

(86-5206)

ENRON

Oil & Gas Company

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

March 9, 1989

Meridian Oil Inc.
21 Desta Drive
Midland, Texas 79705
ATTN: DON W. DAVIS

RE: S/2 Section 15, T-24-S, R-28-E
Eddy County, New Mexico

BEFORE EXAMINER STOONER OIL CONSERVATION DIVISION <u>ENRON</u> EXHIBIT NO. <u>3</u> CASE NO. <u>9686</u>

Gentlemen:

Enron Oil & Gas Company is interested in obtaining a Farmout of Meridian's leasehold interest under the above. According to our information Meridian owns a 29.72% interest for a total of 38.63 net acres in the SW/4 Section 15.

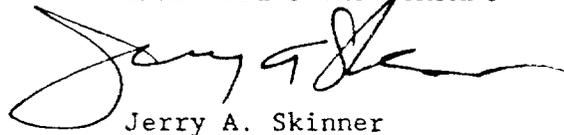
We are willing to offer the following terms:

1. Within 120 days after execution of a mutually acceptable farmout Agreement, Enron will commence a 12,000' Atoka test at a legal location in the SE/4 of Section 15-24S-28E.
2. A successful oil and/or gas completion will earn an assignment of all of your leasehold interests in the test well proration unit from the surface to 100' below the total depth drilled, and 70% of your interest outside the test well proration unit.
3. In such event of a successful completion, Meridian will reserve a 1/16th ORRI but shall deliver to Enron, not less than a 75% NRI. Meridian shall have the right at payout to exchange said ORRI to a 30% W.I., all proportionately reduced to your interest in the proration unit.
4. A dry hole will earn no acreage, but Enron will have the option to drill additional wells in an effort to earn on the basis set out above.

Please consider the foregoing and we would appreciate a reply at your earliest convenience.

Yours very truly,

ENRON OIL & GAS COMPANY



Jerry A. Skinner
Project Landman

JAS/cl

ENRON Oil & Gas Company

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

March 9, 1989

367-1266

Phillips Petroleum 367-1266
4001 Penbrook
Odessa, Texas 79762
ATTN: KENT CRAWFORD

RE: S/2 Section 15, T-24-S, R-28-E
Eddy County, New Mexico

Gentlemen:

Enron Oil & Gas Company is interested in obtaining a Farmout of Phillips' leasehold interest under the above. According to our information Phillips owns a 20.28% interest for a total of 26.37 net acres in the SW/4 Section 15.

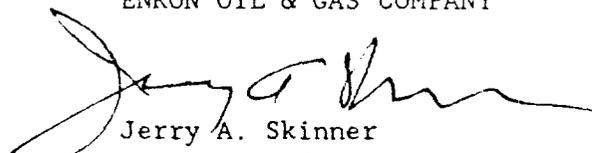
We are willing to offer the following terms:

1. Within 120 days after execution of a mutually acceptable farmout Agreement, Enron will commence a 12,000' Atoka test at a legal location in the SE/4 of Section 15-24S-28E.
2. A successful oil and/or gas completion will earn an assignment of all of your leasehold interests in the test well proration unit from the surface to 100' below the total depth drilled, and 70% of your interest outside the test well proration unit.
3. In such event of a successful completion, Phillips will reserve a 1/16th ORRI but shall deliver to Enron, not less than a 75% NRI. Phillips shall have the right at payout to exchange said ORRI to a 30% W.I., all proportionately reduced to your interest in the proration unit.
4. A dry hole will earn no acreage, but Enron will have the option to drill additional wells in an effort to earn on the basis set out above.

Please consider the foregoing and we would appreciate a reply at your earliest convenience.

Yours very truly,

ENRON OIL & GAS COMPANY


Jerry A. Skinner
Project Landman

JAS/cl

ENRON
Oil & Gas Company

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

March 9, 1989

Quinoco Petroleum, Inc.
4582 S. Ulster St. Parkway
Suite 1700
Denver, Colorado 80237
ATTN: KELLY DONOHUE

RE: S/2 Section 15, T-24-S, R-28-E
Eddy County, New Mexico

Gentlemen:

Enron Oil & Gas Company is interested in obtaining a Farmout of Quinoco's leasehold interest under the above. According to our information Quinoco owns the 80 net acre tract covering the E/2 of the SE/4 of Section 15.

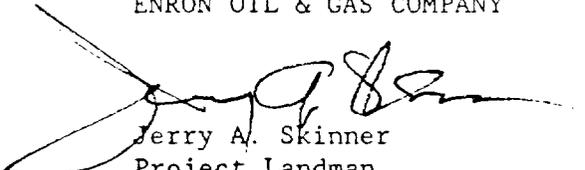
We are willing to offer the following terms:

1. Within 120 days after execution of a mutually acceptable farmout Agreement, Enron will commence a 12,000' Atoka test at a legal location in the SE/4 of Section 15-24S-28E.
2. A successful oil and/or gas completion will earn an assignment of all of your leasehold interests in the test well proration unit from the surface to 100' below the total depth drilled, and 70% of your interest outside the test well proration unit.
3. In such event of a successful completion, Quinoco will reserve a 1/16th ORRI but shall deliver to Enron, not less than a 75% NRI. Quinoco shall have the right at payout to exchange said ORRI to a 30% W.I., all proportionately reduced to your interest in the proration unit.
4. A dry hole will earn no acreage, but Enron will have the option to drill additional wells in an effort to earn on the basis set out above.

Please consider the foregoing and we would appreciate a reply at your earliest convenience.

Yours very truly,

ENRON OIL & GAS COMPANY


Jerry A. Skinner
Project Landman

JAS/cl

Part of the Enron Group of Energy Companies

*3/16/89
Has sold acreage
Kaiser Princes
to Kelly Donohue*

Handwritten notes and scribbles in the top right corner.

ENRON

Oil & Gas Company

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

March 17, 1989

Kaiser-Francis Oil Co.
Box 21468
Tulsa, Oklahoma 79121-1468
ATTN: JIM WAKEFIELD

918-494-0000
Direct line 4510

RE: E/2 SE/4 Section 15, T24S, R28E
Eddy County, New Mexico

Gentlemen:

As discussed on phone, Enron is interested in obtaining your 80 acres leasehold covering the above. We would be willing to acquire same under farmout or acreage purchase on the following basis:

1. Purchase at \$150.00 per net acre for \$12,000 total price.
2. A. Within 120 days after execution of a mutually acceptable Farmout Agreement, Enron will commence a 12,000' Atoka test at a legal location in the SE/4 of Section 15-24S-28E.
B. A successful oil and/or gas completion will earn an assignment of all of your leasehold interest in the test well proration unit from the surface to 100' below the total depth drilled and 70% of your interest outside the test well proration unit.
C. In such event of a successful completion, Kaiser Francis will reserve a 1/16th ORRI but shall deliver to Enron, not less than a 75% NRI. Kaiser-Francis shall have the right at payout to exchange said ORRI to a 30% W.I., all proportionately reduced to your interest in the proration unit.
D. A dry hole will earn no acreage, but Enron will have the option to drill additional wells in an effort to earn on the basis set out above.

Please consider the foregoing and give me a phone call at 915-696-3725 at your earliest convenience.

Yours very truly,

ENRON OIL & GAS COMPANY



Jerry A. Skinner
Project Landman

JAS/cl

Part of the Enron Group of Energy Companies

RAY L. MCKIM, III
CERTIFIED PROFESSIONAL LANDMAN
P. O. BOX 50790
MIDLAND, TEXAS 79710-0790
915/685-3780

March 21, 1989

Mrs. Grace V. Czeskleba
5326 East 20th
Tulsa, Oklahoma 74112

RE: T-24-S, R-28-E, NMPM
Section 15: W/2NE/4NE/4SW/4
Eddy County, NM

Dear Mrs. Czeskleba:

Please find enclosed an original oil and gas lease and draft covering your 1/2 interest in the above captioned, subject to the following terms: \$150.00 per net acre bonus consideration, 3/16ths royalty and a three (3) year primary term, paid-up.

Upon your review and approval, please execute the lease in front of a notary public and deposit both the lease and draft at the collection window of your bank.

Thank you for your assistance and if you have any questions whatsoever, please call collect at the above number.

Sincerely,

Ray L. McKim, III

RLMIII:bp

czeskleb

ENRON Oil & Gas Company

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

HAND DELIVERED

May 4, 1989

Dinero
P. O. Box 10505
Midland, Texas 79705

ATTENTION: MR. RUSSEL J. RAMLAND 684-509.

RE: Willow Lake Area
Farmout Request
S/2 Section 15, T-24-S, R-28-E, NMPM
Lea County, New Mexico

Gentlemen

According to our information, Dinero is a leasehold owner of certain mineral interests in the South-Half (S/2) of Section 15, T-24-S, R-28-E, N.M.P.M., Eddy County, New Mexico. Therefore, Enron Oil & Gas Company hereby requests a farmout of Dinero's leasehold interest in the South-Half (S/2) of said Section 15 on the following basic terms:

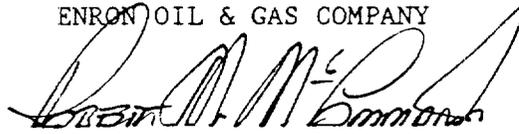
- 1) On or before 120 days from the date of execution of a mutually acceptable farmout agreement, Enron Oil & Gas Company will commence operations for the drilling of a 12,000' Atoka test well at a legal location in the South-Half (S/2) of Section 15, T-24-S, R-28-E, NMPM, Eddy County, New Mexico.
- 2) Should Enron Oil & Gas Company complete said well as a well capable of producing oil and/or gas, Enron Oil & Gas Company will have earned and Dinero agrees to execute and deliver to Enron an Assignment covering 100% of Dinero's leasehold interest in the designated proration unit for said test well and 70% of Dinero's leasehold interest outside the proration unit for said test well, but within the South-Half (S/2) of said Section 15, limited from the surface down to 100' below the total depth drilled in said well.
- 3) The above assignment, insofar as same covers the designated proration unit of the said test well, shall reserve unto Dinero an overriding royalty interest equal to the difference between 25% and all existing lease burdens (the intent being to convey Enron a 75% Net Revenue Interest), with Dinero retaining the option at payout of said test well to convert said overriding royalty interest to a 30% working interest in the initial test well, all proportionately reduced.

- 4) The farmout Agreement will include a mutually acceptable operating agreement to be executed by Enron Oil & Gas Company, as Operator and Dinero, as Non-Operator, covering the S/2 of Section 15, including the designated proration unit of said test well should Dinero elect to convert its retained overriding royalty interest to a working interest.
- 5) A dry hole will earn no acreage, but Enron Oil & Gas Company will have the option to drill additional well(s) in an effort to earn on the same basis as setforth above.

Yours 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.

Very truly yours,

ENRON OIL & GAS COMPANY



Robert M. McCommon, Jr.

Project Landman

RMM/cl

ENRON OIL & GAS COMPANY

REQUEST FOR MESSAGE TRANSMITTAL

TO: KAISER-FRANCIS DATE: 5-26-89
 ATTN: JIM WAKEFIELD NO. PAGES (INCLUDING THIS) 3
 FROM: Robert McCommon w/ ENRON SENT BY: RMM
 TELECOPY NUMBER: _____ CONFIRMED: YES _____ NO _____
 COMMENTS: PURSUANT TO OUR CONVERSATION TO DATE, ENCLOSED
IS A COPY OF OUR AFE FOR WELL IN S/2 SEC. 15.
 TELECOPY NUMBER: 915-683-7573 VERIFY: 915-686-3617
 MESSAGE SENT BY: JL TIME: 11:25
 ROUTINE: _____ URGENT: ✓

TELECOPY NUMBERS

3RD FLOOR	PURCHASING.....	713-853-3954
19TH FLOOR	OFFSHORE OPERATION.....	713-853-3296
20TH FLOOR	PRODUCTION AND EXPLORATION.....	713-853-3861
21ST FLOOR	ACCOUNTING.....	713-853-3236
23RD FLOOR	OPERATIONS.....	713-853-5427
35TH FLOOR	PBX.....	713-853-3129
36TH FLOOR	GRAPHIC SERVICES.....	713-853-3973
38TH FLOOR	TRANSWESTERN MARKETING.....	713-853-3889
39TH FLOOR	ENRON GAS MARKETING.....	713-853-3806
41ST FLOOR	GAS TRANSPORTATION.....	713-853-3878
42ND FLOOR	GAS CONTROL.....	713-853-3249
43RD FLOOR	BANKING.....	713-853-3272
43RD FLOOR	CORP. DEVELOPMENT.....	713-853-5649
47TH FLOOR	CORP. COMMUNICATIONS.....	713-853-6790
48TH FLOOR	LEGAL.....	713-853-5426
49TH FLOOR	EXECUTIVE.....	713-853-3919
50TH FLOOR	EXECUTIVE.....	713-853-3920

ENRON
Oil & Gas Company

Drilling AFE

AFE No.	
Enron W. I.	
Enron AFE Amt (DHC)	
(CWC)	
Division/District	Midland
AFE Date	2-21-89

Category

Wildcat
 Development
 Injection

Type

Drilling
 Completion
 Re-Entry

Lease & Well No.	Depth & Formation 12,000' Atoka	Water Depth
Location Sec. 15, T-24-S, R-28-E		
County & State Eddy/New Mexico	Field Willow Lake	
Operator Enron Oil & Gas Company	Anticipated Spud Date	
Description of Work		

Intangible Well Cost (Dollars)

Code	Description	Drilling	Completion	Total
5501	Access, Location & Roads	25,000	5,000	30,000
5502	Rig Move	30,000		30,000
5503	Footage Cost \$/Ft			
5504	Day Work Cost 40 days @ \$ 4100	164,000		164,000
5505	Bits, Reamers & Stabilizers	45,000		45,000
5506	Fuel			
5507	Water	20,000		20,000
5508	Mud & Chemicals	25,000	3,000	28,000
5509	Cementing & Service	30,000	10,000	40,000
5510	Coring			
5511	OH Logging & Testing	25,000		25,000
5512	Mud Logging	7,500		7,500
5513	Perforating		5,000	5,000
5514	Stimulation		10,000	10,000
5515	Transportation	15,000	6,000	21,000
5516	Drilling Overhead			
5517	Equipment Rental	15,000	2,500	17,500
5518	Completion Rig 4 days @ 4100		16,400	16,400
5519	Other Drilling Expense	15,000		15,000
5522	Directional Drilling			
5523	Equipment Usage			
5524	Supervision	13,500	1,500	15,000
	Contingencies	43,000	5,940	48,940
	Total Intangibles		65,340	538,340

Tangible Well Cost (Dollars)

Code	Description	Drilling	Completion	Total
5101	40 'Of 20 * Conductor Casing	1,000		1,000
5102	600 'Of 13-3/8 * Surface Casing	14,900		14,900
5103	2500 'Of 9-5/8 * Intermediate Casing	45,000		45,000
5103	10400 'Of 7 * Intermediate Casing	176,000		176,000
5103	1800 'Of 4-1/2 * Liner		16,500	16,500
5104	'Of * Production Casing			
5104	'Of * Tie-Back Casing			
5105	10200 Of 2-7/8 * Tubing		58,000	58,000
5105	'Of * Tubing			
5106	Well Head Equipment and Tree	15,000	20,000	35,000
5107	Tanks		2,500	2,500

(Continued on back of AFE)

Enron Approval

Division					
By	Date	By	Date	By	Date
<i>James P. Stinson</i>	2-24-89				
By	Date	By	Date	By	Date
<i>R J Dwyer</i>	24 Feb 89				

Joint Operator Approval

Firm	By	Title	Date
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Tangible Well Cost (continued)				
Code	Description	Drilling	Completion	Total
5108	Flow Lines		3,000	3,000
5109	Valves & Fillings		6,000	6,000
5110	Rods			
5111	Pumping Equipment - Surface			
5112	Production Equipment - Subsurface		12,500	12,500
5113	Engines & Motors			
5114	Heater-Treater & Separators		12,500	12,500
5115	Other Equipment			
5116	Buildings			
5117	Metering Equipment		1,000	1,000
5118	Non-Controllable Equipment		1,500	1,500
5119	Liner Equipment		12,500	12,500
5120	Mudline Suspension Equipment			
5121	Construction Cost		15,000	15,000
5123	Drive Pipe			
	Contingencies	25,190	16,100	41,290
	Total Tangibles	277,090	177,100	454,190
	Total Well Cost	750,090	242,440	992,530

ENRON OIL & GAS COMPANY
REQUEST FOR MESSAGE TRANSMITTAL

TO: Frank Hulse DATE: _____
 FROM: Beverly McCommon NO. PAGES (INCLUDING THIS) 3
 TELECOPY NUMBER: _____ SENT BY: _____
 CONFIRMED: YES _____ NO _____
 COMMENTS: _____

TELECOPY NUMBER: 915-683-7573 VERIFY: 915-686-3617
 MESSAGE SENT BY: _____ TIME: _____
 ROUTINE: _____ URGENT: _____

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ENRON
Oil & Gas Company

Drilling AFE

AFE No.	
Enron W. I.	
Enron AFE Amt (DHC)	
(CWC)	
Division/District	Midland
AFE Date	2-21-89

Category
 Wildcat
 Development
 Injection

Type
 Drilling
 Completion
 Re-Entry

Lease & Well No.	Depth & Formation	Water Depth
	12,000' Atoka	
Location Sec. 15, T-24-S, R-28-E		
County & State	Field	
Eddy/New Mexico	Willow Lake	
Operator	Anticipated Spud Date	
Enron Oil & Gas Company		
Description of Work		

Intangible Well Cost (Dollars)				
Code	Description	Drilling	Completion	Total
5501	Access, Location & Roads	25,000	5,000	30,000
5502	Rig Move	30,000		30,000
5503	Footage Cost \$/Ft			
5504	Day Work Cost 40 days @ \$ 4100	164,000		164,000
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5506	Fuel			
5507	Water	20,000		20,000
5508	Mud & Chemicals	25,000	3,000	28,000
5509	Cementing & Service	30,000	10,000	40,000
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5522	Directional Drilling			
5523	Equipment Usage			
5524	Supervision	13,500	1,500	15,000
	Contingencies	43,000	5,940	48,940
	Total Intangibles	473,000	65,340	538,340

Tangible Well Cost (Dollars)				
Code	Description	Drilling	Completion	Total
5101	40 'Of 20 " Conductor Casing	1,000		1,000
5102	600 'Of 13-3/8 " Surface Casing	14,900		14,900
5103	2500 'Of 9-5/8 " Intermediate Casing	45,000		45,000
5103	10400 'Of 7 " Intermediate Casing	176,000		176,000
5103	1800 'Of 4-1/2 " Liner		16,500	16,500
5104	'Of " Production Casing			
5104	'Of " Tie-Back Casing			
5105	10200 'Of 2-7/8 " Tubing		58,000	58,000
5105	'Of " Tubing			
5106	Well Head Equipment and Tree	15,000	20,000	35,000
5107	Tanks		2,500	2,500
	(Continued on back of AFE)			

Enron Approval					
Division	By	Date	By	Date	By
	<i>James P. Atkinson</i>	2-24-89			
	<i>R. J. ...</i>	24 Feb 89			
Joint Operator Approval					
Firm	By	Title	Date		

Tangible Well Cost (continued)				
Code	Description	Drilling	Completion	Total
5108	Flow Lines		3,000	3,000
5109	Valves & Fittings		6,000	6,000
5110	Rods			
5111	Pumping Equipment - Surface			
5112	Production Equipment - Subsurface		12,500	12,500
5113	Engines & Motors			
5114	Heater-Treater & Separators		12,500	12,500
5115	Other Equipment			
5116	Buildings			
5117	Metering Equipment		1,000	1,000
5118	Non-Controllable Equipment		1,500	1,500
5119	Liner Equipment		12,500	12,500
5120	Mudline Suspension Equipment			
5121	Construction Cost		15,000	15,000
5123	Drive Pipe			
	Contingencies	25,190	16,100	41,290
	Total Tangibles	277,090	177,100	454,190
	Total Well Cost	750,090	242,440	992,530

Tangible Well Cost (continued)				
Code	Description	Drilling	Completion	Total
5108	Flow Lines		3,000	3,000
5109	Valves & Fittings		6,000	6,000
5110	Rods			
5111	Pumping Equipment - Surface			
5112	Production Equipment - Subsurface		12,500	12,500
5113	Engines & Motors			
5114	Heater-Treater & Separators		12,500	12,500
5115	Other Equipment			
5116	Buildings			
5117	Metering Equipment		1,000	1,000
5118	Non-Controllable Equipment		1,500	1,500
5119	Liner Equipment		12,500	12,500
5120	Mudline Suspension Equipment			
5121	Construction Cost		15,000	15,000
5123	Drive Pipe			
	Contingencies	25,190	16,100	41,290
	Total Tangibles	277,090	177,100	454,190
	Total Well Cost	750,090	242,440	992,530