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October 29, 1987

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

Attention: Mr. Steve Daniels

Re: #250-Andrus & Gregory
Marathon #1 Jessie Benson
SE/4 SE/4 Section 14, T-16-S,
R-38-E, Lea County, N.M.

Gentlemen:

Reference is made to your letter of October 19, 1987, concerning the spacing unit for the above noted well. In an effort to mutually resolve this matter, I propose the following:

- (1) I will sell Marathon my 38.125% leasehold interest in SW/4 SE/4 Section 14, (15.25 net acres) for \$200.00 conveying a 75% net revenue interest. My leases provide for 1/8 royalty, so I would be retaining 1/8 override. The Assignment to also reserve to me all rights from surface to 6,000 feet below the surface.
- (2) The reserved 1/8 override to be proportionately reduced both to my 38.125% interest and be further reduced by the 80-acre spacing unit. This override to be effective as of first runs from the #1 Benson.
- (3) My leasehold interest in SE/4 SE/4 Section 14 would remain force pooled.

I think this is a very reasonable solution to our differences and would appreciate hearing from you as soon as possible.

Very truly yours,

James A. Davidson
JAMES A. DAVIDSON

JAD/lz

cc: Mr. Chad Dickerson

BEFORE EXAMINER CATANAC.I	
OIL CONSERVATION DIVISION	
<i>Marathon</i>	EXHIBIT NO: <u>7</u>
CASE NO:	<u>9146</u>