

6/9/98
copies to: BZ
Tammy

Telephone
(915) 683-3553

JAY E. FLOYD
Oil and Gas Properties
P.O. Box 2577
Midland, Texas 79702

Facsimile
(915) 683-3136

FAX TRANSMITTAL SHEET

DATE: June 9, 1998

TO: Patrick J. Tower, Enron Oil & Gas Company
Fax No. 686-3773

FROM: Jay E. Floyd

NUMBER OF PAGES TO FOLLOW THIS COVER SHEET: 1

COMMENTS:

Pursuant to your request, following are my well requirements for the STW "2" Fed Com #1 well. Mr. Miller's well requirements are identical, with the exception that he desires daily drilling reports by mail.

→ Joe Miller
P.O. Box 3003
Midland, TX 79702

If you have any problems receiving this fax, please call Wilma at 915/683-3553

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

Case No. 12005 Exhibit No. 4

Submitted by: Enron Oil & Gas Company

Hearing Date: July 9, 1998

**JAY E. FLOYD - WELL REQUIREMENTS
STW "2" FED COM #1
EDDY COUNTY, NEW MEXICO**

1. **Daily drilling reports by telephone or facsimile:**

**Telephone No. 915-683-3553
Facsimile No. 915-683-3138**
2. **One copy of all Title Opinions**
3. **One final print of all electrical or radioactive logs and one copy of any dip meter survey run**
4. **If a mud logging unit is employed, one print of the final log**
5. **One copy of any core analysis**
6. **One copy of all drillstem test charts**
7. **One copy of all forms filed with the New Mexico regulatory agencies**
8. **Surveyor's plat**



**Enron Oil & Gas
Company**

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

May 8, 1998

Joel R. Miller and Wife, Shirley B. Miller
P. O. Box 3003
Midland, Texas 79702

Re: STW "2" Fed Com #1 ✓
W/2 Section 2, T-18-S, R-29-E,
Eddy County, New Mexico
Drilling Opinion #30,194

Dear Mr. And Mrs. Miller:

In line with our recent drilling proposal, please find the referenced title opinion.
Please send us curative to cure any title requirements on your interest.

If you have any questions, please feel free to call me at 686-3758.

Very truly yours,

ENRON OIL & GAS COMPANY

A handwritten signature in cursive script that reads "Patrick J. Tower".

Patrick J. Tower



**Enron Oil & Gas
Company**

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

May 8, 1998

Jay E. Floyd and Wife Sharon L. Floyd
P. O. Box 2577
Midland, Texas 79702

Re: STW "2" Fed Com #1 ✓
W/2 Section 2, T-18-S, R-29-E,
Eddy County, New Mexico
Drilling Opinion #30,194

Dear Mr. And Mrs. Floyd:

In line with our recent drilling proposal, please find the referenced title opinion.
Please send us curative to cure any title requirements on your interest.

If you have any questions, please feel free to call me at 686-3758.

Very truly yours,

ENRON OIL & GAS COMPANY


Patrick J. Tower



**Enron Oil & Gas
Company**

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

April 27, 1998

CERTIFIED MAIL-RETURN RECEIPT

TO WORKING INTEREST OWNERS:
(See Attached Addressee List)

RE: STW "2" State Com No. 1 Well
1650' FNL & 1650' FWL Section 2,
W/2 Section 2 Spacing Unit
Township 18 South, Range 29 East
Eddy County, New Mexico
EOG's Sand Tank West Prospect

Gentlemen:

Enron Oil & Gas Company proposes to drill the STW "2" State Com No. 1 well as an 11,700' Morrow/Chester test at a location 1650' FNL and 1650' FWL of Section 2, T18S, 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. Upon receipt of your election to join we will forward an Operating Agreement.

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 2. According to our records you own 100% of the operating rights in the NW/4 NW/4, SW/4 NW/4, E/2 SW/4 excluding the unitized West Loco Hills Grayburg No. 4 Sand. General terms would provide for delivering Enron a 75% NRI with you retaining the difference in the form of a retained ORRI. The Farmout would provide for a 180 day continuous development clause to drill any remaining tract under the same terms.

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
enclosures

**WORKING INTEREST OWNERS ADDRESS LIST
STW "2" STATE COM NO. 1 WELL**

	<u>Working Interest</u>
ENRON OIL & GAS COMPANY P. O. Box 2267 Midland, Texas 79702 Attention: Patrick J. Tower	50.00%
COSTILLA ENERGY, INC. P. O. Box 10369 Midland, Texas 79702 Attention: Gary L. Winter, CPL	45.50%
JOEL R. MILLER AND WIFE, SHIRLEY B. MILLER P. O. Box 3003 Midland, Texas 79702	2.25%
JAY E. FLOYD AND WIFE, SHARON L. FLOYD P. O. Box 2577 Midland, Texas 79702	2.25%
	<hr/> 100.00%

ENRON
Oil & Gas Company
Drilling AFE

MIDLAND DIVISION

Revised March 97

AFE No.	101537
Property No.	040032-000
Enron W. I.	50.00000%
Enron AFE Amt: (Drig)	\$279,300
(Completion)	\$188,750
Total Well Cost	\$468,050
AFE Date	4/21/98
Budget Year	1998

AFE Type Wildcat (31) Development (32)

Re-Entry Oil Gas High Cost Gas

Well Name & No. STW "Z" State Com No. 1	Prospect Name Sand Tank, West	Total Depth 11,700'	Spud Date
Location 1,650' FNL & 1,650' FWL	Sec-Twn-Rng Sec 2-18S-20E	Producing Horizon Lower Morrow	DD&A Field Sand Tank
Operator Enron Oil & Gas Company	County & State Eddy, New Mexico	Regulatory Field Grayburg (Morrow)	
AFE Description To drill and complete an 11,700' Lower Morrow/Chester gas well.			

DESCRIPTION	SUB ACT	DRILLING 230	COMPLETION 231	TOTAL
Access, Location & Roads	401	\$20,000	\$2,000	\$22,000
Rig Move	402	35,000		35,000
Footage Cost /Ft	403			
Day Work Cost 28/3 days @ \$ 6,200	404	173,800	18,600	192,200
Bits, Reamers & Stabilizers	405	40,000		40,000
Fuel	406	500		500
Water	407	18,000	3,000	21,000
Mud & Chemicals	408	41,000	3,000	44,000
Cementing & Service	409	23,000	18,000	41,000
Coning	410	18,000		18,000
Logging & Testing	411	36,000	5,000	41,000
Mud Logging	412	12,500		12,500
Perforating	413		25,000	25,000
Stimulation	414		23,000	23,000
Transportation	415	5,500	4,000	9,500
Overhead days @ \$	416	8,600		8,600
Equipment Rental	417	6,000	3,000	9,000
Completion Rig days @ \$	418		9,800	9,800
Other Expense	419	22,000	7,000	29,000
Fishing & Equip. lost in hole	420			
Environmental & Safety Charges	421	3,600	5,000	8,600
Directional Drilling	422			
Equipment Usage	423			
Supervision	424	17,000	2,800	19,800
Communications	431	2,000		2,000
MWD Logging	432			
Tubular Inspection / Handling	436	10,000		10,000
Wireline Service	442			
Coiled Tubing Unit / Nitrogen	445			
Completion Fluids	448			
TOTAL INTANGIBLES		\$490,300	\$129,200	\$619,500

	FEET	SIZE	GRADE	S/FT.			
Conductor Casing	40	20		101	\$1,000		\$1,000
Surface Casing	650	11-3/4	H-40	16.08	102	10,800	10,800
Intermediate Casing	4000	8-5/8	J	12.37	103	49,500	49,500
Intermediate Casing				103			
Drilling Liner				103			
Production Casing/Liner	12050	5-1/2	N-S	8.80	104		106,100
Tie-Back Casing				104			
Tubing	11600	2-7/8	N	3.59	106		41,700
Tubing				106			
Well Head Equipment and Tree				107	7,000	25,000	32,000
Tanks				108		25,000	25,000
Flow Lines				109		5,000	5,000
Valves & Fittings				110		7,500	7,500
Rods				111			
Pumping Equipment - Surface				112			
Production Equipment - Subsurface				113			
Engines & Motors				114			
Heater-Treater & Separators				115		25,000	25,000
Other Equipment				116			
Buildings				117			
Metering Equipment				118			
Non-Controllable Equipment				119		3,000	3,000
Liner Equipment				120			
Construction Cost				122		10,000	10,000
TOTAL TANGIBLES					\$68,300	\$248,300	\$316,600
TOTAL WELL COST					\$558,600	\$377,500	\$936,100

ENRON APPROVAL					
Division	Date	By	Date	Headquarters	Date
W.D. Smeltzer	04/21/98	Doug L. Thomas	4/22/98		
By	Date	By	Date	By	Date
JOINT OPERATOR APPROVAL					
Firm	By	Title	Date		

P 497 360 056

US Postal Service
Receipt for Certified Mail
No Insurance Coverage Provided.
Do not use for International Mail (See reverse)

**JOEL R. MILLER AND WIFE,
SHIRLEY B. MILLER**
P. O. Box 3003
Midland, TX 79702

PS Form 3800, April 1995

Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	STW #21 ST Com #1 well Proposal

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:

**JOEL R. MILLER AND WIFE,
SHIRLEY B. MILLER**
P. O. Box 3003
Midland, TX 79702

4a. Article Number

P 497 360 056

4b. Service Type

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

7. Date of Delivery

FEB 29 1998

5. Received By: (Print Name)

JOEL MILLER

6. Signature: (Addressee or Agent)

X *Joel Miller*

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

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

P 497 360 057

US Postal Service
Receipt for Certified Mail
No Insurance Coverage Provided.
Do not use for International Mail (See reverse)

**JAY E. FLOYD AND WIFE,
SHARON L. FLOYD**
P. O. Box 2577
Midland, TX 79702

PS Form 3800, April 1995

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Special Delivery Fee	
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Midland, TX 79702

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P 497 360 057

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

7. Date of Delivery

4-29-98

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)

X *Jay E. Floyd*

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

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.