

Force Pooling Hearing

Sand Tank "31" Fed Com No. 2

Negotiations

With Patrick Smith of Anadarko

November 18, 1997	Well proposal/farmout request made to Anadarko on behalf of Enron.
December 22, 1997	Anadarko advised they would likely go non-consent - Advised another company had approached Anadarko for deal.
January 9, 1998	Discussions with Anadarko - To attempt to secure acceptable trade.
February 6, 1998	Further discussions with Anadarko - They are still reviewing. Discussion of the interest they own.
February 9, 1998	Letter correspondence from Anadarko
February 13, 1998	Anadarko re-thinking decision. May join - reviewing area and recent wells.
February 23, 1998	Advised they hope to have decision in one week.
March 5, 1998	Expect to have decision in another week. Advised that their engineer would like to talk to Enron's engineer to secure information on Enron's recent wells. Provided them with Enron's engineer's phone number.
March 6, 1998	Enron's Engineer (Randy Cate) provided well information verbally to Anadarko.
March 11, 1998	Anadarko advised they would meet in committee tomorrow. They advised they may not join after all; Enron reiterated it would accept farmout, term assignment or joinder.
March 12, 1998	Anadarko advised they did not desire to join and would offer term assignment in lieu of farmout or joinder. Enron agreed subject to seeing the assignment form. They would try to expedite recognizing the Force Pool hearing is next week and Enron had rig stacked near location.
March 16, 1998	Advised they would not be able to deliver term assignment for 4-5 days. They had no objection to Enron going through with hearing. Enron agreed it would dismiss them once acceptable assignment form signed. Enron advised again that it has a rig and is soon to move to this location; therefore Enron felt it had to go through with hearing to protect itself in event the assignment form could not be agreed upon. Also, since the form would need to go through both legal departments it may take extra time. Anadarko agreed this was appropriate.

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

Case No. 11950 Exhibit No. 4

Submitted by: Enron Oil & Gas Company

Hearing Date: March 19, 1998

ENRON

Oil & Gas Company

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

November 18, 1997

CERTIFIED MAIL-RETURN RECEIPT

Anadarko Petroleum Corporation
P. O. Box 1330
Houston, Texas 77251-1330
Attention: Patrick A. Smith

RE: Sand Tank "31" Fed Com No. 2
W/2 Section 31, T17S, R30E,
Eddy County, New Mexico
EOG's Sand Tank Prospect

Gentlemen:

Enron Oil & Gas Company proposes to drill the Sand Tank "31" Fed Com No. 2 well as an 11,800' Lower Morrow/Chester test at an unorthodox location 990' FSL & 1200' FWL of Section 31, T17S, R30E, 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.

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 NW/4 of this Section 31. 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. Three (3) copies of a proposed Farmout Agreement have been enclosed for your review. Please note that said agreement is the same form that has been previously agreed upon between our two companies when Enron drilled its Sand Tank "31" Fed Com #1 in the SE/4. The #1 was unsuccessful and is in line to be plugged. Note this form excludes the after payout interests provided in the previous Farmout. In light of the major expenditures already spent in this Section and the remaining inherent risks with this test, Enron felt this to be a reasonable offer. Should this Farmout Agreement meet with your approval, please execute, notarize and return two (2) originals to the attention of the undersigned at the letterhead address.

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 by ms

Patrick J. Tower
Project Landman

PJT/ms
enclosures

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

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ENRON Oil & Gas Company

Drilling AFE

AFE Type Wildcat (31) X Development (32)

Re-Entry _____

Oil X Gas _____

High Cost Gas _____

AFE No. _____	
Property No. _____	
Enron W. I.	100.00000%
Enron AFE Amt: (Drig)	\$512,700
(Completion)	\$353,500
Total Well Cost	\$866,200
AFE Date	11/19/97
Budget Year	1997

Well Name & No. Sand Tank "31" Fed Com No. 2	Prospect Name Sand Tank	Total Depth 11,800'	Spud Date
Location 990' FSL & 1,200' FWL	Sec-Twn-Rng Sec 31-17S-30E	Producing Horizon Lower Morrow	DD&A Field Sand Tank
Operator Enron Oil & Gas Company	County & State Eddy, New Mexico	Regulatory Field Sand Tank	
AFE Description To drill and complete and 11,800' Lower Morrow gas well.			

DESCRIPTION	SUB ACT	DRILLING	COMPLETION	TOTAL
		230	231	
Access, Location & Roads	401	\$20,000	\$2,000	\$22,000
Rig Move	402	30,000		30,000
Footage Cost /Ft	403			-
Day Work Cost 31/3 days @ \$ 4,800	404	148,800	14,400	163,200
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
I Cementing & Service	409	21,000	18,000	39,000
N Coring	410	18,000		18,000
T Logging & Testing	411	36,000	5,000	41,000
A Mud Logging	412	12,500		12,500
N Perforating	413		25,000	25,000
G Stimulation	414		23,000	23,000
I Transportation	415	5,500	4,000	9,500
B Overhead days @ \$	416	6,600		6,600
L Equipment Rental	417	6,000	3,000	9,000
E 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			-
Wireline Service	442			-
Coiled Tubing Unit / Nitrogen	445			-
Completion Fluids	448			-
TOTAL INTANGIBLES		\$448,500	\$125,000	\$573,500

	FEET	SIZE	GRADE	S/FT.				
Conductor Casing	40	20			101	\$1,000		\$1,000
Surface Casing	650	11-3/4	H-40	16.00	102	10,400		10,400
Intermediate Casing	4000	8-5/8	J	11.45	103	45,800		45,800
Intermediate Casing					103			-
Drilling Liner					103			-
Production Casing/Liner	12050	5-1/2	N-S	7.25	104		87,400	87,400
Tie-Back Casing					104			-
Tubing	11600	2-7/8	N	3.5	106		40,600	40,600
T Tubing					106			-
A Well Head Equipment and Tree					107	7,000	25,000	32,000
N Tanks					108		25,000	25,000
G Flow Lines					109		5,000	5,000
I Valves & Fittings					110		7,500	7,500
B Rods					111			-
L Pumping Equipment - Surface					112			-
E Production Equipment - Subsurface					113			-
Engines & Motors					114			-
Heater-Treater & Separators					115		25,000	25,000
Other Equipment					116			-
Buildings					117			-
Metengng Equipment					118			-
Non-Controllable Equipment					119		3,000	3,000
Liner Equipment					120			-
Construction Cost					122		10,000	10,000
TOTAL TANGIBLES						\$64,200	\$228,500	\$292,700
TOTAL WELL COST						\$512,700	\$353,500	\$866,200

ENRON APPROVAL

Division		Date		By		Headquarters	
By	W.D. Smeltzer	11/19/97	By	Date	By	Date	Date
By		Date	By	Date	By	Date	Date
JOINT OPERATOR APPROVAL							
Firm	By	Title	Date				

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:

Anadarko Petroleum Corp.
P. O. Box 1330
Houston, TX 77251-7330

4a. Article Number

497 359 735

4b. Service Type

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

7. Date of Delivery

NOV 24 1997

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)

X

Geo

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

NOV 25 11:26:37 01:08

TH YEAR 797

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

ENRON OIL & GAS COMPANY
Attention: Patrick J. Tower
P. O. Box 2267
Midland, TX 79702
Sand Tank 481" FC#2

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



UNITED STATES POSTAL SERVICE

COMMAND #078

DATE	TIME	TO/FROM	MODE	MIN/SEC	PGS	STATUS	
001	2/06	14:39 N.A.	EXPLOIT.	LAND	EC--S	00*50 002	OK

FAX

ENRON

Oil & Gas Company

P. O. BOX 2267
 4000 N. BIG SPRING ST., SUITE 500
 MIDLAND, TEXAS 79708
 (915) 686-3600

DATE:	<u>6-Feb-98</u>	NO. PAGES:	<u>2</u>
			(INCLUDING COVER PAGE)
TO:	<u>Patrick Smith</u>	COMPANY:	<u>Anadarko</u>
	<u>Re: AFE</u>	TELE NO:	<u></u>
		FAX NO:	<u></u>
FROM:	<u>Patrick Tower</u>	TELE NO:	<u>915-686-3758</u>
		FAX NO:	<u>915 - 686 - 3773</u>

ENRON Oil & Gas Company

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Re-Entry Oil X Gas High Cost Gas

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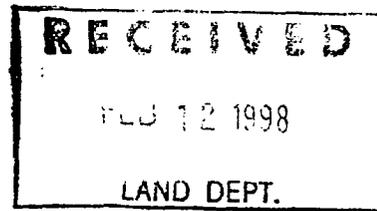
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ENRON APPROVAL					
Division	By		Date		Headquarters
By	W.D. Smeltzer	Date	11/19/97	By	
By		Date		By	
JOINT OPERATOR APPROVAL					
Firm	By	Title	Date		



February 9, 1998

Mr. Patrick Tower
Project Landman
Enron Oil & Gas Company
P. O. Box 2267
Midland, TX 79702



RE: Operating Agreement
Weller/Ambassador dated June 15, 1965
Cedar Breaks Area
Eddy County, New Mexico

Dear Mr. Tower:

Per your request of February 6, 1998, please find a copy of subject agreement enclosed. If anything further is required, please contact me at (281) 876-8374.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Pat A. Smith".

Patrick A. Smith
Project Landman

A handwritten signature in cursive script, appearing to read "Title Curative".

PAS:jw
Tower Weller OA.doc



**Enron Oil & Gas
Company**
P.O. Box 2267
Midland, TX 79702
(915) 686-3600

March 17, 1998

Anadarko Petroleum Corporation
P. O. Box 1330
Houston, Texas 77251-1330
Attention: Patrick A. Smith

Re: Sand Tank "31" Fed Com No. 2
W/2 Section 31, T17S, R-30E
Eddy County, New Mexico
EOG's Sand Tank Prospect

Gentlemen:

This letter confirms the understanding between our respective companies concerning Anadarko's leasehold within the spacing unit for the referenced well. In essence, Anadarko has agreed to grant Enron a term assignment of Anadarko's leasehold subject to arriving at a mutually agreeable form of assignment. As Enron has a rig available, and the assignment form is yet to be finalized, Anadarko has no objection to Enron proceeding with the Force Pooling hearing to be held March 19, 1998. Enron agrees that once an acceptable assignment has been executed, Enron will dismiss Anadarko from the Force Pooling action or order. Both parties will use good faith efforts to finalize such assignment. Enron looks forward to receipt of the proposed assignment form.

If this understanding is not correct, please so advise as soon as possible.

Sincerely,

ENRON OIL & GAS COMPANY

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

Patrick J. Tower
Project Landman

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COMMAND #234

DATE	TIME	TO/FROM	MODE	MIN/SEC	PGS	STATUS
001	3/17	16:31 N.A. EXPLOIT. LAND	EC--S	00"33	002	OK

FAX

ENRON
Oil & Gas Company

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

DATE: 3/17/98

NO. PAGES: 2

TO: Patrick Smith

COMPANY: ANADARKO
(INCLUDING COVER PAGE)

TELE NO: _____

FROM: Patrick J. Tower

FAX NO: (281) 539-4069

TELE NO: 915 - 686 - 3758

FAX NO: 915 - 686 - 3773