

<u>POTENTIAL HORIZON</u>	<u>ANTICIPATED SPACING</u>	<u>SANTA FE EXPLORATION'S WORKING INTEREST IN CORRESPONDING PRORATION UNIT</u>
Bone Spring	80 acres	20% - Stand Up 80
Bone Spring *	80 acres	10% - lay Down 80
Wolfcamp	40 acres	20%
Strawn Oil	40 acres	20%
Atoka	320 acres	15%
Morrow	320 acres	15%

*This assumes a "laydown" proration unit.

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION
SUN EXHIBIT NO. 2
CASE NO. 9310

SUN EXPLORATION AND PRODUCTION COMPANY
CASE #9310
MARCH 16, 1988
EXHIBIT # _____



**Sun Exploration and
Production Company**

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

January 15, 1987

Santa Fe Exploration Company
Attn: William A. McAlpine, Jr.
P.O. Box 1136
Roswell, N.M. 88201

RE: Working Interest Unit
Section 26-T18S-R33E
Lea County, New Mexico
Sun's Corbin Prospect

Gentlemen:

Sun Exploration and Production Company has approached your company several times in the past concerning the drilling of a Morrow wildcat in the subject prospect. Due to budget constraints, market economics or other conditions, the prospect was not drilled. Sun again would like to discuss drilling a Morrow test along the following terms and conditions:

- 1) The leasehold owners form a one-section working interest unit comprising all of Section 26-T18S-R33E, Lea County, N.M.. The initial location for a 13,700' Morrow test will be 1980' FNL and 1980' FEL. The unit will cover rights from 100 ft below the base of the Queen Sand down to 100 ft. below the base of the Morrow formation. The initial proration unit will cover the N/2 of Section 26.
- 2) All leasehold owners will have the right to participate in any unit wells for their proportionate interest. Anticipated costs for the initial well are \$820,000.00 for a dry hole and \$1,200,000.00 for a completion.
- 3) Any unit owner not desiring to participate will farmout to the unit. Farmout terms will deliver a 75% net revenue lease to the consenting owners with the option of converting the reserved overriding royalty to a 25% working interest at payout of the test well. Both the ORRI and reversionary working interest will be proportionately reduced as to your unit interest.

BEFORE EXAMINER CATA...
OIL CONSERVATION DIVISION
<i>Sun</i> EXHIBIT NO. <u>3</u>
CASE NO. <u>9310</u>



January 15, 1987

If you have any questions or comments concerning the above, please do not hesitate to contact the undersigned at 915/688-0543. Sun would like to sit down and discuss this prospect with you. Thank you for your prompt consideration of this proposal.

Very truly yours,

SUN EXPLORATION AND PRODUCTION COMPANY

A handwritten signature in cursive script that reads "Douglas A. Noah".

Douglas A. Noah
Professional Landman

stc