

ENRON

Oil & Gas Company

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

July 21, 1997

VIA FAX AND CERTIFIED MAIL

Bass Enterprises Production Co.
First City Bank Tower
201 Main Street
Ft. Worth, Texas 76102-3105
Attention: J. Wayne Bailey

RE: Farmout Request
Lela Mae Stevens Fed Com No. 1 Well
1980' FNL & 1878' FWL Section 14
Township 24 South, Range 33 East
USA NM LC-063798
Lea County, New Mexico
EOG's Pitchfork Ranch West Prospect
Bass's Bell Lake Area

**BEFORE THE
OIL CONSERVATION DIVISION**
Santa Fe, New Mexico

Case No. 11818 Exhibit No. 3

Submitted by: Enron Oil & Gas Company

Hearing Date: July 24, 1997

Gentlemen:

Following Enron's well proposal and the various conversations between our companies, it is our understanding that Bass is leaning towards not participating in the referenced well. In this regard Enron Oil & Gas Company would offer to take a farmout of Bass Enterprises Production Co.'s ("Bass") acreage covering all of Section 14-T24S, R33E under the following general terms:

- A. Enron will commence or cause to be commenced on or before October 15, 1997 the drilling of a Wolfcamp test on the referenced lease at a legal location in the N/2 of said Section 14, Township 24 South, Range 33 East.
- B. Enron will Farmin 100% of Bass's working interest in the proration unit for the well with Bass delivering Enron a 75% NRI reserving to Bass the option at payout to convert its ORRI to a 25% back-in. Enron will earn on a produce to earn basis from surface to 100' below TD.
- C. Enron will have a 180 day continuous development option to fully develop the remainder of the respective section under the same terms as the initial well (i.e. 75% NRI, 25% Back-in).

As in past dealings, when Enron is dealing with Bass, you have advised that Bass is representing all the other Bass entities, i.e. Sid R. Bass, Inc., Thru Line, Inc., Keystone, Inc., Lee M. Bass, Inc., Perry R. Bass, Inc.

As further discussed, Enron plans on proceeding with its Force Pooling hearing this Thursday, the 24th; however, if a voluntary agreement can be arrived at between our companies and consummated in

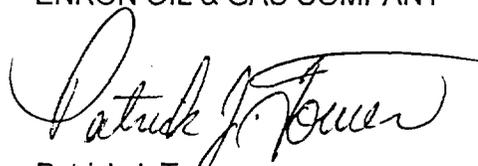
Page 2
Bass Enterprises Production Co.
July 21, 1997

writing under a mutually agreeable form of farmout agreement, Enron will be willing to dismiss the Force Pooling Order.

Your earliest consideration of this proposal would be most appreciated. Should you have any questions, please do not hesitate to contact the undersigned at (915) 686-3758.

Sincerely,

ENRON OIL & GAS COMPANY

A handwritten signature in black ink, reading "Patrick J. Tower". The signature is written in a cursive style with a large initial "P" and a long horizontal flourish extending to the right.

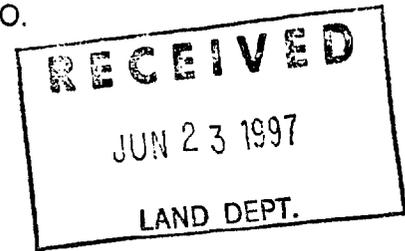
Patrick J. Tower
Project Landman

PJT/ms

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BASS ENTERPRISES PRODUCTION CO.

201 MAIN ST.
FORT WORTH, TEXAS 76102-3131
817/390-8400



June 17, 1997

CERTIFIED MAIL/
Return Receipt Requested

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

Attention: Mr. Patrick J. Tower

Re: Proposed L.M. Stevens Fed. Com. No. 1
Section 14, T24S-R33E
Bell Lake Area
Lea County, New Mexico

Dear Mr. Tower:

Please reference Enron's letter dated June 3, 1997, whereby Enron has proposed the drilling of the above well in the NW/4 of Section 14 to test the Wolfcamp Formation. Bass has been actively conducting an independent technical review of the subject area, and our plans may include alternative locations and/or proration units. However, Bass will timely evaluate Enron's proposal, which must include Bass as the operator of any such well in Section 14 in light of the current lease ownership therein. Enron will be advised of Bass' election upon the completion of our analysis of the above proposed well.

Very truly yours,


J. Wayne Bailey

JWB:ca

ENRON

Oil & Gas Company

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

June 3, 1997

CERTIFIED MAIL - RETURN RECEIPT

TO WORKING INTEREST OWNERS:
(See Attached Addressee List)

RE: Lela Mae Stevens Fed Com No. 1 Well
1980' FNL & 1878' FWL Section 14,
N/2 Section 14 Proration Unit
Township 24 South, Range 33 East
Lea County, New Mexico
EOG's Pitchfork Ranch West Prospect

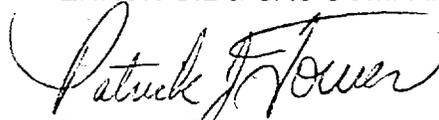
Gentlemen:

Enron Oil & Gas Company hereby proposes to drill the Lela Mae Stevens Fed Com No. 1 Well as a 13,700' Wolfcamp test at a location 1980' FNL and 1878' FWL of Section 14, T24S, R33E, Lea County, New Mexico. In this regard please find two (2) AFEs covering this test.

Enron seeks your approval for this proposal; therefore, if you elect to participate please return one signed copy of the attached AFE to the undersigned at the letterhead address. Should there be any questions, please feel free to contact the undersigned at (915) 686-3758.

Sincerely,

ENRON OIL & GAS COMPANY



Patrick J. Tower
Project Landman

PJT/ms
enclosures

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

WORKING INTEREST OWNERS ADDRESS LIST
LELA MAE STEVENS FED COM NO. 1 WELL

Santa Fe Energy Resources, Inc.
550 West Texas, Suite 1330
Midland, Texas 79701
Attention: Meg Muhlinghouse

✓ Bass Enterprises Production Co.
First City Bank Tower
201 Main Street
Ft. Worth, Texas 76102-3105
Attention: J. Wayne Bailey

is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Bass Enterprises Production Co.
 First City Bank Tower
 201 Main Street
 Ft. Worth, Texas 76102-3105
 Attn: J. Wayne Bailey

4a. Article Number

P 497 359 582

4b. Service Type

- Registered Certified
- Express Mail Insured
- Return Receipt for Merchandise COD

7. Date of Delivery

JUN 06 1997

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)

X

Thank you for using Return Receipt Service.

UNITED STATES POSTAL SERVICE



First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

• Print your name, address, and ZIP Code in this box •

ENRON OIL & GAS COMPANY
Attn: Patrick J. Tower
P. O. Box 2267
Midland, TX 79702

RECEIVED
JUN 9 1997
LAND DEPT.

Lela Mae Stevens Fed Cam #1

