



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

ARCO Oil and Gas Company
P. O. Box 1610
Midland, TX 79702

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 ARCO participate in the drilling of this well or in the alternative, farmout for the following terms:

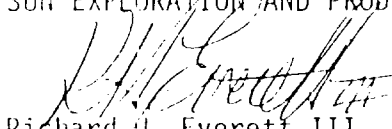
- 1) On or before December 31, 1987, Sun will commence a well to be drilled to a depth of 10,000' or a depth sufficient to test the Morrow formation, whichever is the lesser.
- 2) In return for completion of a well, ARCO will deliver to Sun a 75% NRI lease. Said assignment would be limited to lands within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

c.jw

Enclosure
1L11/1995 - (1)

SUN EXPLORATION & PRODUCTION CO.

Date Of Hearing 10-7-87
Docket No. 9223
Exhibit No. 2

AUTHORITY FOR EXPENDITURE - DRILLING

SUN-9580 A

ACCOUNTING USE ONLY

SUN EXPLORATION AND PRODUCTION COMPANY		ORIGINATING OFFICE		FUNCTION CONTROL			AFE NUMBER	
<input type="checkbox"/> 100% CO-OP <input type="checkbox"/> OBO <input checked="" type="checkbox"/> CO-P		SOUTHWESTERN DISTRICT		EST. AMOUNT	WATER	OIL	GAS	S1577
AMOUNT REQUESTED		EXPENDITURE BUDGETED		\$ 14,000	AIR			DATE
\$656,000		<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO <input type="checkbox"/> PARTIALLY		COMPLETE FOR OBO APPROPRIATIONS ONLY				7-28-87
EST. COMPLETION DATE		YEAR		OPERATOR'S NAME				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:	8-3-87			