



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

July 29, 1987

Santa Fe Exploration Company
P.O. Box 1136
Roswell, New Mexico 88201

Attn: William A. McAlpine, Jr.

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

Dear Bill:

As we discussed a few weeks ago, Sun is still interested in drilling a Morrow well in the subject area. To date, Enron has indicated they will probably participate and Huber will support with a farmout. The following is the proposal that Sun forwarded to everyone (including yourself) earlier this year:

- 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 to 100 ft below the base of the Morrow formation. The initial proration unit will cover the N/2 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 \$680,000.00 for a dry hole and \$1,048,000.00 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 CATANACH
OIL CONSERVATION DIVISION

SUN EXHIBIT NO. 4

CASE NO. 9310

July 29, 1987

Attached you will find an AFE for your review and execution. Should you desire to participate in the WIU, Santa Fe Exploration's working interest would be calculated as follows:

240 acre lease x .20 = 48 net acres
48 - 640 = 7.5%

Please advise the undersigned as soon as possible as to your decision regarding the above. Thank you for your prompt attention to the above.

Very truly yours,

SUN EXPLORATION AND PRODUCTION COMPANY



Douglas A. Noah
Professional Landman

stc

SUN <input type="checkbox"/> 100% CO-OP <input type="checkbox"/> OBO <input checked="" type="checkbox"/> C.O.-P.I.		ORIGINATING LOCATION Sun Exploration & Production Co. Sun Tower Bldg., Suite 600 Midland, TX 79705		POLL - ION CONTROL EST. AMOUNT \$		OIL GAS WATER AIR		AFE NUMBER DATE 3/3/87																																																																																																																																																																																																																																																																																																			
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