



September 29, 1986

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

CERTIFIED MAIL

ARCO Oil and Gas Company
300 N. Pecos
Midland, Texas 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

Gentlemen:

Sun Exploration and Production Company is proposing the subject well as a 13,700' Morrow test. As per my letter dated September 18, 1986, Sun requested the participation of ARCO in this well or a farmout of their interest. Mike Snyder informed me last Friday that the AFE is circulating but the farmout terms may not be attractive enough for ARCO to grant a farmout.

Subject to final management approval, Sun proposes to farmin ARCO's interest in this well adhering to all the terms and conditions of the aforementioned letter with the exception of the following:

Point #3) ARCO will reserve an overriding royalty equal to the difference between existing lease burdens and 80% before payout of the initial test well. After payout of the initial test well, ARCO will have the option of converting said override to a 25% working interest. Both the overriding and working interest will be proportionately reduced to ARCO's interest in the proration unit.

If the above terms are acceptable please contact the undersigned at your earliest convenience. Your prompt attention to this proposal is appreciated.

Yours very truly,

SUN EXPLORATION AND PRODUCTION COMPANY

Douglas A. Noah

Douglas A. Noah
Professional Landman

SEARCHED	INDEXED
SERIALIZED	FILED
OCT 1 1986	
MIDLAND, TEXAS	
3	9007



PS Form 3811, Rev. 1983

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3. **ARTICLE ADDRESSED TO:**
 Rita A. Bureess
 ARCO
 300 N. Pecos
 Midland, TX 79701

4. **TYPE OF SERVICE:** **ARTICLE NUMBER**
 REGISTERED INSURED
 CERTIFIED COB
 EXPRESS MAIL
 P 711600675

(Always obtain signature of addressee or agent)

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SIGNATURE Addressee Authorized agent
300 N. Pecos
Midland, TX 79701

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C. Thompson

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