

TELEPHONE CONVERSATIONS AND CORRESPONDENCE WITH  
JAMES A. DAVIDSON FROM JUNE 8, 1984 to JULY 23, 1986.

June 8, 1984 - Marathon was attempting to renew our lease NM-3867-H which we acquired from Clements Energy Leasing, Inc. by assignment dated June 12, 1984. The Frank Dub Hardin and Jane Andrus lease covered 152.50 acres in the S $\frac{1}{2}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 14, T-16-S, R-38-E, provided for a 3 year term and a 3/16 royalty, and was due to expire June 15, 1984. Upon a check of the county records, it was found that James A. Davidson had top-leased this interest by an oil and gas lease dated May 10, 1984 with Jane Andrus and a May 21, 1984 lease with Perry Glynn Gregory. Terms were for a 5 years, 1/8 royalty, and an alledged \$50.00 per acre bonus.

August 7, 1984 - Original offer letter from Marathon to James A. Davidson. Marathon offered \$75.00 per acre to be assigned an 81.25% NRI lease in the S $\frac{1}{2}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 14, T-16-S, R-38-E, N.M.P.M., Lea County, New Mexico.

August 10, 1984 - Turn down letter from James A. Davidson on our August 7, 1984 offer.

September 5, 1984 - Telephone conversation from Wayne Ransbottom of Marathon to James A. Davidson. Ransbottom called to discuss making another offer - has no business interest other than selling leases. Davidson feels our offer letter of \$75.00 per acre is way too low. Didn't counter offer.

November 7, 1984 - Marathon, by letter dated November 7, 1984, increased our offer to \$100 per acre for an assignment of an 81.25% NRI lease.

December 7, 1984 - Davidson called and would like to talk to Wayne concerning Marathon acquiring his interest in the S $\frac{1}{2}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 14, T-16-S, R-38-E. He would like \$250.00 per acre with a 1/4 royalty. Steve Daniels told him that Wayne would call him back on Monday, December 10, 1984.

December 19, 1984 - Davidson called back and Steve Daniels advised him that MOC's best offer is \$100.00 per acre bonus, 3/16 royalty. No counter offer was made.

January 2, 1985 - Marathon, by letter dated January 9, 1985, offered to pay Davidson \$100.00 per net mineral acre for an assignment of an 81.25% NRI lease.

March 13, 1985 - Steve Daniels called Davidson and advised him that Marathon would pay Davidson \$175.00 per acre bonus and for Davidson to deliver a 3/16 lease in the 152.50 acres located in S $\frac{1}{2}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 14, T-16-S, R-38-E. Davidson advised that he would get in touch with me at a later date. Also backed-up this telephone conversation with an offer letter dated March 13, 1985.

March 25, 1985 - James A. Davidson, by letter dated March 25, 1985, turned down Marathon's March 13, 1985 lease offer letter.

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
Case No. 8960 Exhibit No. 2  
Submitted by MARATHON  
Hearing Date 10/23/86

May 1, 1985 - James A. Davidson, by letter dated May 1, 1985, requests a farmout of Marathon's acreage in E $\frac{1}{2}$ NW $\frac{1}{4}$ , NW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 16, T-22-S, R-36-E, Lea County, New Mexico.

May 13, 1985 - James A. Davidson called and advised that upon Marathon granting him the two (2) farmouts which he is requesting, he would deliver the oil and gas lease for \$200.00 per acre bonus and a 3/16 royalty.

June 25, 1985 - James A. Davidson, by letter dated June 25, 1985, is asking if Marathon needs anything further from him in order to process his farmout requests.

May 23, 1986 - Marathon requested James A. Davidson to either participate in the drilling of our proposed Benson #1 well or farmout his 152.5 net acre leasehold in the S $\frac{1}{2}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 14, delivering a 75% NRI lease before payout with the option to convert a 1/16 of 8/8 ORRI into a proportionate 25% W.I. at payout.

June 4, 1986 - James A. Davidson, by letter dated June 4, 1986, stated that he had received our letter dated May 23, 1986 and advised that he would be out of the office for about 10 days and when he returned, he would call Steve Daniels back to discuss this matter in detail.

June 12, 1986 - Steve Daniels called Davidson and advised him that Marathon was sending him a revised AFE for the proposed Benson #1. He stated that he has not made up his mind as to participating or farming out his interest but would call me back later this week to discuss this matter in detail.

June 30, 1986 - Davidson, by letter dated June 30, 1986, responded to our May 23, 1986, letter advising that he would be acceptable to any one of the following alternatives regarding his leasehold interest in the S/400 acres of Section 14:

1. Marathon pay Davidson \$1,000.00 per acre to be assigned a 75% NRI lease. Davidson's lease provides for a 1/8 RI, therefore, he would retain a 12.5% ORRI.

2. Marathon pay Davidson \$500.00 per acre to be assigned a 75% NRI lease, Davidson would have the option at payout to convert a net 1/16 CRRRI (being 1/2 of Davidson's 1/8 ORRI) to a 50% W.I. in each well.

3. Davidson would assign MOC all of his interest in the above noted leases retaining a 1/8 ORRI in exchange for Marathon's leasehold interest (MOC reserves a 1/8 ORRI and assigns a 75% NRI leasehold) in the NW $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ NW $\frac{1}{4}$ , N $\frac{1}{2}$ SW $\frac{1}{4}$ , and SW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 16, T-22-S, R-36-E, from the surface to the base of the Eunice South interval and NE $\frac{1}{4}$ NE $\frac{1}{4}$  and W $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 16, T-20-S, R-37-E, from the surface to the base of the Eumont Gas Pool interval.

July 3, 1986 - Marathon, by letter dated July 3, 1986, advised Davidson that the three (3) options contained in his letter dated June 30, 1986, are unacceptable to Marathon and requested that he either participate in the drilling of the Benson #1 well or farmout his interest in the S $\frac{1}{2}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 14, under the terms of our original offer letter dated May 23,

1986. If Marathon had not received a reply from Davidson on or before July 11, 1986, at 4:00 p.m., Marathon would take appropriate action with the State of New Mexico Oil Conservation Division to pool the S $\frac{1}{2}$ SE $\frac{1}{4}$  of Section 14, T-16-S, R-38-E, Lea County, New Mexico.

July 7, 1986 - James A. Davidson, by letter dated July 7, 1986, advised that he would oppose Marathon as to any pooling action on the subject lands

July 23, 1986 - James A. Davidson, by letter dated July 23, 1986, advises at length of his efforts to reach an equitable trade.

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Case No. <u>8960</u>	Exhibit No. <u>2</u>
Submitted by <u>Marathon</u>	
Hearing Date <u>10-23-86</u>	