

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

Case No. 10740 Exhibit No. 1

Submitted by: Enron Oil & Gas Company

Hearing Date: June 17, 1993

SILVERTON PROSPECT Eddy & Lea Co's., New Mex ico		BY	Date
LAND PLAT		P.T.	6/93
MAP SCALE 1"=4000'			
<b>ENRON OIL &amp; GAS COMPANY</b>			

Exhibits 1 through 10

EXHIBIT #2  
OWNERSHIP BREAKDOWN  
SILVERTON "31" FEDERAL NO. 1 WELL

SW/4 SW/4 Section 31, T-22-S, R-32-E, NMPM, Lea County, New Mexico

	<u>W. I.</u>
Enron Oil & Gas Company/Santa Fe Energy Operating Partners, L.P.	50.0% *
Mitchell Energy Corporation	50.0%

\* Pursuant to Joint Venture Agreement

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

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Case No. 10740 Exhibit No. 2

Submitted by: Enron Oil & Gas Company

Hearing Date: June 17, 1993



**Santa Fe Energy Operating Partners, L.P.**

Santa Fe Pacific Exploration Company  
Managing General Partner

June 16, 1993

Mr. David R. Catanach  
Mr. Michael E. Stogner  
NMOCD Examiner

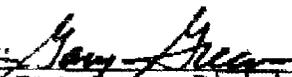
Re: NMOCD Docket No. 17-93  
Case No. 10740  
SW/4 SW/4 Section 31,  
T-22-S, R-32-E  
Eddy County, New Mexico

Gentlemen:

Please allow this letter to serve as notice of a Santa Fe Energy Operating Partners, L.P., and Enron Oil and Gas Company Joint Venture covering the leasehold and mineral interest under consideration in the captioned case No. 10740, wherein Enron Oil and Gas Company will serve as Operator.

Yours very truly,

SANTA FE ENERGY OPERATING PARTNERS, L.P.  
By: Santa Fe Pacific Exploration Company,  
Managing General Partner

By:   
Gary Green, Division Landman

GG:pr

pr2655

Central Division  
560 W. Texas, Suite 1330  
Midland, Texas 79701  
915/687-3851

COMPULSORY POOLING APPLICATION CASE NO. 10740

NEGOTIATIONS WITH MITCHELL ENERGY CORPORATION

June 15, 1993

Enron offered alternative farmout arrangement to Mitchell Energy in order to secure additional locations in support of Enron taking the risk of drilling the Silverton Federal "31" No. 1 Well. Mitchell Energy would not agree to support the well with additional locations but did agree not to protest the force pooling hearing and the 200% maximum penalty offer by the NMOCD.

June 14, 1993

Discussions between Enron and Mitchell Energy ensued negotiating alternative deal structures and at this point Mitchell Energy advised that it planned to protest Enron's hearing if a suitable arrangement could not be reached.

June 13, 1993

Discussions with Mitchell Energy took place acknowledging receipt via fax from Mitchell Energy of a farmout proposal in lieu of joinder on the well. Discussions ensued as to the merit of an override versus a non-consent in the well with Enron advising Mitchell Energy unless it could secure alternative locations that the preferable compromise would be of the non-consent penalty.

June 11, 1993

Enron received faxed written response to Enron's well proposal of April 28, 1993 wherein Mitchell Energy indicated its desire to farmout its interest in lieu of joining in the test. A copy of this letter is enclosed with Exhibits.

May 24, 1993

Letter was drafted and sent via certified mail advising Mitchell Energy of the force pooling action.

May 21, 1993

Discussions took place with Mitchell Energy to request a decision concerning proposal of the Silverton "31" Federal No. 1 Well. Mitchell Energy had been advised on this occasion as well as additional times that Enron would be filing a force pooling notice due to some farmout expirations in the area. Mitchell Energy advised they had no problem with such action and would try to enter into an acceptable arrangement in the near future.

May 10, 1993

Discussions took place with Mitchell Energy requesting an election and reminding them of Enron's obligations to drill a well in the area.

May 5, 1993

Discussions took place with Mitchell Energy concerning this prospect in connection with other joint prospects and requesting some feedback from Mitchell Energy concerning Enron's well proposal.

April 29, 1993

Discussions with Mitchell Energy concerning response to Enron's well proposal and speculation as to what Mitchell Energy's response would be to the proposal.

April 28, 1993

Well proposal was sent via certified return receipt mail to Mitchell Energy proposing the Silverton "31" Federal No. 1 Well accompanied by an AFE. This was received by Mitchell Energy on April 30, 1993.

ALL ABOVE CONVERSATIONS TOOK PLACE BETWEEN PATRICK J. TOWER WITH ENRON AND LARRY CUNNINGHAM WITH MITCHELL ENERGY

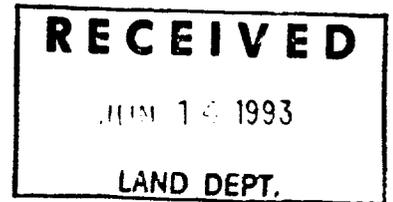
**BEFORE THE  
OIL CONSERVATION DIVISION  
Santa Fe, New Mexico**

Case No. 10740 Exhibit No. 3

Submitted by: Enron Oil & Gas Company

Hearing Date: June 17, 1993

June 11, 1993



RETURN RECEIPT REQUESTED

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

Attention: Mr. Patrick J. Tower

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

RE: Silverton "31" Federal No. 1  
660' FSL & 660' FWL Section 31  
Township 22 South, Range 32 East  
Lea County, New Mexico

Case No. 10740 Exhibit No. 4

Submitted by: Enron Oil & Gas Company

Hearing Date: June 17, 1993

Gentlemen:

Reference is made to your letter dated April 28, 1993, proposing to drill the captioned well. Mitchell Energy Corporation, with a 50% interest, desires to farmout its interest to Enron in support of its drilling this well. Mitchell offers to farmout to Enron based on the following general terms:

- (1) Enron agrees to drill a 8,450' Delaware test at the captioned location on or before September 1, 1993.
- (2) Upon completion of the test well as a commercial producer of oil and/or gas, Enron would earn 100% of Mitchell's interest in the proration unit for the well (SW/4 SW/4 Section 31) from surface down to 100' below total depth.
- (3) Mitchell would reserve an overriding royalty interest of 12.50% thus delivering Enron a 75.00% net revenue. Mitchell would not reserve an option to convert the overriding royalty to a working interest after payout.



These terms are general in nature and the complete terms would be set out in a formal contract to be prepared by Mitchell. Final contract terms are subject to Mitchell Management approval.

If these terms are acceptable to Enron, the proper Enron official should sign and return one (1) copy of this letter to the undersigned.

Should you have any questions, do not hesitate to call me. Thank you.

Sincerely,

MITCHELL ENERGY CORPORATION



Larry D. Cunningham  
District Landman

LDC/jm

Enclosures

cc: Jim Bruce

I AGREE TO THE TERMS AS STATED ABOVE

ENRON OIL AND GAS COMPANY

BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

DATE: \_\_\_\_\_

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and 2 for additional services.
- Complete items 3, 4 & b.
- 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:

Mitchell Energy Corporation  
 Attn: Mr. Larry Cunningham  
 400 West Illinois, Suite 1000  
 Midland, Texas 79701

4a. Article Number

P 322 183 156

4b. Service Type

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

7. Date of Delivery

4-30-93

5. Signature (Addressee)

*Gwendall Price*

6. Signature (Agent)

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

Thank you for using Return Receipt Service.

# ENRON Oil & Gas Company

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

April 28, 1993

Mitchell Energy Corporation  
400 West Illinois, Suite 1000  
Midland, Texas 79701

CERTIFIED-RETURN RECEIPT

Attention: Mr. Larry Cunningham

Re: Silverton "31" Federal No. 1  
660' FSL & 660' FWL Section 31, 22S, 32E  
Lea County, New Mexico  
Silverton Prospect

Gentlemen:

Enron Oil & Gas Company proposes to drill the referenced Delaware well as set forth on the attached AFE. The proration unit to be assigned to this well will be the SW/4SW/4 Section 31 (40 acres).

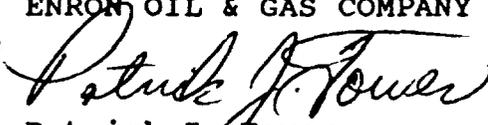
It is requested that Mitchell join in the drilling of this well. If it is your election to participate, please sign in the space provided below and return one copy of this letter and one signed copy of the AFE to my attention at the letterhead address. We are preparing an Operating Agreement per our discussion, and will forward same in the very near future.

In the event you are not interested in joining, Enron would entertain negotiations towards a mutual trade, i.e., Farmout, etc.

Your prompt and favorable response is most appreciated.

Sincerely,

ENRON OIL & GAS COMPANY

  
Patrick J. Tower  
Project Landman

\_\_\_\_\_ Elect to participate in the proposed well.

MITCHELL ENERGY CORPORATION

BY: \_\_\_\_\_

DATE: \_\_\_\_\_

Title: \_\_\_\_\_

# ENRON Oil & Gas Company

## Drilling AFE

AFE No.		100098		
Enron W. I.	45.00000%	BCP	25.00000% ACP	
Enron AFE Amt (DHC)		\$119,835		
		(CWC)		\$185,260
Division		MIDLAND		
AFE Beg. Date	04-20-93	AFE Ending Date		
Budget Year	1993	Budget Type		

AFE Type

<input checked="" type="checkbox"/> Wildcat(31)	<input type="checkbox"/> Development(32)
<input checked="" type="checkbox"/> Drilling	<input checked="" type="checkbox"/> Completion

Intention(5A)  Oil  
Re-Entry  Gas

Lease & Well No. Silverton "31" Federal No. 1	Total Depth 8,450' Delaware	Water Depth
Location & Survey 660' FSL & 660' FWL	Sec-Twn-Rng Section 31, T22S-R32E	Spud Date
Operator Enron Oil & Gas Company	County & State Lea County, New Mexico	Regulatory Field Wildcat
		DD&A Field Sand Dunes

AFE Description  
**Drill and complete a 8,450' Pumping Delaware Oil Well**

Intangible Well Cost (Dollars)				
Code	Description	Drilling	Completion	Total
401	Access, Location & Roads	\$16,000	\$1,000	\$16,000
402	Rig Move			0
403	Footage Cost 8,450' @ \$14.50/ft.	122,500		122,500
404	Day Work Cost 1/2 Day @ \$5,000	2,500		2,500
406	Bits, Reamers & Stabilizers			0
406	Fuel			0
407	Water	13,000		13,000
408	Mud & Chemicals	3,500		3,500
409	Cementing & Service	18,000	14,000	32,000
410	Coring			0
411	DH Logging & Testing	8,000	2,000	10,000
412	Mud Logging	3,800		3,800
413	Perforating		2,500	2,500
414	Stimulation		30,000	30,000
415	Transportation	2,200	1,000	3,200
416	Drilling Overhead 13 + 7 Days @ \$188/day	2,400	1,300	3,700
417	Equipment Rental	3,000	1,000	4,000
418	Completion Rig 7 Days @ \$1,200/day		8,400	8,400
419	Other Drilling Expense	8,000	1,000	9,000
420	Fishing & Equip. lost in hole			0
421	Environmental & Safety Charges	3,000	1,000	4,000
422	Directional Drilling			0
423	Equipment Usage			0
424	Supervision	5,200	2,800	8,000
431	Communications			0
432	MWD Logging			0
<b>Total Intangibles</b>		<b>\$210,100</b>	<b>\$66,000</b>	<b>\$276,100</b>

Tangible Well Cost (Dollars)				
FEET	SIZE	GRADE	\$/FT	Total
101		Conductor Casing		\$0
102	700	Surface Casing	H-40 13.70	9,800
103	4,000	Intermediate Casin	K 9.21	36,800
103	500	Intermediate Casin	S 12.34	6,200
104	7,500	Production Casing	J-15.5 5.75	42,900
104	950'	Production Casing	J-17.0 8.20	5,900
104		Tie-Back Casing		0
104	8,300	Tubing Cond "B"	N-80 2.00	16,600
106		Tubing		0
107	Well Head Equipment and Tree			3,500
108	Tanks *			2,500
108	Flow Lines			23,000
109	Valves & Fittings			3,000
110	Rods			7,000
111	Pumping Equipment - Surface			20,000
112	Production Equipment - Subsurface			30,000
113	Engines & Motors			4,800
114	Heater-Treater & Separators *			12,000
115	Other Equipment			17,000
116	Buildings			3,000
117	Metering Equipment			0
118	Non-Controllable Equipment			2,000
119	Liner Equipment			0
120	Construction Cost			0
122				6,000
<b>Total Tangibles</b>				<b>\$56,200</b>
<b>Total Well Cost</b>				<b>\$266,300</b>

Enron Approval			
Division			
By <i>W. D. Smeltzer</i>	Date <i>4/25/93</i>	By <i>Gay L. Thomas</i>	Date <i>4/25/93</i>
By <i>[Signature]</i>	Date	By	Date
Joint Operator Approval			
Firm	By	Title	Date

\*Cost on first well, will be eliminated on subsequent wells.

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

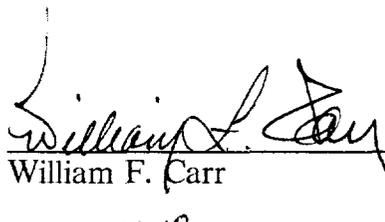
IN THE MATTER OF THE APPLICATION  
OF ENRON OIL AND GAS COMPANY  
FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.

CASE NO. 10740

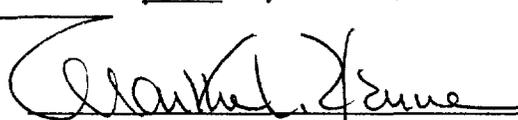
AFFIDAVIT

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

William F. Carr, attorney in fact and authorized representative of Enron Oil and Gas Company, the Applicant herein, being first duly sworn, upon oath, states that in accordance with the notice provisions of Rule 1207 of the New Mexico Oil Conservation Division the Applicant has attempted to find the correct addresses of all interested persons entitled to receive notice of this application and that notice has been given at the addresses shown on Exhibit "A" attached hereto as provided in Rule 1207.

  
\_\_\_\_\_  
William F. Carr

SUBSCRIBED AND SWORN to before me this 16th day of June, 1993.

  
\_\_\_\_\_  
Notary Public

My Commission Expires:

August 19, 1995

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

Case No. 10740 Exhibit No. 5

Submitted by: Enron Oil & Gas Company

Hearing Date: June 17, 1993

**EXHIBIT A**

Mitchell Energy Corporation  
1000 Independence Plaza  
400 W. Illinois  
Midland, TX 79701  
Attn: Larry Cunningham

Mitchell Energy Corporation  
Post Office Box 4000  
The Woodlands, TX 77380

CAMPBELL, CARR, BERGE

& SHERIDAN, P.A.

LAWYERS

MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
MARK F. SHERIDAN  
WILLIAM P. SLATTERY

PATRICIA A. MATTHEWS  
MICHAEL H. FELDEWERT  
DAVID B. LAWRENZ

JACK M. CAMPBELL  
OF COUNSEL

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

May 24, 1993

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

Mitchell Energy Corporation  
Post Office Box 4000  
The Woodlands, TX 77380

Re: Application of Enron Oil and Gas Company for Compulsory Pooling, Lea  
County, New Mexico

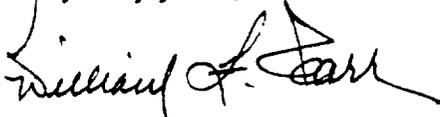
Gentlemen:

This letter is to advise you that Enron Oil and Gas Company has filed the enclosed application with the New Mexico Oil Conservation Division seeking the force pooling of certain mineral interests in all formations to the base of the Delaware formation, in and under the SW/4 SW/4 of Section 31, Township 22 South, Range 32 East, N.M.P.M., Lea County, New Mexico. Enron Oil and Gas Company proposes to dedicate the referenced pooled unit to its Silverton 31 Federal No. 1 Well located 660 feet from the South and West lines of said Section 31.

This application has been set for hearing before a Division Examiner on June 17, 1993. You are not required to attend this hearing, but as an owner of an interest that may be subject to pooling, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases have been requested by the Division (Memorandum 2-90) to file a Prehearing Statement substantially in the form prescribed by the Division. Prehearing statements should be filed by 4:00 o'clock p.m. on the Friday before a scheduled hearing.

Very truly yours,



WILLIAM F. CARR  
ATTORNEY FOR ENRON OIL AND GAS COMPANY

WFC:mlh

cc: Patrick J. Tower



P 087 492 192

### Receipt for Certified Mail

No Insurance Coverage Provided  
Do not use for International Mail  
(See Reverse)

Sent to Mitchell Energy Corporation	
Street and No. Post Office Box 4000	
P.O., State and ZIP Code The Woodlands, TX 77380	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date May 24, 1993	

PS Form 3800, June 1991

PS Form 3811, Mar. 1988 U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 **WHEN ADDITIONAL SERVICES ARE DESIRED** and complete items 3 and 4. **RETURN TO:** Space on the reverse side. Failure to do this will prevent the card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check boxes for additional services requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge)  
2.  Restricted Delivery (Extra charge)

1. Article Addressed to:  
Mitchell Energy Corporation  
Post Office Box 4000  
The Woodlands, TX 77380

2. Article Number  
P 087 492 192

Type of Service:  
 Registered  
 Certified  
 Express Mail  
 Insured  
 COD  
 Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

3. Addressee's Address (ONLY if requested and fee paid)

4. Signature of Agent  
X

5. Signature Address  
X

6. Date of Delivery

CAMPBELL, CARR, BERGE

& SHERIDAN, P.A.

LAWYERS

MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
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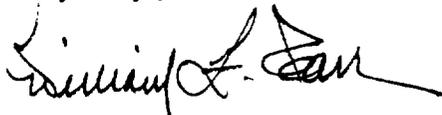
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Very truly yours,



WILLIAM F. CARR  
ATTORNEY FOR ENRON OIL AND GAS COMPANY  
WFC:mlh  
cc: Patrick J. Tower

P 087 492 193



**Receipt for Certified Mail**

No Insurance Coverage Provided  
Do not use for International Mail  
(See Reverse)

Sent to <b>Attn: Larry Cunningham Mitchell Energy Corporation</b>	
Street and No. <b>400 W. Illinois</b>	
P.O. State and ZIP Code <b>Midland, TX 79701</b>	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date <b>May 24, 1993</b>	

PS Form 3800, June 1991

**SENDER: Complete items 1 and 2 when additional services are desired, and both items 3 and 4.**  
Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent the card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for rates and check boxes for additional services requested.  
1.  **RM** Show to whom delivered, date, and addressee's address. (Extra charge)

**2.**  Restricted Delivery (Extra charge)

**3. Article Addressed to:**  
Mitchell Energy Corporation  
1000 Independence Plaza  
400 W. Illinois  
Midland, TX 79701  
Attn: Larry Cunningham

**4. Article Number:**  
P 087 492 193

**5. Signature - Address**  
 Signature - Agent  
*Larry Cunningham*

**6. Signature - Agent**  
 Signature - Agent  
*Larry Cunningham*

**7. Date of Delivery**  
 Date of Delivery  
*Same*

**8. Addressee's Address (ONLY if requested and fee paid)**  
Always obtain signature of addressee or agent and DATE DELIVERED.

**Type of Service:**  
 Registered  
 Certified  
 Express Mail  
 Insured  
 COD  
 Return Receipt for Merchandise

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-885 DOMESTIC RETURN RECEIPT