

ENRON
Oil & Gas Company

P. O. Box 2267 Midland, Texas 79702 (915) 686-3600

January 16, 1997

Phillips Petroleum Company
Attention: G. L. Fenton
4001 Penbrook
Odessa, Texas 79762

Re: Sand Tank "36" St. Com #1
W/2 Section 36, T-17-S, R-29-E
Eddy County, New Mexico
EOG's Sand Tank Prospect
K0012235

Gentlemen:

Enclosed please find that certain Joint Operating Agreement dated January 8, 1997. If this meets with your approval, please execute the extra signature page and return to the undersigned. The enclosed copy of the Joint Operating Agreement may be retained for your files. A copy of the fully executed JOA will be forwarded to you upon receipt of all signatures.

Should you have any questions or need further information, please contact the undersigned at 915-686-3758.

Sincerely,

ENRON OIL & GAS COMPANY


Patrick J. Tower
Project Landman

PJT/vr
Enclosures
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BEFORE THE
OIL CONSERVATION DIVISION
Santa Fe, New Mexico

Case No. 11710 Exhibit No. 4

Submitted by: Enron Oil & Gas Company

Hearing Date: January 23, 1997

ENRON
Oil & Gas Company

P. O. Box 2267 Midland, Texas 79702 (915) 686-3600

January 16, 1997

Costilla Energy, Inc.
Attention: Gary L. Winter
P. O. Box 10369
Midland, Texas 79702

Re: Sand Tank "36" St. Com #1
W/2 Section 36, T-17-S, R-29-E
Eddy County, New Mexico
EOG's Sand Tank Prospect
K0012235

Gentlemen:

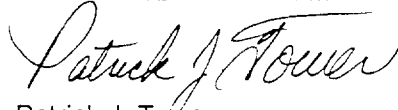
Enclosed please find that certain Joint Operating Agreement dated January 8, 1997. If this meets with your approval, please execute the extra signature page and return to the undersigned. The enclosed copy of the Joint Operating Agreement may be retained for your files. A copy of the fully executed JOA will be forwarded to you upon receipt of all signatures.

Also enclosed is a copy of the Drilling Opinion of Title No. 30,016 dated December 30, 1996 for your information.

Should you have any questions or need further information, please contact the undersigned at 915-686-3758.

Sincerely,

ENRON OIL & GAS COMPANY



Patrick J. Tower
Project Landman

PJTjr
Enclosures
u:\landtemp\pjt\joa2.doc



January 13, 1997

Enron Oil & Gas Company
P.O. Box 2267
Midland, Texas 79702

Attention: Patrick J. Tower
Project Landman

Re: Sand Tank "36" St. Com. No.1 Well
W/2 Section 36, T-17-S, R-29-E,
Eddy County, New Mexico

Gentlemen:

With reference to our telephone conversations of last week, Costilla Energy, Inc. elected as of December 12, 1996, to participate in the drilling of the above captioned well and has executed and returned Enron Oil & Gas Company's AFE. At your earliest convenience, please provide the undersigned with an Operating Agreement.

Sincerely,

Gary L. Winter, CPL
District Landman



RECEIVED

DEC 13 1996

LAND DEPT.

915/683-3092 • P. O. Box 10369 • MIDLAND, TX 79702

December 12, 1996

Enron Oil & Gas Company
P.O. Box 2267
Midland, Texas 79702

Attn: Patrick J. Tower

Re: Sand Tank "36" St. Com #1
Eddy County, New Mexico

Dear Mr. Tower:

Enclosed please find your original AFE to drill the above referenced well. Costilla Energy (Costilla Petroleum) has approved and fully executed the AFE.

Costilla would like copies of reports and any other pertinent documentation for our files. All information should be mailed to:

Costilla Petroleum Corporation
P.O. Box 10369
Midland, Texas 79702
Attn: Michelle Breeding
Fax: 915-686-6081

Sincerely,

A handwritten signature in black ink, appearing to read 'Shannon R. Stilwell', written in a cursive style.

Shannon R. Stilwell
Joint Interest Coordinator

Encl.

/mb

ENRON

Oil & Gas Company

P. O. Box 2267 Midland, Texas 79702 (915) 686-3600

November 21, 1996

VIA FAX & CERTIFIED MAIL-RETURN RECEIPT

Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 79762
Attention: G. L. Fenton
Land Specialist

RE: Sand Tank "36" St. Com No. 1 Well
1980' FSL & 1980' FWL Section 36,
W/2 Section 36 Spacing Unit
Township 17 South, Range 29 East
Eddy County, New Mexico
EOG's Sand Tank Prospect

Gentlemen:

Following the verbal proposal, Enron Oil & Gas Company proposes to drill the Sand Tank "36" St. Com No. 1 well as an 11,800' Lower Morrow/Chester test at a location 1980' FSL and 1980' FWL of Section 36, T17S, R29E, Eddy County, New Mexico. In this regard please find two (2) AFEs covering this test. Please execute and return one (1) copy should you elect to participate.

Should Phillips not be inclined to join in the drilling of said well, then Enron would request that Phillips still consider farming out on the alternative terms specified in that certain letter from Enron to Phillips dated November 11, 1996.

Enron looks forward to a favorable response to our proposal. Should there be any questions concerning this matter, please feel free to contact the undersigned at 915-686-3758.

Sincerely,

ENRON OIL & GAS COMPANY



Patrick J. Tower
Project Landman

PJT/ms

cc: Rudy Mikulec - EOG Houston
Ronnie Adams - EOG Houston
G. L. Thomas/R. L. Ingle/WDS/TJA/LISA/WF
File

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ENRON

Oil & Gas Company

P. O. Box 2267 Midland, Texas 79702 (915) 686-3600

November 21, 1996

VIA FAX & CERTIFIED MAIL-RETURN RECEIPT

TO WORKING INTEREST OWNERS:
(See Attached Addressee List)

RE: Sand Tank "36" St. Com No. 1 Well
1980' FSL & 1980' FWL Section 36,
W/2 Section 36 Spacing Unit
Township 17 South, Range 29 East
Eddy County, New Mexico
EOG's Sand Tank Prospect

Gentlemen:

Enron Oil & Gas Company proposes to drill the Sand Tank "36" St. Com No. 1 well as an 11,800' Lower Morrow/Chester test at a location 1980' FSL and 1980' FWL of Section 36, T17S, R29E, Eddy County, New Mexico. In this regard please find two (2) AFEs covering this test. Please execute and return one (1) copy should you elect to participate.

In the event you do not choose to participate, Enron would request a Farmout for the drilling of this well on your interest in the W/2 of this Section 36. According to our records you own 100% of the operating rights in the NW/4 NW/4 and SE/4 NW/4 below 3,575'. General terms would provide for delivering Enron a 75% NRI with the retained ORRI convertible to a 25% back-in at payout and a 180 day continuous development clause to drill the remaining tract under the same terms for the subsequent well (if any).

Enron looks forward to a favorable response to our proposal. Should there be any questions concerning this matter, please feel free to contact the undersigned at 915-686-3758.

Sincerely,

ENRON OIL & GAS COMPANY



Patrick J. Tower
Project Landman

PJT/ms

cc: Rudy Mikulec - EOG Houston
Ronnie Adams - EOG Houston
G. L. Thomas/R. L. Ingle/WDS/TJA/LISA/WF
File

WORKING INTEREST OWNERS ADDRESS LIST
SAND TANK "36" ST. COM NO. 1 WELL

Working Interest

CSL PARTNERS
P. O. Box 10369
Midland, Texas 79702
Attention: Gary L. Winter

22.75%

MILLER & FLOYD, A TEXAS PARTNERSHIP

Joel R. Miller
Jay E. Floyd
P. O. Box 2577
Midland, Texas 79702

1.125%

1.125%

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

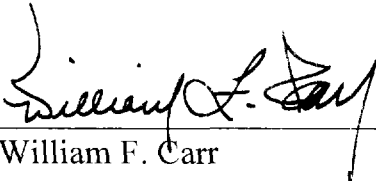
IN THE MATTER OF THE APPLICATION
OF ENRON OIL & GAS COMPANY FOR
COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE NO. 11710

AFFIDAVIT

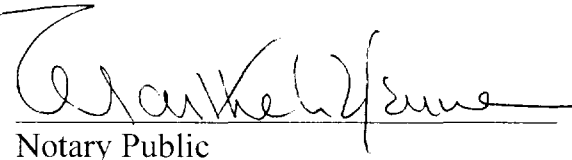
STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

William F. Carr, attorney in fact and authorized representative of Enron Oil & Gas Company, the Applicant herein, being first duly sworn, upon oath, states that notice has been given to all interested persons entitled to receive notice of this application under Oil Conservation Division rules, and that notice has been given at the addresses shown on Exhibit "A" attached hereto.



William F. Carr

SUBSCRIBED AND SWORN to before me this 22nd day of January, 1997 by
William F. Carr.



Notary Public

My Commission Expires:

August 19, 1999