

JIM R. MCMICHAEL
P. O. BOX 4251
MIDLAND, TX 79704-4251
Tel. #915-689-8057

November 12, 1996

Mr. Patrick J. Tower, C.P.L.
Enron Oil & Gas Company
P. O. Box 2267
Midland, TX 79702-2267

Re: Outstanding interests in W/2 SE/4 and NE/4 SE/4,
Section 7, T-24-S, R-34-E, N.M.P.M., Lea County,
New Mexico.
Bell Lake South Unit 7, No. 1 Well

Dear Mr. Tower:

At your request, I have made efforts to try to locate the following:

1. Lucille and Willie Joe Holland, who are credited with an undivided 1/168th and 1/56th interest under the captioned land. These parties were the heirs of Tom Holland, being his wife and son. Under date of November 16, 1979, they among others executed a lease to Darrell R. Roan. A rental division order named the Eastland National Bank of Eastland, TX, as the depository bank, and no address for them was given. I ran the Grantor-Grantee Index of Lea County, New Mexico, from the date of the lease to November 1, 1996, and they did not appear therein. Examination of the telephone directory for Eastland, Ranger and Cisco, Texas, did not reveal a listing for any Holland.

2. The interest of Dan Brannin was by Distribution Deed, which was distributed June 1, 1990, to Dan Brannin, Jr., Marie Elizabeth McBee, and Margaret Ann Weber, equally. All of the addresses given in this deed were invalid except for Marie Elizabeth McBee. I attempted several times, both during the day and in the evening, to call her at the telephone number (AC214-361-1747) listed in the Dallas directory; but each time, I received a fax ring. I wrote and faxed a letter to her, of which you have a copy in your files, without receiving a reply. The number listed for Margaret Ann Weber has been disconnected. A check with telephone information does not show a new listing for her or any listing for her, or any listing for Dan Brannin, Jr.

I trust that this information is satisfactory.

Yours very truly,

BEFORE THE
OIL CONSERVATION DIVISION
Santa Fe, New Mexico


Jim R. McMichael

/jrm

Case No. 11795 Exhibit No. 4

Submitted by: Enron Oil & Gas Company

Hearing Date: June 12, 1997

ENRON

Oil & Gas Company

P. O. Box 2267 Midland, Texas 79702 (915) 686-3600
August 21, 1996

HAND DELIVERED

Southland Royalty Company
c/o Burlington Resources Oil & Gas Co.
3300 N. "A" St., Bldg. 6
P. O. Box 51810
Midland, Texas 79710-1810
Attention: Leslyn Swierc

RE: Bell Lake Unit 7 No. 1 Well
2200' FNL & 1980' FEL Section 7,
E/2 Section 7 Proration Unit
14,500' Morrow Test
Township 24 South, Range 34 East
Lea County, New Mexico
EOG's Mize Prospect

Gentlemen:

As a follow-up to our previous telephone conversation, this letter will further reiterate the title question on the acreage in Lot 4, E/2 SW/4, W/2 SE/4, NE/4 SE/4 Section 7, T24S, R34E, Lea County, New Mexico. Title indicates that your company owns an undivided 13/42 mineral interest under this tract of land. This mineral interest is subject to a nonparticipating royalty interest equal to the entire royalty reserved under any oil and gas lease executed by you as a mineral owner. The nonparticipating royalty is owned equally by Ada Resources, Inc. and Kaiser-Francis Oil Company. As outlined on the enclosed plat, 120 acres of the 240 acre tract in question is included in the E/2 proration unit for Enron's Bell Lake Unit 7 No. 1 well.

As previously advised, Enron had a hearing in March and force pooled Kaiser-Francis Oil Company. Subsequently, the title problem on the 120 acres surfaced and there was the possibility that your company owned a mineral interest. Once this was learned, Enron had no choice but to revive the hearing to cover the interest that may have a title question. Another hearing is set for August 22, 1996, but will simply incorporate previous hearing information with no new testimony.

As Enron plans to drill the Bell Lake Unit 7 No. 1 well in mid-September, we would like an agreement with you to drill this well and therefore, we have enclosed a copy of the proposed Joint Operating Agreement and an AFE for your execution. If you participate with your mineral interest, you would be responsible for your proportionate share of the drilling costs of said well. If a successful well, a quiet title suit would be warranted to determine who owns the mineral interest in question - Southland or Kaiser-Francis etal. It is not cost effective to do said quiet title suit before drilling the well.

Should you elect not to participate, Enron would be willing to purchase your mineral interest for \$200.00 per net acre, noting that any overriding royalty would be a part of the royalty interest.

Also enclosed please find the following for your perusal:

1. Title Letter dated April 23, 1982 to Superior Oil Company
2. Release of Oil, Gas and Mineral Lease dated June 6, 1978 executed by Tripot Resources Oil & Gas Fund

Page 2
Southland Royalty Company
August 21, 1996

Should there be any questions concerning this matter, please do not hesitate to call me at (915) 686-3758.

Sincerely,

ENRON OIL & GAS COMPANY

A handwritten signature in black ink that reads "Patrick J. Tower". The signature is written in a cursive, flowing style with a large initial "P".

Patrick J. Tower
Project Landman

PJT/ms
enclosures

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

ENRON
Oil & Gas Company

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

September 6, 1996

CERTIFIED MAIL

Southland Royalty Corporation
c/o Burlington Resources Oil & Gas Co.
3300 N. "A" St., Bldg. 6
P. O. Box 51810
Midland, Texas 79710-1810

Attention: Leslyn Swierc

Re: Bell Lake Unit 7 No. 1 Well ✓
2200' FNL and 1980' FEL Section 7,
E/2 Section 7 Proration Unit
Township 24 South, Range 34 East
Lea County, New Mexico
EOG's Mize Prospect

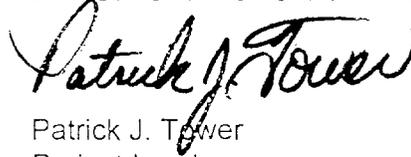
Dear Ms. Swierc:

Enclosed please find a copy of Oil Conservation Division Order No. R-10658 under Case No. 11598 force pooling your interest under the E/2 Section 7, Township 24 South, Range 34 East, N.M.P.M., Lea County, New Mexico. Also enclosed is our AFE No. 100925 dated September 6, 1996 reflecting the estimated well costs as required under this order.

Please make your election to join or go non-consent (well costs plus 200% penalty) within 30 days of your receipt of this letter. Should you have any questions regarding this matter, feel free to give me a call at 915/686-3758.

Sincerely,

ENRON OIL & GAS COMPANY



Patrick J. Tower
Project Landman

PJT/jr

Enclosures

u. landemp pjf bell7.doc

ENRON Oil & Gas Company

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

June 10, 1997

Southland Royalty Company
c/o Burlington Resources Oil & Gas Co.
3300 N. "A" St., Bldg. 6
P. O. Box 51810
Midland, Texas 79710-1810

Attention: Leslyn Swierc

RE: Bell Lake Unit 7 No. 1 Well
2310' FSL & 1880' FEL Section 7,
E/2 Section 7 Proration Unit
16,200' Devonian/Morrow Test
Township 24 South, Range 34 East
Lea County, New Mexico
EOG's Mize Prospect

Gentlemen:

Following all of our previous conversations and correspondence within this last year, attached please find two (2) AFE's for the drilling of the referenced well. The only thing that has changed from before is that Enron has moved its location from 1980' FSL and 1980' FEL to 2310' FSL and 1880' FEL and plans on drilling to the Devonian formation at a total depth of 16, 200' verses the original projected depth of 14, 500' (Morrow). Enron's primary target still remains the Morrow.

As you will recall title indicates that your company owns an undivided 9/42 mineral interest in Lot 4, E/2 SW/4, W/2 SE/4, NE/4 SE/4 (239.53 gross acres) Section 7, T24S, R34E, Lea County, New Mexico. This mineral interest is subject to a nonparticipating royalty interest equal to the entire royalty reserved under any oil and gas lease executed by you as a mineral owner. The nonparticipating royalty is owned equally by Ada Resources, Inc. and Kaiser-Francis Oil Company. As outlined on the enclosed plat, 120 acres of the 239.53 acre tract in question is included in the E/2 proration unit for Enron's Bell Lake Unit 7 No. 1 well.

A title question concerning the validity of this mineral interest is also in existence. In this regard Enron provided you with a letter dated September 13, 1996 from our title attorney outlining the issues. We also provided a copy of title letter dated April 23, 1982 which presented the historical facts. The issue hinges on whether a 1952 lease is still committed to the Bell Lake Unit or whether it was released. We have again enclosed a copy of this title information for your reference. Please note that subsequent to this September 13th letter our title attorney found that your interest should be 9/42 instead of 13/42 previously thought. This title question has put Enron in a position of having to enter into trades with parties on both sides to get this well drilled. At this point Enron has secured trades with Kaiser Francis and Bass (being the adverse parties). If the well proves successful a quiet title suit may be required to resolve the issue.

Based on the above Enron is showing your working interest in the E/2 to be 8.035714%. This represents Burlington's 9/42 mineral interest in the 120 acres (25.714286 net) you have within the 320 acre E/2 spacing unit. As the Devonian gas is currently on 160 acres spacing under old pool rules your interest is 16.071429% in the Devonian (25.714286 net mineral acres owned in the 160 acre SE/4 spacing unit.) It is possible that the OCD will change the spacing to the current statewide 320 acres if the well is successful in the Devonian, however this will not happen until after the well is completed. If this is done your WI in both Morrow and Devonian will be the same.

Burlington asked Enron to present an offer to purchase this mineral interest and an offer was made on August 21, 1996 for \$200.00 per net acre covering all of Burlington's interest in the 239.53 acres. Enron again presents this offer which based on a 9/42 interest in 239.53 gross mineral acres (51.327857 net mineral acres) amounts to \$10,265.57. In the event you do not want to pursue this purchase option Enron would invite you again to participate or go non-consent (300%). If you will recall, this interest was force pooled previously and by non-response Burlington was deemed non-consent. In the event you would like to pre-agree to go non-consent again, Enron is open to this option as well. A farmout was not considered as any ORRI's that Burlington might create under such deal would not go to Burlington but only to its non-participating royalty owner.

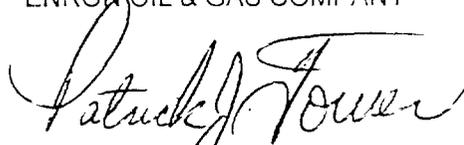
Enron has a rig scheduled to spud on June 12th and a new Force Pooling/unorthodox location hearing scheduled also on June 12th. As you know rigs are very tight therefore to insure this gets drilled this year it was necessary to expedite the move of this rig to this location.

Enron's hearing is required because of adding the Devonian and the fact that such location is unorthodox to the interior quarter-quarter lines for such Devonian spacing. The Morrow remains at a legal location. This hearing also force pools some unlocatable small interests as well as your interest. In light of the short fuse I have attached a letter which states that Burlington has no problems with Enron proceeding with the hearing. Hopefully this does not pose a problem with Burlington.

Your timely and favorable response are most appreciated. Should you have any questions feel free to call me at 686-3758.

Sincerely,

ENRON OIL & GAS COMPANY



Patrick J. Towler
Project Landman

PJT\jr

Enclosure

u:\landtemp\pjt\burl.doc

FAX

ENRON

Oil & Gas Company

P. O. BOX 2267
4000 N. BIG SPRING ST., SUITE 500
MIDLAND, TEXAS 79705
(915) 686-3600

DATE: 9/17/96

NO. PAGES: 3
(INCLUDING COVER PAGE)

TO: David Logan

COMPANY: Meridian

TELE NO: _____

FROM: Patrick J. Tower

FAX NO: 915 - 683 - 2704

TELE NO: 915 - 686 - 3758

FAX NO: 915 - 686 - 3773

IF PAGES ARE NOT RECEIVED OR IF THERE ARE ANY TRANSMISSION PROBLEMS,
PLEASE CALL NUMBER LISTED ABOVE.

URGENT CONFIDENTIAL REPLY REQUESTED

MESSAGE: Here is the title information you requested. Doug thought it would be
clearer to set it out in a letter. I was out Friday, so sorry for the delay. Your attention
to this matter is most appreciated as we would like to spud prior to the end of the month.
Please call if you have any questions.

Patrick J. Tower

COMMAND #020

DATE	TIME	TO/FROM	MODE	MIN/SEC	PGS	STATUS
001	9/17	11:08	9156832704	G3--S	02"24 003	OK

FAX

ENRON

Oil & Gas Company

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