

**Nearburg Exploration Company, L.L.C.**

Exploration and Production  
3300 North "A" Street  
Building B, Suite 180  
Midland, Texas 79705  
915/686-8235  
Fax 915/686-7806

July 7, 1999

Mr. Barry Osborne  
Matador Petroleum Corporation  
Suite 138, Pecan Creek  
8340 Meadow Road  
Dallas, Texas 75231

Re: Sagebrush 24 Fed. Cons. No. 1  
T-19-S, R-33-E, Section 24: E/2  
660' FNL & 990' MEL  
Lea County, New Mexico

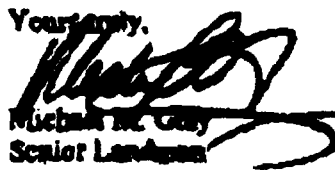
Dear Barry:

Pursuant to your letter of July 6, 1999, Matador agrees to waive objection to our proposed unorthodox location for the captioned well and in return Nearburg agrees as follows:

1. Nearburg will provide Matador with the well information set forth on the attached well requirements exhibit.
2. Nearburg agrees that it will waive objection to a mirror image location if proposed by Matador for a well in Section 18-19S-34E, Lea County, New Mexico.
3. Nearburg agrees that it will not locate a well to be drilled to a Wolfcamp or deeper gas horizon closer than 990' from the East line of Section 13-19S-33E, unless Oil Conservation Division rules allow a location nearer than 990' from the East line of the Section as a standard location.

If this agreement meets with your approval please execute and return one copy of this letter by mail and fax no later than 9:30 a. m. Wednesday, July 7, 1999.

Yours truly,

  
Michael H. Gray  
Senior Landman

Agreed this 7th day of July, 1999.

Matador Petroleum Corporation

BY:   
C. Wayne

NEW MEXICO  
OIL CONSERVATION DIVISION

EXHIBIT 7

CASE NO. \_\_\_\_\_