

# ENRON

## Oil & Gas Company

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

January 28, 1992

Exxon Company, USA  
P. O. Box 1600  
Midland, Texas 79702  
Attn: Mr. Joe B. Thomas

RE: Request to Purchase Assignment  
NW/4 NW/4 Section 1 and NW/4 NW/4 Section 14,  
T25S, R33E, Lea County, New Mexico  
Pitchfork Ranch Prospect

Gentlemen:

As a follow up to our conversation of January 27, 1992, Enron hereby offers to purchase an assignment of operating rights from Exxon covering the captioned acreage. Enron's offer is as follows:

TRACT 1: Federal Lease #77079  
Portion of Lease: NW/4 NW/4 Section 1, T25S, R33E,  
Lea County, New Mexico.  
Cash consideration: \$100 per acre.  
Overriding royalty: 7.5% (assuming Exxon has an 87.5%  
NRI lease).

TRACT 2: Federal Lease No. 77080  
Portion of Lease: NW/4 NW/4 Section 14, T25S, R33E,  
Lea, New Mexico.  
Cash consideration: \$100 per acre.  
Overriding royalty: 7.5% (assuming Exxon has an 87.5%  
NRI lease).

Thank you in advance for your assistance in this matter. Should you have any questions or need any further information, please give me a call.


Sincerely,

BEFORE EXAMINER CATALAN  
OIL CONSERVATION DIVISION

ENRON EXHIBIT NO. 3

CASE NO. 10514

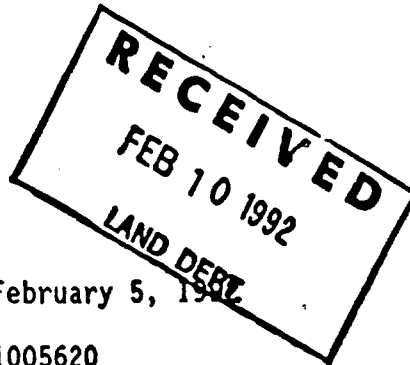
ENRON OIL & GAS COMPANY

  
Steven D. Wentworth  
Project Landman

SDW/cl

**EXXON** EXPLORATION COMPANY

POST OFFICE BOX 4279 • HOUSTON, TEXAS 77210-4279



February 5, 1992

1005620  
Sections 1 & 14-25S-33E  
Welch Block  
Lea County, New Mexico

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

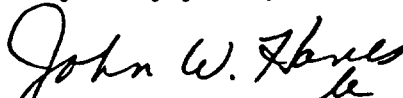
Attention Steven D. Wentworth

Dear Mr. Wentworth

This letter is in response to your proposal dated January 28, 1992 concerning the above referenced area. The information you provided has been reviewed by Exxon's Land and Geology sections. Upon completion of the review it was determined that it is not in Exxon's best interest to grant your request at this time.

Please feel free to contact this office in the future concerning any additional proposals generated by your company.

Very truly yours,

  
John W. Hanes

JWH/lse

Copies: Tech  
Proposal File



# **ENRON**

## **Oil & Gas Company**

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

June 5, 1992

Exxon Exploration Company  
P. O. Box 4279  
Houston, Texas 77210-4279  
Attn: John W. Hanes

RE: Farmout Request  
NW/4 NW/4 Section 1, T-25-S, R-33-E  
Lea County, New Mexico  
Vaca Draw E. Prospect  
Exxon's Welch Block #1005620

Gentlemen:

Pursuant to Enron's previous request of January 28, 1992 and Exxon's response of February 5, 1992 (copies attached), this letter will serve as Enron's formal request for a farmout from Exxon Exploration Company ("Exxon") of Exxon's leasehold interest in the captioned acreage. The following terms and conditions are requested for said farmout:

1. Enron will drill or cause to be drilled a well to the depth sufficient to test the Morrow formation to a depth of approximately 15,450' at a legal location of its choice on the captioned acreage, or acreage pooled therewith, within one hundred twenty (120) days of Exxon's execution of a formal farmout agreement. The N/2 of the above Section 1 will be dedicated to the well.
2. Upon establishment of commercial production from said well, Enron proposes to earn the following:
  - a. One hundred percent (100%) of Exxon's leasehold interest in the captioned acreage in the assigned proration unit subject to Exxon reserving an Overriding Royalty Interest ("ORRI") equal to the difference between currently existing burdens on the acreage and twenty five percent (25%), proportionately reduced, it being the intention of Exxon to deliver Enron a seventy five percent (75%) Net Revenue Interest Lease.
  - b. All rights earned by Enron shall be limited in depth from the surface of the earth down to one hundred feet (100') below the deepest depth drilled in Enron's well.
3. In the event the drilling of said well results in a dry hole, or results in a shallower producer not including the captioned acreage

Page 2  
Exxon Exploration Company  
Mr. John W. Hanes  
June 5, 1992

in the proration unit, and no acreage is earned in either case, Enron will have the option to drill a similar test on said acreage in the case of a dry hole, or to the depth of the deepest producing zone encountered in the shallower producer if this be the case, within one hundred eighty (180) days of the plugging of the initial well or completion of the shallower producer. If the drilling of said second well results in the establishment of commercial production, Enron shall earn the same interest outlined above.

4. There shall be no obligation upon Enron to commence operations on the initial well pursuant to the terms of the formal agreement, and the only penalty for failure to commence said operations will be the forfeiture of all rights that might be earned by said operations.
5. The formal farmout agreement shall be mutually approved by both of our respective companies.

In the event Exxon does not wish to Farmout its leasehold, Enron invites Exxon to participate in the drilling of the above mentioned test well. In this regard, enclosed please find two (2) AFE's detailing the costs for same. IF this is Exxon's desire to join, please execute and return one (1) signed AFE. An Operating Agreement will be forwarded should this be your election.

Should Exxon desire neither of the above options, Enron would entertain a purchase of Exxon's leasehold or that of a term assignment.

Please advise as soon as possible if the foregoing farmout terms meet with your approval and begin preparation of a formal agreement. Should you have any questions concerning this request, please feel free to contact the undersigned.

Sincerely,

ENRON OIL & GAS COMPANY

  
Patrick J. Tower  
Project Landman

PJT/cl  
enclosures

# ENRON

## Oil & Gas Company

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

June 17, 1992

Millenium  
P. O. Box 211265  
Bedford, Texas 76095-8265  
Attn: Tom Patton

RE: Farmout Request and Well Proposal  
NW/4 NW/4 Section 1, T25S, R33E  
Lea County, New Mexico  
Vaca Draw East Prospect  
Exxon's Welch Block No. 1005620

Dear Mr. Patton:

As a follow up to our phone conversation of this date, enclosed please find copies of Letter's dated January 28, 1992 and June 5, 1992 from Enron Oil & Gas Company to Exxon Exploration Company, as well as a response letter from Exxon dated February 5, 1992, all with the reference to the above described lands. Until Friday June 12, 1992, Enron was not aware that Exxon had committed the referenced land under a large agreement with your company. For this reason, we are now forwarding the correspondence directly to Millenium.

As discussed, due to the tenuous situation existing under your agreement with Exxon, and the fact that a considerable amount of time has passed with Enron lead to believe Exxon had control of this acreage, Enron plans to go ahead and schedule a Force Pooling hearing with the Oil Conservation Commission at the next available Docket. It would be our hope however, that Enron and Millenuim can reach a mutual agreement, and thus avoid the need of a hearing.

Your consideration to the June 5, 1992 proposal will be most appreciated. Once your have reviewed the enclosed, please give me a call to discuss same.

Sincerely,

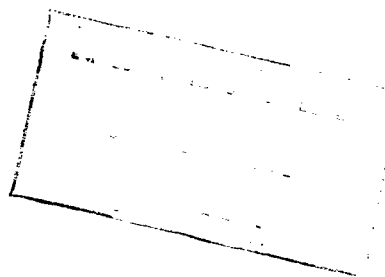
ENRON OIL & GAS COMPANY

  
Patrick J. Tower  
Project Landman

PJT/cl

# EXXON EXPLORATION COMPANY

POST OFFICE BOX 4279 • HOUSTON, TEXAS 77210-4279



June 19, 1992

1008468  
Section 1-25S-33E  
Welch Block  
Lea County, New Mexico

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

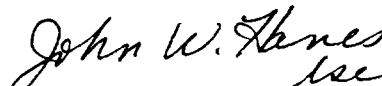
Attention Patrick J. Tower

Dear Mr. Tower:

This letter is in response to your proposal dated June 5, 1992 concerning the above referenced area. The information you provided has been reviewed by Exxon's Land and Geology sections. Upon completion of the review it was determined that it is not in Exxon's best interest to grant your request at this time.

Please feel free to contact this office in the future concerning any additional proposals generated by your company.

Very truly yours,

  
John W. Hanes

JWH/lse