

March 20, 1997

VIA FAX TRANSMITTAL
915-687-8883

Marathon Oil Company
P. O. Box 552
Midland, TX 79702

Attention: Joe Rusnak

Re: Verlon Hilburn Interest
T-16-S, R-35-E, NMPM
Section 11: NW/4NW/4
Lea County, New Mexico
Net acres: 4

Dear Joe:

Pursuant to my recent conversations with Mr. Clay Johnson and you, I am writing pertaining to the referenced interest.

As was discussed, Mr. Johnson advised me several days ago that he acquired the Hilburn interest on behalf of Marathon Oil Company. You are aware that we have proposed the drilling of a Morrow test well and had a hearing before the New Mexico Oil Conservation Division (NMOCD) in Santa Fe on March 6, 1997. The hearing was to ask for a possible unorthodox location and to force pool several small interests, including your leasehold ownership of the referenced mineral interest.

Pursuant to our conversation, enclosed is an AFE for the drilling of our proposed Shell Lusk ANB #1. Although we were only made aware on March 18, 1997 that Marathon owned the interest, we would like to advise NMOCD as soon as possible of the decision Marathon wishes to make pertaining to its interest.

Therefore, would you please indicate below your election and return one copy of this letter at your earliest convenience.

RECEIVED

MAR 24 1997

MARATHON OIL COMPANY
MCR LAND DEPARTMENT

DAVID PETROLEUM CORP.
EDWARD N. DAVID, VICE PRESIDENT
Professional Landman
Off. 505/622-8850
Fax: 505/623-1801
Res. 505/624-0558
116 West First
Roswell, New Mexico 88201

MR. MICHAEL STOGNER

RE: CASE #11738

AS YOU CAN SEE ~~THIS~~ IS
THE INTEREST FORMERLY
OWNED BY CLAY JOHNSON
THAT WAS LISTED TO BE
FORCE POOLED.

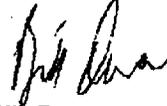
PLEASE CALL IF YOU HAVE
ANY QUESTIONS.

BILL OWEN
622-8850

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Please feel free to call me if you have any questions or wish to discuss this matter further.

Very truly yours,


Bill Owen
Land Manager

X

We hereby elect to participate in the drilling of the Shell Lusk ANB #1 well. Our interest in the well will be 1.25%.

We hereby elect to sell our leasehold interest.

We hereby elect to allow our leasehold interest to be force pooled.

MARATHON OIL COMPANY

BY Joseph J Madron

DATE: March 26, 1997

cc: Michael Stogner
Bill Carr