix | 43359 57812 | S NET | ļ . | | | • | | |
| X GAS | SA MACHE INTEREST | 355225 | RESERVES (M BBLS OR | CLASS AND RE | SERVE | | CLASS A | NO RESERVE | |
| PLANT LIQUID | ਹਿਰਾ mathe interest .355225 Langlie-Mattix .473628 | | M MCF) | | | | 1 | | |
| PROJECT DESCRIPTION | | | + | | | | L | | |

Surface equipment for new well

ECONOMICS: DETAIL COST - ITEMIZE (NEW MONEY INVESTMENT & EXPENSE - 100 % & SUN'S NET) (COMPANY LABOR & STOCK): GIVE STATEMENT OF ECONOMICS

| | NEW | MONEY | COMP | • | |
|---|----------|------------|---------------|---------|-----------------|
| ITEM | TANGIBLE | INTANGIBLE | EQUIPMENT | LABOR | TOTAL |
| 114 PT-Pumping Unit & Pad Gas Engine | \$ | \$1,000 | \$16,000 | \$ | \$17,000 |
| Flowline | | 500 | 10,000 500 | | 10,000 1,000 |
| Rods & Insert Pump | 9,000 | | | | 9,000 |
| Wellhead Equipment | 1,500 | | | | 1,500 |
| (stuffing box, pmpg tee, etc) | | | | | , , |
| Valves & Fittings | 3,000 | | | 1,200 | 4,200 |
| 3 - 300 Bb1 Tanks | 9,000 | 1,000 | | | 10,000 |
| Heater Treater | | 1,000 | 8,000 | | 9,000 |
| Separator | 3,500 | 1,000 | - | | • 4,500 |
| Transportation | • | 2,000 | | | 2,000 |
| Contingencies | 2,600 | 650 | 3,450 | 100 | 6,800 |
| • | \$28,600 | \$7,150 | \$37,950 | \$1,300 | \$75,000 |

TOTAL AFE: Sun Net: \$75,000 \$42,700

| Sw | |
|-------------------|---|
| likstrom/Bowen/nc | τ |

| PPROVAL LEVEL | DISTRICT | HEADQUARTERS | CORPORATE | JOINT OWNER(S) |
|---------------|-------------|--------------|-----------|-------------------|
| PPROVED | Buck wellow | | | APPROVAL OBTAINED |
| ONCURRENCE | Jamoballa 1 | | • | |
| ISAPPROVED | | | | |
| ATE | 10-21-85 | | | |