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April 4, 1985

Marathon Oil Company
Post Office Box 552
Midland, Texas 79702

Attention: Mr. John P. Duddleston
District Landman

BEFORE THE	
OIL CONSERVATION COMMISSION	
Santa Fe, New Mexico	
Case No. <u>8960</u>	Exhibit No. <u>11</u>
Submitted by <u>Marathon</u>	
Hearing Date <u>10-23-82</u>	
Re: <u>Proposed Acreage Exchange</u> <u>Lea County, New Mexico</u>	

(File #250-Andrus-
Gregory Leases)

Gentlemen:

Please refer to our previous exchange of correspondence pertaining to my above captioned leases that cover a total of approximately 152.5 net acres in the following tract and that expire in May, 1989:

T-16-S, R-38-E, Lea County, New Mexico
Section 14: S/2 and S/2 NE/4 (400 acres)

I would like to propose to assign my leases to Marathon on the following basis:

1. Davidson to assign all depths without any development obligations on the part of Marathon and subject only to Marathon reassigning to me these leases six months before their expiration in 1989 unless the same are either held by production or a well is then drilling. The override reservation to be discussed under Paragraph (3).
2. In consideration of the above assignment, Marathon to make the following farmout to Davidson, who shall have 30 months in which to drill the following requested acreage:
 - A. NW/4 NE/4, E/2 NW/4 and NW/4 SW/4 Section 16, T-22-S, R-36-E (160 acres) Operator to develop the farmout acreage on 40-acre Eunice South spacing with each well to be drilled to a total depth of 4,000'.

The drilling of each proration unit to earn oil and gas rights from 100' above the top of the Queen formation to 100' below total depth drilled (Eunice South interval).

- B. NE/4 NE/4 and W/2 NE/4 Section 16, T-20-S, R-37-E (120 acres)
Operator to drill a new 3,750' infill Eumont well on the subject tract.

The drilling of this proration unit to earn gas rights from surface to either 100' below total depth drilled (or the base of the Eumont Gas Pool interval, if shallower).

3. Davidson to retain a 1/16 override under his present lease and Marathon to retain a 1/16 override as to the requested farmout acreage.

If Marathon prefers to retain a 1/8 override, then Davidson is to also retain a 1/8 override.

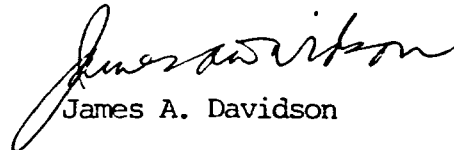
As you are aware, the Marathon McDonald State lease in T-22-S, R-36-E [(A) above] first underwent development as to the Eunice-South interval in 1935 and produced from the Eunice South (Seven Rivers-Queen) interval until the late 1950's when the economic limit for the Eunice South interval was reached because of extremely high watercuts.

As to your Hanson State lease located in the NE/4 Section 16, T-20-S, R-37-E [(B) above], your Hanson State No. 4 produced as a Eumont gas well from November, 1955 until December, 1977. In April, 1978, the well was converted to Eumont Oil. Since that time, the 120-acres consisting of the NE/4 NE/4 and W/2 NE/2 Section 20 has been non-dedicated and non-productive as to the Eumont (gas) pool.

In summary, I believe I am making every effort to work out an equitable exchange of acreage in order to allow Marathon to proceed with any plans it may have in this area. In consideration of such a trade, I am request a farmout on zones long since abandoned by Marathon.

Thank you for your consideration and please let me hear from you at your earliest convenience.

Very truly yours,



James A. Davidson

JAD/mh

