

September 18, 1986

Sun Exploration and Production Company

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

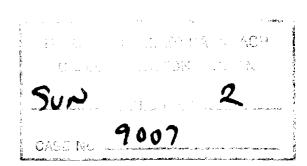
ARCO Oil and Gas Company 300 N. Pecos Midland. TX 79701

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



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 managment 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

AUTHORITY FOR EXPEND	ITURE - DRILLING 5 640 **	REVISED **		. 1			
SUN	ORIGINATING LOCAT		POLL	บา. co	NTROL		AFE NUMBER
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□ ово	Sun Tower Bldg,			WATER		X	DATE
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AMOUNT REQUESTED	EXPENDITURE BUDGETED					PPROPR	IATIONS ONLY
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EST. COMPLETION DATE	NO						ļ
PROPERTY ID NUMBER	PARTIALLY PROPERTY NAME		1	WELL NO.			TOTAL DEPTH
726550		. 1					
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Mescalero Ridge			165		NF		•
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Wildcat		Lea					
PRIMARY OBJECTIVE				 			<u>co</u>
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SUMMARY		SIGNED		1 /3			DATE
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NON DRILLING PROJECT D						INTERE	STOWNERS
Funds requested	to drill and complete a	13700' Morr	row test.	12	UN.		
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NOTICE TO NON-OP	ERATORS: All figures of	n this AFE a	ıre estimat	es -			
only; approval o	of this authorization sha	all extend t	to the actu	al -			
costs as specifi	ed in the operating agre	eement.		-			
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41 RIG MOVE			PIPE 8-5		(100		2 72
42 FOOTAGE \$24/f	t. 333 333		PIPE 5-1	/2" (13	700')	13	6
43 DAY WORK	3232		PIPE 2-7	/8" (13	500')	7	0
44 BITS AND RMRS	1		PIPE				
45 FUEL			PIPE				· · · · · · · · · · · · · · · · · · ·
46 WATER	2020		PIPE				
47 MUD AND CHEM	70 70		WELLHEAD)			0 12
48 CMT AND CMTG S	ER		OTHER			2	0 9
49 DIRECTIONAL SE	R					2.4	0 105
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51 MUD LOGGING	<u> 18</u> <u>18</u>					110	015
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55 CSG/TBG TOOLS	20			CURRE	INT MI	LL PRI	CE.
56 COMPLETION RIG	10						
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1. The following service is reques Show to whom and date de Show to whom, date, and a RESTRICTED DELIVER (The restricted delivery fee is change the return receipt fee.)	ted (check one). livered
	TOTAL \$70
3. ARTICLE ADDRESSED TO: ARCO DIL + 6 AS 300 N. PECOS MIDLAND, TX 79	
4. TYPE OF SERVICE: REGISTERED REGUMED COD EXPRESS MAIL	ARTICLE MUMBER 711, 600 674
(Always obtain signature of	
I have received the article descrit SIGNATURE Addressee	Party.
DATE OF DELIVERY 9-22-8C ACCRESS ADDRESS (Only If require	POSTRIARIK
300N. Pece	
7. URABLE TO DELIVER BECAUSE	7a. EMPLOYEE'S INTRALS