



**Sun Exploration and
Production Company**

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

September 18, 1986

ARCO Oil and Gas Company
300 N. Pecos
Midland, TX 79701

Attn: Rita A. Buress

Re: New Mexico Federal Comm #1
2080' FNL & 600' FEL
Section 24-T18S-R33E
Lea County, New Mexico
Sun's Mescalero Ridge Prospect

SEARCHED	INDEXED
SERIALIZED	FILED
OCT 1 1986	
FBI - MIDLAND	
SUN	2
CASE NO	9007

Gentlemen:

Sun Exploration and Production Company, as Managing General Partner for Sun Operating Limited Partnership, is proposing the subject well as a 13,700' Morrow test. The records reflect that ARCO owns 120 acres in the N/2 of Section 24 which will be the proration for said well. Sun respectfully requests that ARCO participate in this test or farmout to support the drilling of same.

Attached, in duplicate, you will find an AFE for your approval and execution. Should you desire to participate with Sun in this well, please return one (1) executed copy of this AFE to the undersigned. The above referenced location is an unorthodox location and Sun has already secured approval from the New Mexico Oil Conservation Division.

Should ARCO desire to farmout and subject to final management approval by Sun, we propose a trade with the following terms and conditions:

- 1) On or before December 31, 1986, Sun proposes to drill a 13,700' Morrow test at a location 2,080' FNL and 600' FEL in Section 24-T18S-R33E, Lea County, New Mexico.
- 2) Upon completion of the initial test well as a commercial producer of oil or gas, Sun will earn an assignment of ARCO's leasehold interest in the applicable proration unit from the base of the Queen formation to 100 feet below total depth drilled.
- 3) ARCO will reserve an overriding royalty equal to the difference between existing lease burdens and 80% before payout of the



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initial test well. After payout of the initial test well, ARCO will have the option of converting said override to a 20% working interest. Both the override and working interest will be proportionately reduced to ARCO's interest in the proration unit.

If the above terms meet with your approval, please contact the undersigned at your earliest convenience. Thank you for your immediate attention to this proposal.

Very truly yours,

SUN EXPLORATION AND PRODUCTION COMPANY


Douglas A. Noah
Professional Landman

cjw

bcc: Santa Fe Energy Company
Santa Fe Exploration Company
Tenneco Oil Company

SUN <input type="checkbox"/> 100% CO-OP <input type="checkbox"/> OBO <input checked="" type="checkbox"/> C.O.-P.I.	ORIGINATING LOCALITY Sun Exploration & Production Co. Sun Tower Bldg, Midland, TX 79705	POLLUT. CONTROL EST. AMOUNT WATER AIR	OIL GAS X	AFE NUMBER DATE 8-7-86
AMOUNT REQUESTED EST. COMPLETION DATE	EXPENDITURE BUDGETED <input type="checkbox"/> YES YEAR _____ <input type="checkbox"/> NO <input type="checkbox"/> PARTIALLY	COMPLETE FOR OBO APPROPRIATIONS ONLY OPERATOR'S NAME AFE NUMBER		
PROPERTY ID NUMBER *726550*	PROPERTY NAME New Mexico Federal	WELL NO. #1	TOTAL DEPTH 13700'	
PROSPECT NAME Mescalero Ridge	PROSPECT ID NUMBER 4465	CLASSIFICATION NFW		
FIELD Wildcat	MUNICIPALITY/PARISH/COUNTY Lea	PROVINCE/STATE New Mexico		
PRIMARY OBJECTIVE <input type="checkbox"/> OIL <input checked="" type="checkbox"/> GAS <input type="checkbox"/> PLANT LIQUID		AFE COMPLETED		
SUMMARY DBI CBI II		SIGNED <i>Walter A. Burks</i>	DATE 8-7-86	
NON DRILLING PROJECT DESCRIPTION Funds requested to drill and complete a 13700' Morrow test.		WORKING INTEREST OWNERS SUN: _____ _____ _____ _____ _____ _____ _____		
NOTICE TO NON-OPERATORS: All figures on this AFE are estimates only; approval of this authorization shall extend to the actual costs as specified in the operating agreement.				

		M \$			M \$	
		PRODUCER	DRY HOLE		PRODUCER	DRY HOLE
40	100% COSTS INTANGIBLE LOCATION	25	25	TANGIBLE PIPE 13-3/8" (500')	12	12
41	RIG MOVE			PIPE 8-5/8" (5200')	72	72
42	FOOTAGE \$24/ft.	333	333	PIPE 5-1/2" (13700')	136	
43	DAY WORK	32	32	PIPE 2-7/8" (13500')	70	
44	BITS AND RMRS	1		PIPE		
45	FUEL			PIPE		
46	WATER	20	20	PIPE		
47	MUD AND CHEM	70	70	WELLHEAD	30	12
48	CMT AND CMTG SER	70	45	OTHER	20	9
49	DIRECTIONAL SER					
50	RENTALS	45	25			
51	MUD LOGGING	18	18			
52	DST AND TSTG EQPT (2)	8	8			
53	CORING					
54	LOGS-WLT-SWC	35	32			
55	CSG/TBG TOOLS AND SER	30	10			
56	COMPLETION RIG	20				
57	PERFORATING	10				
58	STIMULATION	15				
59	SUPERVISION	32	28			
60	TRANSPORTATION	15	8			
61	MISC/CONTINGENCY	71	56			
62	SUPERVISION					
	TOTAL INTANGIBLE \$	850	710			

TOTAL TANGIBLE \$ 340 \$ 105

TOTAL DRILLING COST \$ 1190 \$ 815

NOTE: TANGIBLE ITEMS ARE PRICED AT CURRENT MILL PRICE.

JOINT OWNER APPROVAL

NAME _____

BY _____

DATE _____

APPROVED BY	DATE	JOINT OWNER(S) APPROVAL OBTAINED

PS Form 3871, Dec. 1980

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

● **SENDER:** Complete items 1, 2, 3, and 4.
Add your address in the "RETURN TO" space on reverse.

(CONSULT POSTMASTER FOR FEES)

1. The following service is requested (check one).
- Show to whom and date delivered 70¢
 - Show to whom, date, and address of delivery.. —
2. **RESTRICTED DELIVERY** —
(The restricted delivery fee is charged in addition to the return receipt fee.)
- TOTAL \$70**

3. **ARTICLE ADDRESSED TO:**
 ARCO OIL & GAS CO.
 300 N. PECOS
 MIDLAND, TX 79701

4. TYPE OF SERVICE: <input type="checkbox"/> REGISTERED <input type="checkbox"/> INSURED <input checked="" type="checkbox"/> CERTIFIED <input type="checkbox"/> COD <input type="checkbox"/> EXPRESS MAIL	ARTICLE NUMBER 711, 600 674
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(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE Addressee Authorized agent

5. DATE OF DELIVERY <u>9-22-80</u>	POSTMARK
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6. **ADDRESSEE'S ADDRESS (Only if requested)**
300 N. Pecos

7. UNABLE TO DELIVER BECAUSE:	7a. EMPLOYEE'S INITIALS
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