

MIDLAND PHOENIX CORPORATION

HIGHTOWER BUILDING
600 W. ILLINOIS, SUITE 1002
MIDLAND, TEXAS 79701
(915) 687-0457

March 22, 1989

Robert E. Landreth
505 N. Big Spring
Suite #507
Midland, Texas 79701

BEFORE THE OIL CONSERVATION COMMISSION Santa Fe, New Mexico	
Case No. _____	Exhibit No. <u>2</u>
Submitted by <u>MIDLAND PHOENIX</u>	
Hearing Date _____	

In Re: Well Proposal
660' FSL & 1980' FEL
Section 34, T-24-S, R-34-1
Lea County, New Mexico

Dear Mr. Landreth,

Midland Phoenix Corporation proposes the drilling of a 15,800' Morrow test at the above captioned location, thus being an unorthodox location in an east-half proration unit. Midland Phoenix recognizes your various interests in the E/2 of section 34 and invites you to participate in this joint venture with those interests. The estimated dry-hole costs for this test would be \$1,360,000.00 and the estimated completed well costs would be \$1,760,000.00.

In lieu of your participating in this joint venture with us, Midland Phoenix would be willing to accept a farmout on your interests with you delivering a 75% net revenue interest with the option to convert your retained override to a 25% working interest after payout, proportionately reduced to your ownership in the E/2 of section 34. A well capable of producing oil and/or gas in commercial quantities would earn 100% of your interest until payout.

However, on your unleased minerals in the NE/4 & NE/4SE/4 of section 34, Midland Phoenix would be willing to accept a farmout on the same terms as stated above, except that if you decided to exercise your back-in option, you would convert 1/16 royalty to a 25% working interest, proportionately reduced, thus retaining a 3/16 royalty on the leasehold.

In lieu of farming-out or participating with your unleased minerals, Midland Phoenix would be willing to accept an oil & gas lease from you on the following terms:

- 1.) \$225.00 per net mineral acre
- 2.) 1/4 royalty on production, if established
- 3.) 2 year primary term

Since you are familiar with this area, we respectfully request a response to this proposal at your earliest convenience. Upon hearing from you as to your decision, we will forward a formal AFE and a 1982 AAPL Form Operating Agreement for your approval.

If you should have any questions regarding this proposal, please do not hesitate to contact us. We look forward to hearing from you.

Yours truly,


Tim Dicey, President

MIDLAND PHOENIX CORPORATION

HIGHTOWER BUILDING
600 W. ILLINOIS, SUITE 1002
MIDLAND, TEXAS 79701
(915) 687-0457

March 22, 1989

BEFORE EXAMINER

Oil Conservation

Exhibit 3

Case No.

Enron Oil & Gas Company
P. O. Box 2267
Midland, Texas 79702
Attention: Frank Estep

Enserch Exploration, Inc.
4849 Greenville Ave.
Dallas, Texas 75206
Attention: Dave Leaverton

Samedan Oil Corporation
10 Desta Dr., Suite #240 East
Midland, Texas 79705
Attention: Jack E. Anderson

Leon Jeffcoat, Trustee
310 W. Wall St.
Midland, Texas 79701

In Re: Well Proposal
660' FSL & 1980' FEL
Section 34, T-24-S, R-34-E
Lea County, New Mexico

Gentlemen:

Midland Phoenix Corporation proposes the drilling of a 15,800' Morrow test at the above captioned location, thus being an unorthodox location in an east-half proration unit. We invite you to participate in this joint-venture with your interest as would be calculated for an E/2 proration unit. The estimated dry-hole costs for this test would be \$1,360,000.00 and the estimated completed well costs would be \$1,760,000.00

In lieu of your participating in this joint venture with us, Midland Phoenix would be willing to accept a farmout of your interest with you delivering a 75% net revenue interest with the option to convert your retained override to a 25% working interest after payout, proportionately reduced to your ownership in the E/2 of section 34. A well capable of producing oil and/or gas in commercial quantities would earn 100% of your working interest until payout.

We respectfully request a response to this proposal at your earliest convenience since we would like to spud this well in the very near future. Upon our hearing from you as to your decision, we will forward a formal AFE and a 1982 AAPL Form Operating Agreement for your approval. We understand that your acreage may already be subject to an operating agreement, and if so, we will work with you in any way to expedite this matter, whether it is to cancel your acreage in the E/2 Section 34 subject to the existing agreement and execute a new operating agreement covering the E/2 only or to keep your existing agreement intact and have an overlapping in the E/2 of section 34 with a new agreement.

If you should have any questions regarding this proposal please do not hesitate to contact us. I look forward to hearing from you.

Yours truly,

Tim Dickey, President

MIDLAND PHOENIX CORPORATION

HIGHTOWER BUILDING
600 W. ILLINOIS, SUITE 1002
MIDLAND, TEXAS 79701
(915) 687-0457

March 29, 1989

Campbell & Black, P. A.
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: Scott Hall

In Re: Unorthodox Location
in an East-Half Pro-
ration Unit being:
660' FSL & 1980' FEL
Section 34, T-24-S, R-34
Lea County, New Mexico

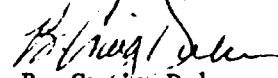
Dear Scott,

Enclosed you will find two separate proposals covering the captioned test. We sent a separate proposal letter to Bob Landreth since he had every kind of interest you could possibly have as you will notice in the letter to him. Also enclosed is a plat covering the lands in question. Please review these proposals to make sure we don't need to do anything further at this time. We have heard thru the grapevine that Enron does not think we can get the location approved, so they simply plan to do nothing, as was suspected.

We would like for you to go ahead and file for the unorthodox location with the proper State offices in order that we might get the ball rolling. I am sure that we will probably have to have a hearing as you had stated earlier in our conversations. If you need any additional information please do not hesitate to contact me. Midland Phoenix Corporation will be the operator of the well. We are currently obtaining a bond with the State and any other necessary paper work that we need.

Thank you for your time and consideration on this matter and I look forward to hearing from you in the near future.

Yours truly,


B. Craig Duke

BEFORE THE OIL CONSERVATION DIVISION
STATE OF NEW MEXICO

BEFORE EXAMINER STOGNER

Oil Conservation Division

Exhibit No. 1

Case No. _____

IN THE MATTER OF THE APPLICATION
OF MIDLAND PHOENIX CORPORATION FOR
UNORTHODOX LOCATION AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

NO. _____

APPLICATION FOR UNORTHODOX LOCATION
AND COMPULSORY POOLING

Applicant states:

1. Applicant is a working interest owner in the E/2 of Section 34, Township 24 South, Range 34 East, Lea County, New Mexico.
2. Applicant proposes to drill a well in an unorthodox location 660 FSL and 1980 FEL of said Section 34 to test the Atoka and Morrow Formations.
3. The proposed well is subject to the General Rules and Regulations of the Oil Conservation Division which provide for 320-acre spacing and proration units and for well locations not closer than 660 feet from the side boundary and 1980 feet from the end boundary of a spacing and proration unit.
4. The approval of the unorthodox location would be in the best interest of conservation of oil and gas and would not impair the correlative rights of offsetting operators and owners.
5. There are working interest owners in the E/2 of Section 34, the proposed proration unit, who have not consented

COPY

to drill the well; Applicant proposes to compulsorily pool the interest of such non-consenting working interest owners from the surface of the earth to the base of the Morrow formation.

6. Any nonconsenting working interest owner that does not pay its share of estimated well costs should have withheld from production its share of the reasonable well costs, plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.
7. Applicant should be authorized to withhold from production a reasonable supervision charge, attributable to each nonconsenting working interest owner's proportionate share, during the drilling and production stages of the well.
8. To avoid the drilling of unnecessary wells, to protect correlative rights and to afford to the owner of each interest in the proposed proration unit the opportunity to recover or receive without unnecessary expense its just and fair share of the hydrocarbons in the unit, said lands should be pooled as proposed herein.

WHEREFORE, Applicant respectfully requests that after notice and hearing:

1. The Division approve the requested unorthodox location;

2. That upon hearing, the Division enter its order pooling all oil and gas mineral interests from the surface of the earth to the base of the Morrow formation;
3. And for such other relief as the Division may deem appropriate in the premises.

PADILLA & SNYDER

By: 

Ernest L. Padilla
Post Office Box 2523
Santa Fe, New Mexico 87504-2523
(505) 988-7577

Attorneys for Applicant

PADILLA & SNYDER

ATTORNEYS AT LAW

200 W. MARCY, SUITE 212

P.O. BOX 2523

SANTA FE, NEW MEXICO 87504-2523

ERNEST L. PADILLA
MARY JO SNYDER

FAX 988-7592
AREA CODE 505

(505) 988-7577

April 11, 1989

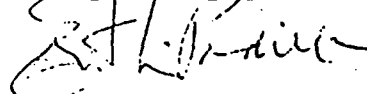
CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: ALL OFFSETTING OPERATORS (See attached list)
NON-CONSENTING WORKING INTEREST OWNERS

RE: Notice of Application of Midland Phoenix
Corporation For Unorthodox Location and
Compulsory Pooling.

Purusant to the Rules and Regulations of the General Rules of the Oil Conservation Division of New Mexico, notice is hereby given of the above-referenced application. You may protest the enclosed application by appearing at the hearing of this application which will be heard on May 10, 1989, beginning at the hour of 8:15 A. M., at the offices of the Oil Conservation Division, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico.

Very truly yours,


Ernest L. Padilla

ELP:njp

Enclosures: Copy of Application
List of Offsetting Operators
List of Non-Consenting Working Interest Owners

COPY

EXHIBIT "A"

OFFSET OPERATORS

Yates Petroleum Corporation
105 S. Fourth Street
Artesia, New Mexico 88210

Enron Oil & Gas Company
P. O. Box 2267
Midland, Texas 79702
Attention: Frank Estep

Meridian Oil Company
21 Destra Drive
Midland, Texas 79705

BTA Oil Producers
104 S. Pecos
Midland, Texas 79701

Samedan Oil Corporation
10 Desta Drive, Suite #240 East
Midland, Texas 79705
Attention: Jack E. Anderson

Robert E. Landreth
505 N. Big Spring
Suite #507
Midland, Texas 79701

NON-CONSENTING WORKING INTEREST OWNERS

Enron Oil & Gas Company
P. O. Box 2267
Midland, Texas 79702
Attention: Frank Estep

Samedan Oil Corporation
10 Destra Drive, Suite #240 East
Midland, Texas 79705
Attention: Jack E. Anderson

Enserch Exploration, Inc.
4849 Greenville Avenue
Dallas, Texas 75206
Attention: Dave Leaverton

Leon Jeffcoat, Trustee
310 W. Wall Street
Midland, Texas 79701

Robert E. Landreth
505 N. Big Spring
Suite #507
Midland, Texas 79701

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this 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 box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery.

3. Article Addressed to: BTA Oil Producers
104 E. Pecos
Midland, TX 79701

4. Article Number P-484-032-758
Type of Service: ☒ Registered ☐ Insured
☒ Certified ☐ COD
Express Mail
Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature of Addressee *[Signature]*
6. Signature of Agent *[Signature]*
7. Date of Delivery 1-3-89
PS Form 3811, Feb. 1986

DOMESTIC RETURN RECEIPT

RECEIVER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this 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 box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery.

3. Article Addressed to: Enserch Exploration, Inc.
Attn: Dave Leaverton
4849 Greenville Avenue
Dallas, TX 75206

4. Article Number P-484-032-755
Type of Service: ☒ Registered ☐ Insured
☒ Certified ☐ COD
Express Mail
Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature of Addressee *[Signature]*
6. Signature of Agent *[Signature]*
7. Date of Delivery 1-13-89
PS Form 3811, Feb. 1986

DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this 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 box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery.

Article Addressed to: 4. Article Number P-484 032 761

Attention: Frank Estep
P.O. Box 2267
Midland, TX 79702

☐ Registered
☒ Certified
☐ Express Mail
☐ Insured
☐ COD

Always obtain signature of addressee or agent and DATE DELIVERED.

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

Signature - Agent
Date of Delivery
13 Apr 89

m 3811, Feb. 1986
DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this 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 box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery.

Article Addressed to: 4. Article Number P-484-032-754

Leon Jeffcoat, Trustee
310 W. Wall Street
Midland, TX 79701

☐ Registered
☒ Certified
☐ Express Mail
☐ Insured
☐ COD

Always obtain signature of addressee or agent and DATE DELIVERED.

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

Signature - Agent
Date of Delivery
4-13

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this 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 box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery.

Article Addressed to: 4. Article Number P-484 032 756

Robert E. Landreth
505 N. Big Spring
Suite #507
Midland, TX 79701

☐ Registered
☒ Certified
☐ Express Mail
☐ Insured
☐ COD

Always obtain signature of addressee or agent and DATE DELIVERED.

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

Signature - Agent
Date of Delivery
4-13-89

PS Form 3811, Feb. 1986
DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this 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 box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery.

Article Addressed to: 4. Article Number P-484 032 759

Meridian Oil Company
21 Destra Drive
Midland, TX 79705

☐ Registered
☒ Certified
☐ Express Mail
☐ Insured
☐ COD

Always obtain signature of addressee or agent and DATE DELIVERED.

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

Signature - Agent
Date of Delivery
4-13-89

P-484 032 761

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

Sent to Enron Oil & Gas Co.	
Street and No. P.O. Box 2267	
P.O. State and ZIP Code Midland, TX 79702	
Postage	\$.45
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.20
Postmark or Date	

P-484 032 755

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

Sent to Encerch Exploration	
Street and No. 4849 Greenville Ave.	
P.O. State and ZIP Code Dallas, TX 75206	
Postage	\$.45
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.20
Postmark or Date	

P-484 032 759

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

Sent to Meridian Oil Company	
Street and No. 21 Destra Drive	
P.O. State and ZIP Code Midland, TX 79705	
Postage	\$.45
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.20
Postmark or Date	

P-484 032 754

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

Sent to Leon Jeffcoat, Trustee	
Street and No. 310 W. Wall St.	
P.O. State and ZIP Code Midland, TX 79701	
Postage	\$.45
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.20
Postmark or Date	

P-484 032 758

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

Sent to BTA Oil Producers	
Street and No. 104 E. Pecos	
P.O. State and ZIP Code Midland, TX 79701	
Postage	\$.45
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.20
Postmark or Date	

P-484 032 760

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

Sent to Yates Petroleum Co.	
Street and No. 105 S. Fourth St.	
P.O. State and ZIP Code Artesia, NM 88210	
Postage	\$.45
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.20
Postmark or Date	

P-484 032 756

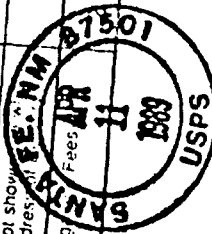
RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

Sent to Robert E. Landreth 505 N. Big Spring Suite #507 Midland, TX 79701	
Postage	\$.45
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing Date, and Address of Delivery	
TOTAL Postage	2.20
Postmark or	

PS Form 3800, June 1985

U.S.G.P.O. 153-506



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P-484 032 757

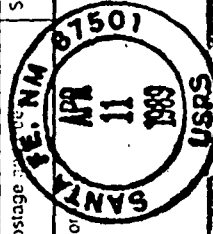
RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

Sent to Samedan Oil Corp. 10 Desta Dr. Suite 240 Midland, TX 79705	
Postage	\$.45
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing Date, and Address of Delivery	
TOTAL Postage	2.20
Postmark or	

PS Form 3800, June 1985

U.S.G.P.O. 153-506



**ENSERCH
EXPLORATION** INC.

4849 Greenville Avenue
Suite 1200
Dallas, Texas 75206
214/369-7893

Land Operations Department

David N. Leaverton
District Land Manager

April 14, 1989

Midland Phoenix Corporation
Hightower Building
600 W. Illinois, Suite 1002
Midland, TX 79701

Attn: Mr. Craig Duke

BEFORE EXAMINER STOGNER

Oil Conservation Division

Exhibit No. 4

Case No. _____

Re: Well Proposal
660' FSL & 1980' FEL
Sec. 34, T24S, R34E
Lea County, New Mexico

Gentlemen:

Reference is made to Mr. Tim Dicey's letter dated March 22, 1989 wherein he proposed a 15,800' Morrow test at the captioned location, being an unorthodox location in the E/2 of Section 34. Please be advised that EPOC (Enserch) does not intend to join said well and does not intend to grant a farmout of EPOC's interest in the captioned land.

Further, we intend to contest said unorthodox location. Please let me know should you have any questions or comments in regard to this matter.

Very truly yours,


Jarlon Magee
Senior Landman

JM:sm

ENRON

Oil & Gas Company

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

May 2, 1989

RECEIVED
5-2-89
Re

Midland Phoenix Corporation
Hightower Building
600 W. Illinois, Suite 1002
Midland, Texas 79701

ATTN: MR. TIM DICEY

RE: Marshall Prospect/Pitchfork Ranch
Proposed Pitchfork "34" Federal Com #2 Well
660' FSL and 1980' FEL Section 34, T24S, R34E, NMPM
Lea County, New Mexico

Gentlemen:

According to our information, Midland Phoenix Corporation is a leasehold owner of certain mineral interests in the Northeast Quarter of the Southeast Quarter of Section 34, T-24-S, R-34-E, NMPM, Lea County, New Mexico. Therefore, Enron Oil & Gas Company hereby proposes for your consideration and extends to Midland Phoenix Corporation the opportunity to participate in the drilling of the Pitchfork "34" Federal Com #2 Well, a 15,800' Morrow test to be located 660' FSL and 1980' FEL of Section 34, T-24-S, R-34-E, NMPM, Lea County, New Mexico. Enclosed for review and approval is a copy of Enron Oil & Gas Company's drilling AFE for the proposed operation.

Enron further proposes to drill the above well on a standard 320 acres proration unit for the Morrow Formation comprised of the South-Half (S/2) of said Section 34 and a non-standard 160 acre proration unit for the Atoka Formation comprised of the Southeast Quarter (SE/4) of said Section 34. The above well location will therefore be a legal location for the Morrow Formation and an unorthodox location for the Atoka Formation. Furthermore, Enron recognizes the difference in working interest ownership in a South-Half (S/2) versus a Southeast Quarter (SE/4) proration unit and acknowledges that a mutually acceptable method to distribute the cost of the proposed operation on an equitable basis must be devised. Should Midland Phoenix Corporation desire to join in the drilling of the above well, then your joinder in executing the existing operating agreement, insofar as same covers the applicable proration unit(s), will be requested.

Should Midland Phoenix Corporation not be willing to join in the drilling of the Pitchfork "34" Federal Com #2 as proposed above, then Enron Oil & Gas Company hereby requests a farmout of Midland Phoenix Corporation's leasehold interest in the Northeast Quarter of the Southeast Quarter (NE/4 SE/4) of said Section 34. Under the proposed farmout, a producer would earn Enron an Assignment of 100% of Midland Phoenix Corporation's leasehold interest in the

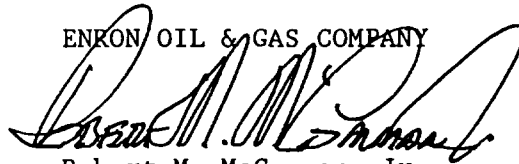
Page 2
Midland Phoenix Corporation
May 2, 1989

Northeast Quarter Southeast Quarter (NE/4 SE/4) of Section 34 with Midland Phoenix Corporation reserving an overriding royalty interest equal to the difference between 25% and existing leasehold burdens (the intent is to deliver Enron a 75% net revenue interest), with the option at payout of the initial well to convert said overriding royalty interest to a 25% working interest, all proportionately reduced. The proposed farmout will be subject to the full execution of a mutually acceptable formal farmout agreement between Midland Phoenix Corporation and Enron Oil & Gas Company.

Your earliest consideration and response to our proposal will be appreciated as we plan to spud this well in the near future. Should you have any questions concerning the above, please contact the undersigned at telephone number 686-3730 or at the above address.

Very truly yours,

ENRON OIL & GAS COMPANY

A handwritten signature in dark ink, appearing to read "Robert M. McCommon, Jr.", is written over the typed name.

Robert M. McCommon, Jr.
Project Landman

RMM/cl

MIDLAND PHOENIX CORPORATION

HIGHTOWER BUILDING
600 W. ILLINOIS, SUITE 1002
MIDLAND, TEXAS 79701
(915) 687-0457

May 11, 1989

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

Attn: Mr. Robert M. McCommon, Jr.

Re: Madera 34 Fed. Com. #1
1980' FSL & 1980' FEL
Section 34, T-24-S, R-34-E
Lea County, New Mexico

Gentlemen:

Midland Phoenix Corporation respectfully declines your offer of May 2, 1989 to participate in the drilling of the Pitchfork 34 Federal Com. #2 well, located at a standard location for a S/2 proration unit, and at an unorthodox location for a non-standard SE/4 proration unit, in Section 34, T-24-S, R-34-E, Lea County, New Mexico.

Midland Phoenix Corporation proposes the drilling of a 15,800' Morrow test at the above captioned location, thus being a standard legal location in an east-half proration unit. We invite you to participate in this joint-venture with your interest as would be calculated for an E/2 proration unit. Enclosed for your review and approval is a copy of Midland Phoenix Corporation's drilling AFE for the proposed operation.

In lieu of your participating in this joint venture with us, Midland Phoenix would be willing to accept a farmout of your interest with you delivering a 75% net revenue interest with the option to convert your retained override to a 25% working interest after payout, proportionately reduced to your ownership in E/2 of Section 34. A well capable of producing oil and/or gas in commercial quantities would earn 100% of your working interest until payout.


We respectfully request a response to this proposal at your earliest convenience. Upon our hearing from you as to your decision, we will forward a 1982 AAPL Form Operating Agreement for your approval. We understand that your acreage may already

be subject to an operating agreement, and if so, we will work with you in any way to expedite this matter, whether it is to cancel your acreage in the E/2 Section 34 subject to the existing agreement and execute a new operating agreement covering the E/2 only or to keep your existing agreement intact and have an overlapping in the E/2 of Section 34 with a new agreement.

If you should have any questions regarding this proposal please do not hesitate to contact us.

Very truly yours,

MIDLAND PHOENIX CORPORATION



Tim Dicey, President

cc: Enserch Exploration, Inc.
Attn: Dave Leaverton

Robert E. Landreth

Samedan Oil Corporation
Attn: Jack E. Anderson

Leon Jeffcoat, Trustee

MIDLAND PHOENIX CORPORATION

HIGHTOWER BUILDING
600 W. ILLINOIS, SUITE 1002
MIDLAND, TEXAS 79701
(915) 687-0457

May 11, 1989

Enserch Exploration, Inc.
4849 Greenville Avenue
Dallas, Texas 75206

Attn: Dave Leaverton

Samedan Oil Corporation
10 Desta Drive #240 East
Midland, Texas 79705

Attn: Jack E. Anderson

Leon Jeffcoat, Trustee
310 W. Wall Street
Midland, Texas 79701

Re: Madera 34 Fed. Com. #1
1980' FSL & 1980' FEL
Section 34, T-24-S, R-34-E
Lea County, New Mexico

Gentlemen:

Midland Phoenix Corporation proposes the drilling of a 15,800' Morrow test at the above captioned location, thus being a standard legal location in an east-half proration unit. We invite you to participate in this joint-venture with your interest as would be calculated for an E/2 proration unit. Enclosed for your review and approval is a copy of Midland Phoenix Corporation's drilling AFE for the proposed operation.

In lieu of your participating in this joint venture with us, Midland Phoenix would be willing to accept a farmout of your interest with you delivering a 75% net revenue interest with the option to convert your retained override to a 25% working interest after payout, proportionately reduced to your ownership in E/2 of section 34. A well capable of producing oil and/or gas in commercial quantities would earn 100% of your working interest until payout.

We respectfully request a response to this proposal at your earliest convenience. Upon our hearing from you as to your decision, we will forward a 1982 AAPL Form Operating Agreement for your approval. We understand that your acreage may already be subject to an operating agreement, and if so, we will work with you in any way to expedite this matter, whether it is to

cancel your acreage in the E/2 Section 34 subject to the existing agreement and execute a new operating agreement covering the E/2 only or to keep your existing agreement intact and have an overlapping in the E/2 of section 34 with a new agreement.

If you should have any questions regarding this proposal please do not hesitate to contact us.

Very truly yours,

MIDLAND PHOENIX CORPORATION

A handwritten signature in black ink, appearing to read 'Tim Dicey', is written over a horizontal line.

Tim Dicey, President

cc: Enron Oil & Gas Company
Attn: Robert M. McCommon, Jr.

Robert E. Landreth

MIDLAND PHOENIX CORPORATION

HIGHTOWER BUILDING
600 W. ILLINOIS, SUITE 1002
MIDLAND, TEXAS 79701
(915) 687-0457

May 11, 1989

Robert E. Landreth
505 N. Big Spring
Suite #507
Midland, Texas 79701

Re: Madera 34 Fed. Com. #1
1980' FSL & 1980' FEL
Section 34, T-24-S, R-34-E
Lea County, New Mexico

Dear Mr. Landreth,

Midland Phoenix Corporation proposes the drilling of a 15,800' Morrow test at the above captioned location, thus being a standard, legal location in an east-half proration unit. Midland Phoenix recognizes your various interests in the E/2 of Section 34 and invites you to participate in this joint venture with those interests. Enclosed for your review and approval is a copy of Midland Phoenix Corporation's Drilling AFE for the proposed operation.

In lieu of your participating in this joint venture with us, Midland Phoenix would be willing to accept a farmout on your interests with you delivering a 75% net revenue interest with the option to convert your retained override to a 25% working interest after payout, proportionately reduced to your ownership in the E/2 of Section 34. A well capable of producing oil and/or gas in commercial quantities would earn 100% of your interest until payout.

However, on your unleased minerals in the NE/4 & NE/4SE/4 of Section 34, Midland Phoenix would be willing to accept a farmout on the same terms as stated above, except that if you decided to exercise your back-in option, you would convert 1/16 royalty to a 25% working interest, proportionately reduced, thus retaining a 3/16 royalty on the leasehold.

In lieu of farming-out or participating with your unleased minerals, Midland Phoenix would be willing to accept an oil & gas lease from you on the following terms:

- 1.) \$250.00 per net mineral acre
- 2.) 1/4 royalty on production, if established
- 3.) 2 year primary term

Since you are familiar with this area, we respectfully request a response to this proposal at your earliest convenience. Upon hearing from you as to your decision, we will forward a 1982 AAPL Form Operating Agreement for your approval.

If you should have any questions regarding this proposal, please do not hesitate to contact us.

Very truly yours,

MIDLAND PHOENIX CORPORATION



Tim Dicey, President

cc: Enron Oil & Gas company
Attn: Robert M. McCommon, Jr.

Samedan Oil Corporation

Enserch Exploration, Inc.
Attn: Dave Leaverton

Leon Jeffcoat, Trustee

Robert E. Landreth

OIL AND GAS EXPLORATION

ENERGY SQUARE SUITE 107

1001 E. BROADWAY

MIDLAND, TEXAS 79701

184 4781

May 16, 1989

Mr. Tim Dicey
Midland Phoenix Corporation
Hightower Building
606 W. Illinois, Suite 1002
Midland, Texas 79701

RE: Your Proposed Madera 34 Fed Com #1
1980' FSL and 1980' FEL
Section 34, T-24-S, R-34-E,
Lea County, New Mexico

Dear Mr. Dicey:

Receipt of your letter of May 11, 1989, captioned subject, is acknowledged.

I am currently involved in discussions with Enron regarding problems which appear to arise under the existing operating agreement covering Section 34 with respect to the two drilling proposals which have been made. Until this matter is resolved, which I hope will be within the next few days, I am not in a position to make a decision on Midland Phoenix's proposal. However, I will make every effort to respond as soon as possible prior to the time this comes to hearing before the New Mexico Oil Conservation Division.

Sincerely,



Robert E. Landreth

REL:bk

MIDLAND PHOENIX CORPORATION

HIGHTOWER BUILDING
600 W. ILLINOIS, SUITE 1002
MIDLAND, TEXAS 79701
(915) 687-0457

May 17, 1989

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

Attn: Robert M. McCommon, Jr.

Re: Madera 34 Fed. Com. #1
1980' FSL & 1980' FEL
Section 34, T-24-S, R-34-E
Lea County, New Mexico

Gentlemen:

Midland Phoenix Corporation is the owner of certain leasehold interests, farmouts and other commitments totaling 51.5625% W.I. in the E/2 of Section 34, T-24-S, R-34-E, Lea County, New Mexico. As you are well aware of, Midland Phoenix has proposed the drilling of the Madera 34 Fed. Com. #1 in the E/2 of said Section 34. As of this date, Enron Oil & Gas has shown no interest in participating in this joint venture. Likewise, Midland Phoenix has no interest in participating in the Pitchfork 34 Fed. Com. #2 well, proposed by Enron in the S/2 and SE/4 of said Section 34.

In order to settle the obvious ensuing dispute between Enron and Midland Phoenix, pursuant to this matter, Midland Phoenix Corporation proposes to sell their 51.5625% W.I. in the E/2 of Section 34 under the following terms and conditions:

1. A cash consideration of \$200,000.00.
2. Midland Phoenix will be carried for 25% W.I. to casing point, proportionately reduced by 51.5625% in a well drilled at a location mutually agreed upon in the E/2 of Section 34, T-24-S, R-34-E, Lea County, New Mexico. It is the intention herein, that a well must be drilled in the E/2 of Section 34, to a depth of 15,800', on or before 12-31-89.
3. Midland Phoenix Corporation will be designated the operator of said well, through the completion of said well. At which time, if the well is completed as a producer of oil and/or gas, Midland Phoenix will turn over operations to Enron Oil & Gas Company.


Enron Oil & Gas Company
May 16, 1989
Page Two

As we are both aware, the rescheduled hearing on this matter before the Oil Conservation Division of the State of New Mexico is May 24, 1989. This offer to sell by Midland Phoenix Corporation will be valid until 5:00 p.m. CDT, Monday, May 22, 1989.

By this offer to sell, it is the intention of Midland Phoenix Corporation to settle this dispute in a manner that is beneficial to all parties involved. We look forward to hearing from you.

Very truly yours,

MIDLAND PHOENIX CORPORATION


Robert O. Canon

ROC:dlw

ENRON
Oil & Gas Company

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

May 17, 1989

Midland Phoenix Corporation
Hightower Building
600 W. Illinois, Suite 1002
Midland, Texas 79701

Attn: Robert O. Canon

RE: Proposal dated May 17, 1989
Section 34-24S-34E, Lea County, New Mexico

Gentlemen:

Enron Oil & Gas Company has reviewed your proposal dated May 17, 1989 wherein you offered to sell your interest in the E/2 of Section 34 for a cash consideration of \$200,000.00 and be carried for a 25% working interest to casing point proportionately reduced to your interest in the E/2 of the Section in a 15,800' Morrow test to be located on an E/2 proration unit.

Enron Oil & Gas Company respectfully declines your offer. A legal location in the E/2 for a Morrow test is in the opinion of Enron not geologically feasible. As you are aware any Morrow test has a great deal of risk and because of this risk our economics will not justify a carried interest to casing point and paying in excess of \$1000 an acre for your interest.

Enron is still very interested in discussing with you either a buy-out of your interest in the NE/4 of the SE/4 or a farmout of your interest under the NE/4 of the SE/4 of Section 34. Of course, any agreement that we are able to work out would be conditioned upon Midland Phoenix agreeing not to oppose us at the May 24th 1989 hearing.

Sincerely,

ENRON OIL & GAS COMPANY


Frank C. Estep
Division Landman

FCE/cl

MIDLAND PHOENIX CORPORATION

**HIGHTOWER BUILDING
600 W. ILLINOIS, SUITE 1002
MIDLAND, TEXAS 79701
(915) 687-0457**

May 26, 1989

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

Attention: Robert M. McCommon, Jr.

Re: Pitchfork Ranch
Madera 34 Fed Com #1
T-24-S, R-34-E
Lea County, New Mexico

Gentlemen:

During the past two weeks, Midland Phoenix Corporation and Enron Oil & Gas Company have been involved in several discussions trying to resolve our differences in the dispute arising out of the proposed well, referenced herein.

Although great strides have been made in communication between the two parties, I feel we are at an impasse in our negotiation for settlement in this dispute. Simple fact of the matter is that Enron Oil & Gas and Midland Phoenix have a major difference of opinion to all aspects affecting this case.

I have enclosed herein Exhibit "A", which is a list of five (5) offers made by Midland Phoenix Corporation, to settle this dispute. Again, at this time, Midland Phoenix would be willing to accept any one of these as settlement in this dispute.

Let me take this opportunity to thank the Midland Division of Enron Oil and Gas for their participation in trying to settle this matter. I know this has been a touchy situation for everyone involved and I greatly appreciate the professionalism which has been displayed in pursuing this matter.

We look forward to hearing from you at your earliest convenience, as settlement in this matter is still top priority.

Very truly yours,

MIDLAND PHOENIX CORPORATION



Robert O. Canon

EXHIBIT "A"

1. A cash consideration of \$200,000.00; Midland Phoenix to be carried for a 25% WI, proportionately reduced to their interest, In an E/2 proration unit; Midland Phoenix will be designated as Operator for a well drilled at a location agreed upon by all parties concerned.
2. Midland Phoenix will sell 100% of their interest in Section 34, 24-34, for \$600,000.00; Midland Phoenix will in turn take a 1/3 WI in the Signal Peak Prospect, paying 1/3 of the cost to drill and complete the first test well; paying 1/3 of Enron's cost in the proration unit established by the drilling of the initial test well; and retaining the option to purchase 1/3 of the remaining acreage in the Signal Peak Prospect, within 30 days of completion of the initial test well as a producer or a dry hole, for \$150.00/acre.*
3. Midland Phoenix will sell 100% of their interest in Section 34, 24-34, for \$300,000.00 and retain a 5% of 8/8 ORRI in any proration unit established in Section 34.
4. Midland Phoenix will trade all of their interest in Section 34, 24-34 for 100% of Enron's interest in the following described lands:

OWEN MESA AREA

T-24-S, R-29-E
Eddy County, New Mexico

Section 23: SE/4
Section 25: All
Section 26: N/2
Section 35: NW/4, S/2

5. Midland Phoenix will sell 100% of their interest in Section 34, 24-34 for \$600,000.00 cash, retaining no interest.

* If a trade is to be considered in #2 above, it must be done so within the next 2 weeks due to the current drilling status of the original test well.

MIDLAND PHOENIX CORPORATION

**HIGHTOWER BUILDING
600 W. ILLINOIS, SUITE 1002
MIDLAND, TEXAS 79701
(915) 687-0457**

June 13, 1989

Enron Oil & Gas Company
1400 Smith St.
Houston, Texas 77251

ATTN: Mr. Forrest Hoglund

RE: Pitchfork Ranch Area
E/2 Section 34, T-24-S, R-34E
Lea County, New Mexico

Dear Mr. Hoglund:

I would like to bring to your attention the status of negotiations between Midland Phoenix Corporation and Enron Oil & Gas Company over the E/2 of Section 34, T-24-S, R-34-E, Lea County, New Mexico.

Midland Phoenix has made numerous offers to Enron to resolve the dispute between the two companies in ways which would be mutually beneficial.

Sir, I have always held you in the highest regard as a businessman and thus I am surprised that negotiations have, as best I can tell, stagnated with no resolution in sight. From my point of view it would be by far in Enron's best interest to have all of our working interest in the E/2 of Section 34 and drill an unopposed, unorthodox location in a standard E/2 proration unit, pooling all interest in the E/2 regardless of potential productive merit (which is the heart of the dispute between the two companies). If this were the case, Enron would significantly increase their working interest position in this well.

In our last letter to Enron's Midland office, we included a list of five different proposals which ranged from a cash buyout, to a cash settlement whereby Midland Phoenix reinvested a portion of the proceeds in a working interest position in your Signal Peak Prospect, to some sort of acreage exchange.

I feel very strongly about our geologic interpretation in the E/2 of Section 34. As your producing well in the W/2 of said Section 34 is significantly draining the Atoka reservoir covering the E/2, I will be looking into every available option to protect the interest of Midland Phoenix Corporation.

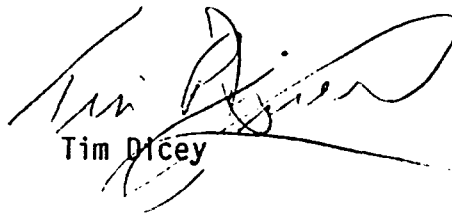
If you would consider that it is in Enron's best interest to resolve this matter, Midland Phoenix will be willing to work with Enron to create a mutually agreeable conclusion.

Tim Dicey
Page 2

If you have any questions regarding this matter, please feel free to call me at any time. As always, we appreciate your time and consideration in this matter.

Very truly yours,

MIDLAND PHOENIX CORPORATION



Tim Dicey

TD/plu

cc: Mr. Gary Thomas
Enron - Midland Division

PADILLA



Communication Log.

Thurs 5/11

Conv. w/ Bob Lanoith. - Discussed Forthcoming letter and AFE, discussed on Lanoith's concerns about MPC - Financial viability, Operating agreement - corporate structure. Lanoith said he would be in touch as soon as he digested the material.

Thurs 5/11

Harold Hodges / Jim Blatin - met w/ Robert McComma - Mr McComma said a diagram was needed and asked who to contact w/ MPC. Hodges/Blatin forwarded w/ Roc.

Monday 5/15

Roc called Enlow/Robert McComma - discussed letters and AFE which were delivered Friday 5/12. McComma said he wants look over material and get back in touch this afternoon.

Monday 5/15

Robert McComma Called @ 3:07p. Roc in meeting.
Roc returned call @ 4:25p.

Monday 5/15

McComma called @ 4:50p. said Gary Thomas (MPC) will be back on Wednesday and would get in touch w/ them. Want a meeting. Michael Frank Enlow would like to sit down and see if a deal could be made.

Wed. 5/17

9:00am

Roc called Robert McComma, told him I was delivering another version of Enlow to Consensus. He asked that the 2 of us get together today and talk about this matter. I said none the less - depend on all else get together this afternoon.

Wed 5/17

2:15. met w/ McComma. good meeting, discussed settlement of dispute.

Thurs 5/18

9:00am met w/ McComma - another good meeting - discussed alternative ways to settle.

Thurs 5/18

3:30p. McComma came over - MPC reviewed SEC form data.

Fri. 5/19

2:00p. Called McComma - made 2 additional offers to sell and lease.

Fri 5/19

4:20p. McComma called back - Enlow rejecting our offer of 5/17/89 (Enlow rejected only.) Still reviewing numbers on verbal offers made earlier.

Fri 5/19

5:15p. received letter from Enlow - rejected offer of 5/17/89.

Sat. 5/20

11:00am

McComma called - Enlow rejecting #2 on verbal offers - Hamilton making decision.

Sat 5/20

2:30p

McComma called - still waiting on Hamilton.

PADILLA & SUTHER
MAY 20 1989 - CONFIDENTIAL

PADILLA & SNYDER

ATTORNEYS AT LAW

200 W. MARCY, SUITE 216

P.O. BOX 2523

SANTA FE, NEW MEXICO 87504-2523

ERNEST L. PADILLA
MARY JO SNYDER

FAX 988-7592
AREA CODE 505

(505) 988-7577

July 19, 1989

Midland-Phoenix Corporation
600 W. Illinois, Suite 1002
Midland, Texas 79701

Attention: Mr. Robert Cannon

Re: Application of Midland Phoenix Corporation for an
unorthodox gas well location and compulsory
pooling;

Application of Enron Oil and Gas Company for
compulsory pooling, unorthodox gas well location
and non-standard gas proration unit.

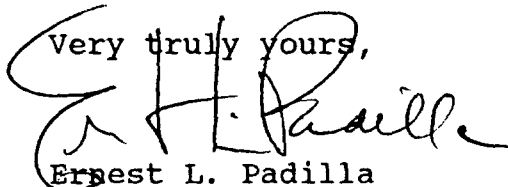
Dear Mr. Cannon:

Enclosed is a copy of the Order of the Oil Conservation
Division for the above-referenced application for your
information and files.

Enron will have 30 days from the date of the issuance
of the Order in which to apply for de novo hearing before
the full Oil Conservation Commission. Should that occur,
the case will be tried new from scratch, similar to the
proceeding before Mr. Stogner. As I indicated to you over
the telephone yesterday, the Commission generally will not
reverse a case such as this.

If you have any questions, please do not hesitate to
contact me.

Very truly yours,



Ernest L. Padilla

ELP:njp

Enclosure as stated
552.1

(2) The applicant in Case 9667, Midland Phoenix Corporation, seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the E/2 of Section 34, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico, to form a standard 320-acre gas spacing and proration unit for both pools. Said unit is proposed to be dedicated to a well to be drilled at an unorthodox gas well location 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 34.

(3) The applicant in Case 9669, Enron Oil & Gas Company, seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the S/2 of Section 34, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for said pool. The applicant in this matter further seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Atoka Gas Pool underlying the SE/4 of said Section 34 forming a non-standard 160-acre gas spacing and proration unit for said pool. Both aforementioned units are to be dedicated to a single well to be drilled at a location which is standard for the Morrow zone and unorthodox for the Atoka zone, 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 34.

(4) Each applicant, Midland Phoenix Corporation and Enron Oil and Gas Company, seeks to be named the operator of the unit each seeks to have pooled. Also each applicant has the right to drill and both propose to drill a well upon their respective units, as described above, to a depth sufficient to test the Atoka and Morrow formations.

(5) Case Nos. 9667 and 9669 were consolidated for purpose of hearing and should be consolidated for purpose of issuing an order inasmuch as the cases involve certain common acreage and the granting of one application would necessarily require the concomitant denial of the other.

(6) During the proceedings, Midland Phoenix Corporation requested that its portion of the application requesting an unorthodox gas well location be dismissed inasmuch as they are now proposing to drill at a standard gas well location 1980 feet from the South and East lines (Unit J) of said Section 34.

(7) There are interest owners in both proposed proration units who have not agreed to pool their interests.

(8) Both Robert E. Landreth and Leon Jeffcoat, Trustee, working interest owners underlying the spacing units in each of the cases, appeared through their attorney, at the consolidated hearing of the two applications, but stated no position.

(9) The geological evidence presented at the hearing by both applicants was in conflict as to whether the NE/4 of said Section 34 was potentially productive of hydrocarbons in both the Atoka and Morrow formations.

(10) The geological evidence presented by the Midland Phoenix Corporation indicates that a gas well drilled at a standard location 1980 feet from the South and East lines of said Section 34 and dedicated to a standard 320-acre gas spacing and proration unit comprised of the E/2 of said Section 34 could have a reasonable probability of encountering hydrocarbon production from certain intervals within the Atoka and Morrow formations.

(11) Enron Oil and Gas Company presently owns and operates the Pitchfork 34 Federal Com Well No. 1 located 1980 feet from the South line and 660 feet from the West line (Unit L) of said Section 34 which has produced from the Pitchfork Ranch-Atoka Gas Pool since September 1983 and has dedicated to it the W/2 of said Section 34.

(12) Approval of the Enron application would dedicate the SE/4 of said Section 34 in the Atoka zone whereby the entire section would have two wells with only 480 acres participating in the Atoka zone, whereas the Midland Phoenix application would fully develop the section for the Atoka.

(13) Exclusion of the NE/4 of said Section 34 from participation in the production from the E/2 of said Section 34 would depart from standard 320-acre configuration of proration and spacing units in the area, would violate the correlative rights of mineral interest owners in said NE/4, would result in economic waste because it would not be economical to drill a well for a non-standard spacing and proration unit comprised of the NE/4 of said Section 34, and would result in underground waste in that hydrocarbons underlying the NE/4 of said Section 34 may not be recovered.

(14) The application of Enron Oil and Gas Company is not in the best interests of the prevention of waste or the protection of correlative rights and will impair orderly development of the hydrocarbon reserves underlying the E/2 of said Section 34 in the Atoka and Morrow formations.

(15) The application of Enron Oil and Gas Company in Case No. 9669 should therefore be denied.

(16) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pools, the application of Midland Phoenix Corporation in Case No. 9667 should be approved by pooling all mineral interests, whatever they may be, in the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the E/2 of Section 34, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit should be dedicated to a well to be drilled at a standard gas well location 1980 feet from the South and East lines (Unit J) of said Section 34.

(17) Midland Phoenix Corporation should be designated the operator of the subject well and unit as described above.

(18) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(19) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(20) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(21) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(22) \$5500.00 per month while drilling and \$550.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(23) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(24) Upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before October 1, 1989 the order pooling said unit should become null and void and of no further effect whatsoever.

(25) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

(26) The operator of the well and unit should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) The application of Enron Oil and Gas Company in Case No. 9669 for an order pooling all mineral interests in the Undesignated Pitchfork Ranch Morrow Gas Pool underlying the S/2 of Section 34, Township 24 south, Range 34 East, NMPM, Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for said pool and the Undesignated Pitchfork Ranch-Atoka Gas Pool underlying the SE/4 of said Section 34, forming a non-standard 160-acre gas spacing and proration unit for said pool, both aforementioned units to be dedicated to a single well to be drilled at a location which is standard for the proposed Morrow unit and unorthodox for the proposed Atoka unit, 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 34, is hereby denied.

(2) All mineral interests, whatever they may be, in the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the E/2 of Section 34, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit for both pools, to be dedicated to a well to be drilled at a standard gas well location 1980 feet from the South and East lines (Unit J) of said Section 34.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 1st day of October, 1989, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow Gas Pool.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 1st day of October, 1989, Ordering Paragraph No. (2) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Ordering Paragraph No. (2) of this order should not be rescinded.

(3) Midland Phoenix Corporation is hereby designated the operator of the subject well and unit.

(4) After the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(5) Within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(6) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(7) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(8) The operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him; and
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(9) The operator shall distribute said costs and charges withheld from ~~production to the parties who advanced the well costs.~~

(10) \$5500.00 per month while drilling and \$550.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(11) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(12) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(13) All proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(14) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

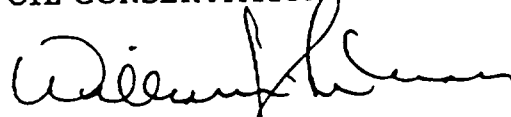
(15) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

(16) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case Nos. 9667 and 9669
Order No. R-8959
Page No. 8

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read 'William J. Lemay', is written over the printed name. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

WILLIAM J. LEMAY
Director

S E A L

PADILLA & SNYDER

ATTORNEYS AT LAW

200 W. MARCY, SUITE 216

P.O. BOX 2523

SANTA FE, NEW MEXICO 87504-2523

ERNEST L. PADILLA
MARY JO SNYDER

FAX 988-7592
AREA CODE 505

(505) 988-7577

July 21, 1989

Midland-Phoenix Corporation
600 W. Illinois, Suite 1002
Midland, Texas 79701

Attention: Mr. Robert Cannon

Re: Application of Midland Phoenix Corporation for an
unorthodox gas well location and compulsory
pooling;

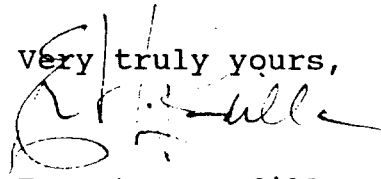
Application of Enron Oil and Gas Company for
compulsory pooling, unorthodox gas well location
and non-standard gas proration unit.

Dear Mr. Cannon:

Enclosed are copies of the Application of Enron Oil &
Gas Company for a de novo hearing and a copy of the letter
advising counsel of this application.

If you have any questions, please do not hesitate to
contact me.

Very truly yours,



Ernest L. Padilla

ELP:ijp

Enclosures as stated
552.1

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
J. SCOTT HALL
JOHN H. BEMIS
WILLIAM P. SLATTERY
MARTE D. LIGHTSTONE
PATRICIA A. MATTHEWS

RECEIVED
JUL 21 1989
RECEIVED

JEFFERSON PLACE
SUITE 110 NORTH GUADALUPE
POST OFFICE BOX 2206
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE (505) 988-4421
TELECOPIER (505) 983-6043

July 21, 1989

HAND DELIVERED

William J. LeMay
Director, Oil Conservation Div.
NM Dept. Energy, Minerals
& Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

Re: *Case No. 9667; Application of Midland Phoenix Corp. for
an orthodox gas well location and compulsory pooling,
Lea County, New Mexico Case 9669*

*Application of Enron Oil & Gas Company for Compulsory
Pooling, Unorthodox Gas Well Location and Non-standard
Gas Proration Unit, Lea County, New Mexico*

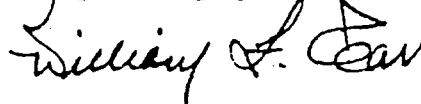
Dear Mr. Lemay:

Enclosed is the Application of Enron Oil & Gas Company for
Hearing *De Novo* in the above-referenced case. Enron requests that
this matter be set for hearing before the full Oil Conservation
Commission at the earliest possible date.

By copy of this letter I am advising counsel for Midland
Phoenix Corporation of this application.

Your attention to this matter is appreciated.

Very truly yours,



William F. Carr

WFC:ep
encls.

cc: (w/encls.)
Earnest L. Padilla, Esq.
Frank E. Estep

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF MIDLAND PHOENIX CORPORATION FOR
AN UNORTHODOX GAS WELL LOCATION AND
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO

CASE NOS. 9667 AND 9669
ORDER NO. R-8959

IN THE MATTER OF THE APPLICATION
OF ENRON OIL AND GAS COMPANY FOR
COMPULSORY POOLING, UNORTHODOX GAS
WELL LOCATION AND NON-STANDARD GAS
PRORATION UNIT, LEA COUNTY, NEW MEXICO

**APPLICATION OF ENRON OIL AND GAS COMPANY
FOR A DE NOVO HEARING**

COMES NOW Enron Oil and Gas Company, by and through its undersigned attorneys, Campbell & Black, P.A., and pursuant to Section 70-2-13 N.M.S.A., 1978 states that it is a party adversely affected by the Division Order R-8959 entered on July 17, 1989 in Case Nos. 9667 and 9669 (Exhibit "A") and accordingly requests that this case be set for a *De Novo* hearing before the New Mexico Oil Conservation Commission.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By: 

William F. Carr
P.O. Box 2208
Santa Fe, NM 87504-2208
Telephone: (505) 988-4421

ATTORNEYS FOR ENRON OIL & GAS
COMPANY

RECEIVED
JUL 21 1989
RECEIVED

PADILLA & SNYDER
ATTORNEYS AT LAW
200 W. MARCY, SUITE 216
P.O. BOX 2523
SANTA FE, NEW MEXICO 87504-2523

ERNEST L. PADILLA
MARY JO SNYDER

FAX 988-7592
AREA CODE 505

(505) 988-7577

August 4, 1989

HAND-DELIVERY

William F. Carr, Esquire
Campbell & Black, P.A.
110 North Guadalupe
Santa Fe, New Mexico 87501

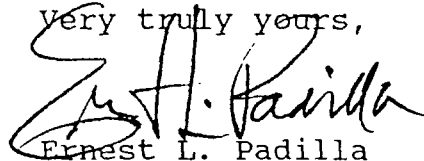
Re: Application of Midland Phoenix Corporation for
unorthodox gas well location and compulsory
pooling, Lea County, New Mexico; Case 9667 De Novo
and
Application of Enron Oil & Gas Company for
compulsory pooling, unorthodox gas well location,
and non-standard gas proration unit, Lea County,
New Mexico; Case 9669 De Novo.

Dear Bill:

As we discussed today, it is my understanding that you will provide us with a copy of the study identified by Mr. Cherryholmes at pages 234 and 235 of the hearing transcript of May 24, 1989. A copy of those two pages are attached for your reference. As I understand from Mr. Cherryholmes's testimony during my cross-examination of him, Enron had prepared a study for well workover and drilling prognosis schedule in January, 1989. Please let me know at your earliest convenience if Enron will comply with our request for this document prior to the hearing on August 17, 1989, so as to dispense with the necessity of issuance of a subpoena for the document.

Thank you for your courtesy in this matter.

Very truly yours,


Ernest L. Padilla

ELP:njp

Enclosures as stated
cc: Midland-Phoenix Corporation
552.0

COPY

08/11/1989 10:43 FROM PADILLA & SNYDER

TO 19156850841

P.02

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
J. SCOTT HALL
JOHN H. BEMIS
WILLIAM R. SLATTERY
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PATRICIA A. MATTHEWS

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

August 10, 1989

HAND-DELIVERED

Ernest L. Padilla, Esq.
Padilla & Snyder
Attorneys at Law
200 W. Marcy Street, Suite 216
Santa Fe, New Mexico 87501

Re: Case 9667 (De Novo)
Application of Midland Phoenix Corporation for an
Unorthodox Gas Well Location and Compulsory Pooling, Lea
County, New Mexico

Case 9669 (De Novo)
Application of Enron Oil and Gas Company for Compulsory
Pooling, Unorthodox Gas Well Location, and Non-standard
Gas Proration Unit, Lea County, New Mexico

Dear Ernie:

Pursuant to your request, I enclose herewith the study referenced by Terry Cherryholmes at pages 234 and 235 of the hearing transcript of the May 24, 1989 hearing in the above-referenced cases.

As you will note, we have deleted information on this study which relates to properties other than Section 34, Township 24 South, Range 34 East, N.M.P.M., Lea County, New Mexico. The reason for these deletions are that they contain proprietary information -- and, furthermore, are not relevant to any of the properties involved in these cases.

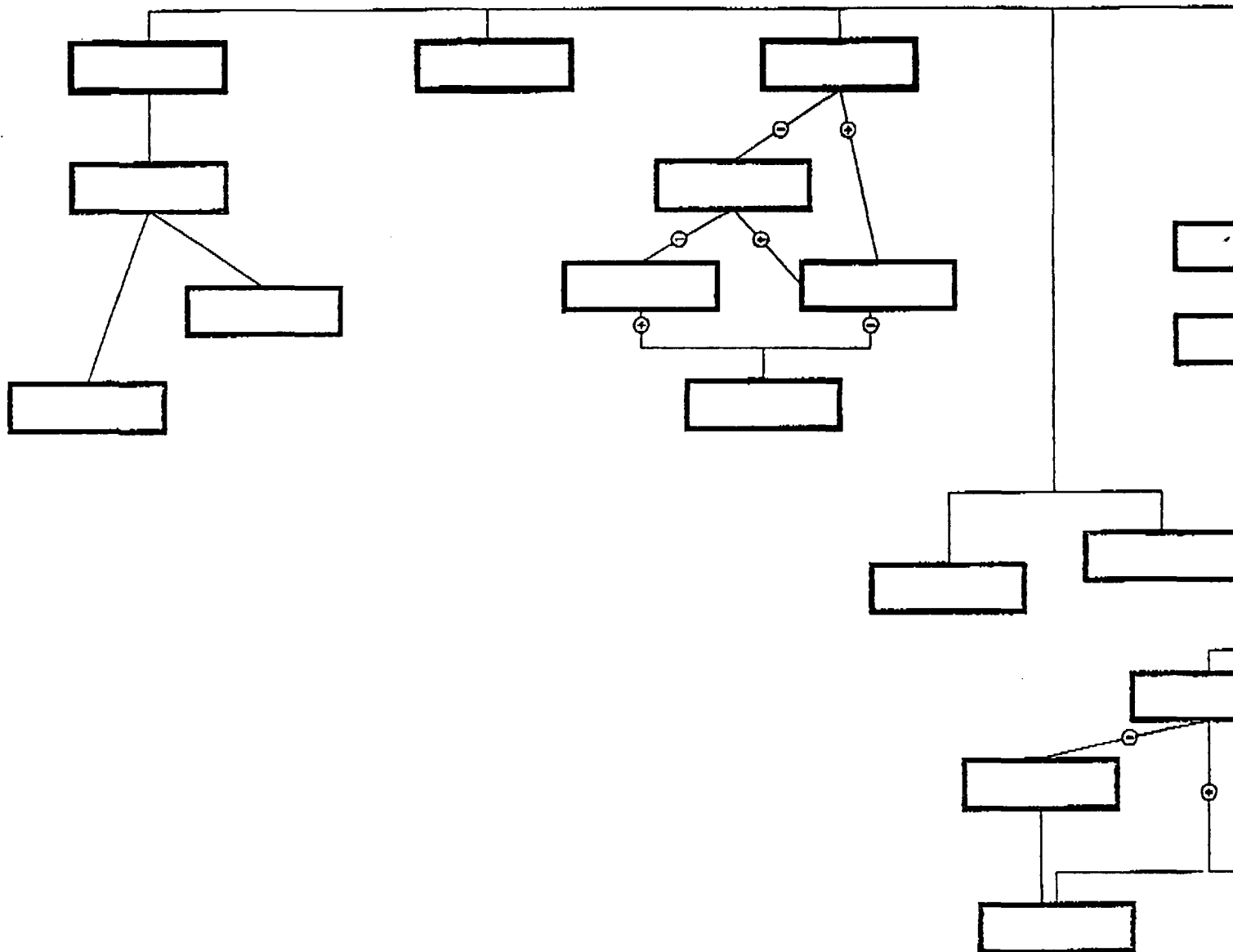
Very truly yours,

WFC
WILLIAM F. CARR
WFC:mlh
Enclosure
cc: Mr. Frank Esten

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AUG 10 1989
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PITCHFORK WORKOVER P

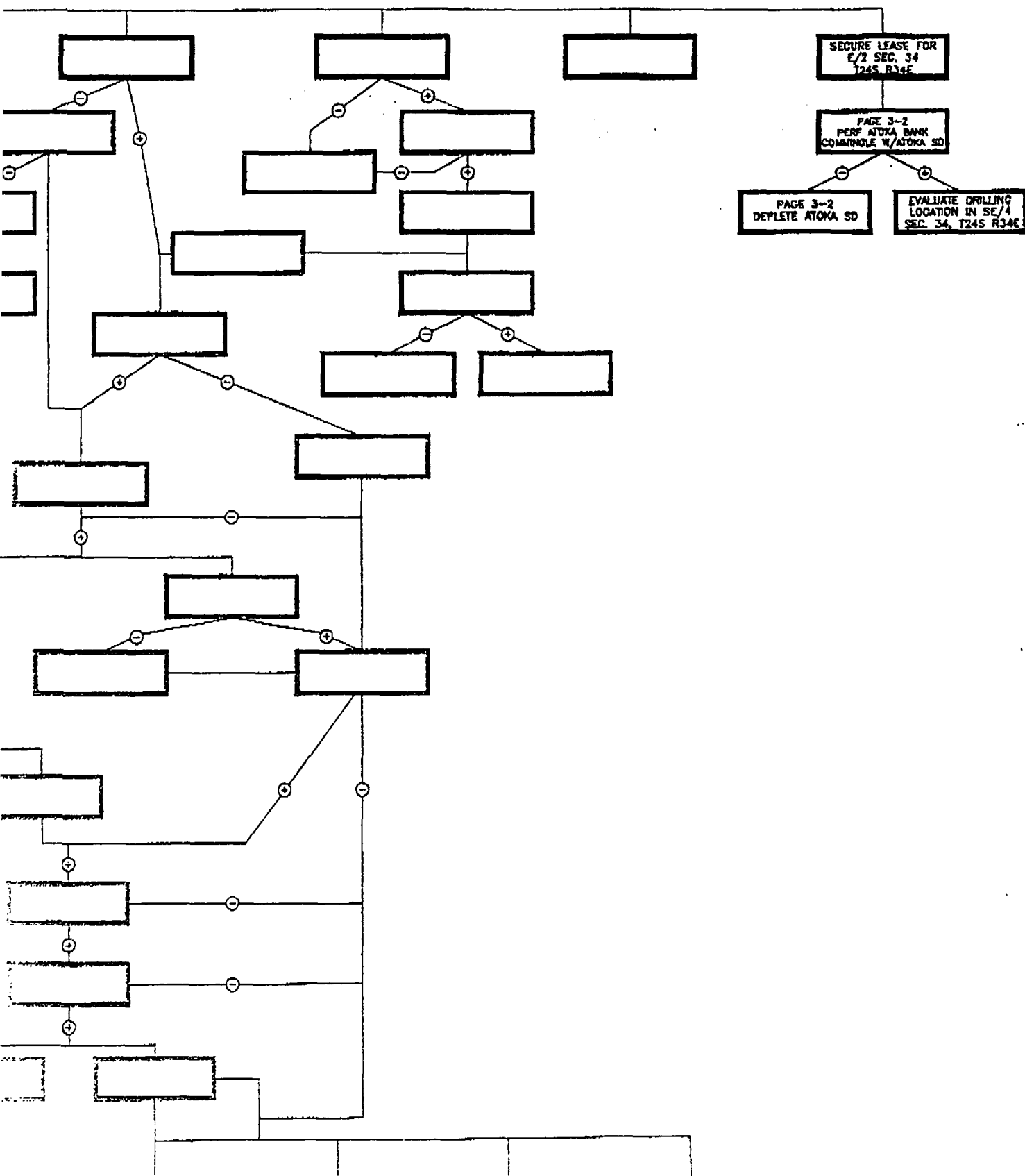
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RANCH



LEGEND

- 1st QUARTER 1989
- 2nd QUARTER 1989
- 3rd QUARTER 1989
- 4th QUARTER 1989
- ⊕ PATH TAKEN IF SUCCESSFUL
- ⊖ PATH TAKEN IF UNSUCCESSFUL

BY: L.W. HELMS, 2/13/89

ANCH FIELD
AN OUTLINEDRK
UDY

(915) 686-3600, 5-1-89

ENRON
Oil & Gas Company

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

March 16, 1989

Alan Jochimsen
2402 Cimmaron
Midland, Texas 79705

RE: Request For Oil and Gas Lease
NE/4 and NE/4 SE/4, Section 34,
T-24-S, R-34-E, N.M.P.M.
Lea County, New Mexico

Gentlemen:

Enron Oil and Gas Company is interested in acquiring an oil and gas lease covering your mineral interest in the NE/4 and NE/4 SE/4 Section 34, Township 24 South, Range 34 East, N.M.P.M., Lea County, New Mexico. If you currently maintain a mineral interest in this property and would be interested in granting us an oil and gas lease covering same, or wish to discuss further, then please contact the undersigned at telephone number (915) 686-3730 or at the above address.

Your cooperation in this matter is appreciated.

Yours very truly,

ENRON OIL & GAS COMPANY

Robert M. McCommon Jr.

Robert M. McCommon, Jr.
Project Landman

RMM/cl

ENRON
Oil & Gas Company

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

March 16, 1989

Mr. Boley Embrey
303 West Wall - Suite 1200
Midland, Texas 79701

RE: Request For Oil and Gas Lease
NE/4 and NE/4 SE/4, Section 34,
T-24-S, R-34-E, N.M.P.M.
Lea County, New Mexico

Gentlemen:

Enron Oil and Gas Company is interested in acquiring an oil and gas lease covering your mineral interest in the NE/4 and NE/4 SE/4 Section 34, Township 24 South, Range 34 East, N.M.P.M., Lea County, New Mexico. If you currently maintain a mineral interest in this property and would be interested in granting us an oil and gas lease covering same, or wish to discuss further, then please contact the undersigned at telephone number (915) 686-3730 or at the above address.

Your cooperation in this matter is appreciated.

Yours very truly,

ENRON OIL & GAS COMPANY

Robert M. McCommon Jr.

Robert M. McCommon, Jr.
Project Landman

RMM/cl

MIDLAND PHOENIX CORPORATION

☐ WILDCAT
☒ DEVELOPMENT
☐ INJECTION

☒ DRILLING
☐ COMPLETION
☐ RE-ENTRY

AFE No. _____
 Midland Phoenix WI _____
 AFE Amount _____
 AFE Date _____

Lease & Well No. Madera 34 Fed. Com. # 1	Depth & Formation 15,800' Morrow
Location 1980 FEL and 1980 FSL Section 34, T-24-S, R-34-E	
County & State Lea County, New Mexico	Field Pitchfork Ranch
Operator Midland Phoenix Corporation	Anticipated Spud Date December 15, 1989
Description of Work	

INTANGIBLE WELL COST

CODE	DESCRIPTION	DRILLING	COMPLETION	TOTAL
1001	Access, Location & Roads	30,000	5,000	35,000
1002	Rig Move	30,000		30,000
1003	Footage Cost \$/Ft			
1004	Day Work Cost 70 days @ \$4,300 /day	301,000		301,000
1005	Bits, Reamers & Stabilizers	70,000		70,000
1006	Fuel			
1007	Water	10,000	2,500	12,500
1008	Mud & Chemicals	70,000	3,000	73,000
1009	Cementing & Service	40,000	15,000	55,000
1010	Coring			
1011	OH Logging & Testing	35,000	10,000	45,000
1012	Mud Logging	15,500		15,500
1013	Perforating		10,000	10,000
1014	Stimulation		20,000	20,000
1015	Transportation	25,000	10,000	35,000
1016	Drilling Overhead			
1017	Equipment Rental	35,000	15,000	50,000
1018	Completion Rig 4 days @ \$4,300 /day		17,200	17,200
1019	Other Drilling Expenses			
1020	Directional Drilling			
1021	Equipment Usage			
1022	Supervision	25,000	1,600	26,200
1023	Contingencies	71,650	11,230	82,880
	Total Intangibles	788,150	123,530	911,680

TANGIBLE WELL COST

CODE	DESCRIPTION	DRILLING	COMPLETION	TOTAL
2001	40' of 20" Conductor Casing	1,000		1,000
2002	600' of 13 3/8" Surface Casing	12,500		12,500
2003	5200' of 9 5/8" Intermediate Casing	78,000		78,000
2004	13300' of 7 5/8" Intermediate Casing	395,000		395,000
2005	1000' of 5 1/2" Liner	15,500		15,500
2006	1800' of 3 1/2" Production Casing		18,600	18,600
2007	" of " Tie-Back Casing			
2008	13000' of 2 7/8" Tubing		124,000	124,000
2009	" of " Tubing			
2010	Well Head Equipment and Tree	26,000	25,000	51,000
2011	Tanks		6,000	6,000
	(Continued on back of AFE)			

MIDLAND PHOENIX APPROVAL

By: <i>Robert D. Lina</i>	Date: 6/11/89	
By: <i>[Signature]</i>	Date: 6/11/89	
JOINT OPERATOR APPROVAL		
Company:	By:	Title:

BEFORE THE
OIL CONSERVATION COMMISSION
 Santa Fe, New Mexico

Case No. _____ Exhibit No. 3
 Submitted by Midland Phoenix
 Hearing Date _____

TANGIBLE WELL COST (Cont.)				
CODE	DESCRIPTION	DRILLING	COMPLETION	TOTAL
2012	Flow Lines		3,800	3,000
2013	Valves & Fittings		6,000	6,000
2014	Rods			
2015	Pumping Equipment - Surface			
2016	Production Equipment - Subsurface		10,000	10,000
2017	Engines & Motors			
2018	Heater Treater & Separators		25,000	25,000
2019	Other Equipment			
2020	Buildings			
2021	Metering Equipment		1,000	1,000
2022	Non - Controlable Equipment		1,000	1,000
2023	Liner Equipment	10,000	15,000	25,000
2024	Mudline Suspension Equipment			
2025	Construction		20,000	20,000
2026	Drive Pipe			
2027	Contingencies	53,800	25,460	79,260
	Total Intangibles	591,800	280,060	871,860
	Total Well Cost	1,379,950	403,590	1,783,540