

MATADOR PETROLEUM CORPORATION

SUITE 158, PECAN CREEK
8340 MEADOW ROAD
DALLAS, TEXAS 75231-3751
(214) 987-3650
FAX: (214) 691-1415

Mark Virant
District Landman

Writer's Direct Line
(214) 987-7156

October 16, 2000

Mr. Mike Mullins
Texaco Exploration and Production Inc.
500 North Loraine
Midland, Texas 79701

Re: NM206889-State of New Mexico
Lease B-1167
SE/4 SE/4 of Section 12,
T-21-S, R-34-E
Lea County, New Mexico

Dear Mike:

Pursuant to your letter dated September 28, 2000 please find enclosed Matador check number 106026 in the amount of \$3,750.00 as consideration for a Term Assignment covering Texaco's 18.75% leasehold interest or 7.5 net acres in the captioned lands, limited to depths below 5,200'. Also enclosed is one copy of the Term Assignment, we will provide you with a recorded copy of said instrument at a later date.

If you have any questions or need additional information, please do not hesitate to contact the undersigned at (214) 987-7156.

Sincerely,



Mark A. Virant

MAV/ks
Enc.

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 12519 Exhibit No. 4
Submitted By:
Matador Petroleum Corp.
Hearing Date: October 19, 2000

MATADOR PETROLEUM CORPORATION

SUITE 158, PECAN CREEK
8340 MEADOW ROAD
DALLAS, TEXAS 75231-3751
(214) 987-3650
FAX: (214) 691-1415

C. Barry Osborne
General Counsel
Board Certified – Oil, Gas & Mineral Law
Texas Board of Legal Specialization

Writer's Direct Line
(214) 987-7117

October 4, 2000

Mr. Ken Gray
Devon Energy Production Company
10 N. Broadway, Suite 1500
Oklahoma City, OK 73102

Dear Ken:

I just wanted to follow up with you and thank you for your efforts on our behalf regarding the Mary State well. We have managed to reach an agreement with the other working interest parties and certainly hope that Devon will continue to consider our request to participate or otherwise work with us for the development of this well. I don't believe that Matador has ever force pooled anyone in the State of New Mexico, and Devon is just about the last company I would want to be as our first. We have enjoyed a wonderful relationship with you over the years and certainly hope that continues regardless of the outcome of this case.

We look forward to working with you in the Brantley Dam area, and I hope to partner up with you again in the future.

Hope you see you soon.

Sincerely,



C. Barry Osborne

CBO/ks

MATADOR PETROLEUM CORPORATION

SUITE 158, PECAN CREEK
8340 MEADOW ROAD
DALLAS, TEXAS 75231-3751
(214) 987-3650
FAX: (214) 691-1415

Mark Virant
District Landman

Writer's Direct Line
(214) 987-7156

September 28, 2000

Mr. Duke Roush
Nearburg Exploration Company
3300 North "A" Street, Suite 120
Building 2
Midland, Texas 79705

Re: Mary State Com "12" No. 1 Well
E/2 Section 12, T-21-S, R-34-E
Lea County, New Mexico

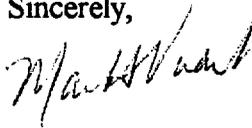
Dear Gentlemen:

I wanted to provide you with a status update regarding the above captioned well. Unfortunately, Matador was forced to release the rig scheduled to drill this well. Matador has applied for a compulsory pooling hearing for the above captioned well which is scheduled for October 19, 2000. I have enclosed a copy of our application for your files. Matador plans to spud prior to year-end. Additionally, we have received a Title Opinion covering the above captioned lands and the revised WI are as follows:

Devon Energy Production Company	14.25%
Nearburg Exploration Company	10.75%
EOG Resources, Inc.	31.25%
Parks & Luttrell Energy, Inc.	.9375%
AsherResources	1.40625%
Matador Petroleum Corporation	41.40625%
	<hr/>
	100%

I have received some requested changes to the JOA which I will be circulating shortly. If you have any questions or need additional information, please do not hesitate to call.

Sincerely,



Mark A. Virant

MAV/ks
Enc.

MATADOR PETROLEUM CORPORATION

SUITE 158, PECAN CREEK
8340 MEADOW ROAD
DALLAS, TEXAS 75231-3751
(214) 987-3650
FAX: (214) 691-1415

Mark Virant
District Landman

Writer's Direct Line
(214) 987-7156

September 28, 2000

Mr. Mark Seaman
AsherResources
20770 Hwy. 281 North, Suite 108-615
San Antonio, Texas 78258

Re: Mary State Com "12" No. 1 Well
E/2 Section 12, T-21-S, R-34-E
Lea County, New Mexico

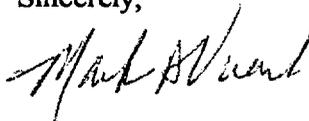
Dear Gentlemen:

I wanted to provide you with a status update regarding the above captioned well. Unfortunately, Matador was forced to release the rig scheduled to drill this well. Matador has applied for a compulsory pooling hearing for the above captioned well which is scheduled for October 19, 2000. I have enclosed a copy of our application for your files. Matador plans to spud prior to year-end. Additionally, we have received a Title Opinion covering the above captioned lands and the revised WI are as follows:

Devon Energy Production Company	14.25%
Nearburg Exploration Company	10.75%
EOG Resources, Inc.	31.25%
Parks & Luttrell Energy, Inc.	.9375%
AsherResources	1.40625%
Matador Petroleum Corporation	41.40625%
	<hr/>
	100%

I have received some requested changes to the JOA which I will be circulating shortly. If you have any questions or need additional information, please do not hesitate to call.

Sincerely,



Mark A. Virant

MAV/ks
Enc.

MATADOR PETROLEUM CORPORATION

SUITE 158, PECAN CREEK
8340 MEADOW ROAD
DALLAS, TEXAS 75231-3751
(214) 987-3650
FAX: (214) 691-1415

Mark Virant
District Landman

Writer's Direct Line
(214) 987-7156

September 28, 2000

Mr. Larry Cunningham
EOG Resources, Inc.
4000 N. Big Spring, Suite 500
Midland, Texas 79705

Re: Mary State Com "12" No. 1 Well
E/2 Section 12, T-21-S, R-34-E
Lea County, New Mexico

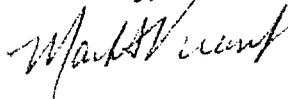
Dear Gentlemen:

I wanted to provide you with a status update regarding the above captioned well. Unfortunately, Matador was forced to release the rig scheduled to drill this well. Matador has applied for a compulsory pooling hearing for the above captioned well which is scheduled for October 19, 2000. I have enclosed a copy of our application for your files. Matador plans to spud prior to year-end. Additionally, we have received a Title Opinion covering the above captioned lands and the revised WI are as follows:

Devon Energy Production Company	14.25%
Nearburg Exploration Company	10.75%
EOG Resources, Inc.	31.25%
Parks & Luttrell Energy, Inc.	.9375%
AsherResources	1.40625%
Matador Petroleum Corporation	41.40625%
	<hr/>
	100%

I have received some requested changes to the JOA which I will be circulating shortly. If you have any questions or need additional information, please do not hesitate to call.

Sincerely,



Mark A. Virant

MAV/ks
Enc.

MATADOR PETROLEUM CORPORATION

SUITE 158, PECAN CREEK
8340 MEADOW ROAD
DALLAS, TEXAS 75231-3751
(214) 987-3650
FAX: (214) 691-1415

Mark Virant
District Landman

Writer's Direct Line
(214) 987-7156

September 28, 2000

Mr. Pete Preston
Parks & Luttrell Energy, Inc.
1221 Lamar, Suite 1328
Houston, Texas 77010

Re: Mary State Com "12" No. 1 Well
E/2 Section 12, T-21-S, R-34-E
Lea County, New Mexico

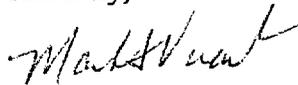
Dear Gentlemen:

I wanted to provide you with a status update regarding the above captioned well. Unfortunately, Matador was forced to release the rig scheduled to drill this well. Matador has applied for a compulsory pooling hearing for the above captioned well which is scheduled for October 19, 2000. I have enclosed a copy of our application for your files. Matador plans to spud prior to year-end. Additionally, we have received a Title Opinion covering the above captioned lands and the revised WI are as follows:

Devon Energy Production Company	14.25%
Nearburg Exploration Company	10.75%
EOG Resources, Inc.	31.25%
Parks & Luttrell Energy, Inc.	.9375%
AsherResources	1.40625%
Matador Petroleum Corporation	41.40625%
	<hr/>
	100%

I have received some requested changes to the JOA which I will be circulating shortly. If you have any questions or need additional information, please do not hesitate to call.

Sincerely,



Mark A. Virant

MAV/ks
Enc.

MATADOR PETROLEUM CORPORATION

SUITE 158, PECAN CREEK
8340 MEADOW ROAD
DALLAS, TEXAS 75231-3751
(214) 987-3650
FAX: (214) 691-1415

Mark Virant
District Landman

Writer's Direct Line
(214) 987-7156

September 28, 2000

Mr. Ken Gray
Devon Energy Production Company
10 N. Broadway, Suite 1500
Oklahoma City, OK 73102

Re: Mary State Com "12" No. 1 Well
E/2 Section 12, T-21-S, R-34-E
Lea County, New Mexico

Dear Gentlemen:

I wanted to provide you with a status update regarding the above captioned well. Unfortunately, Matador was forced to release the rig scheduled to drill this well. Matador has applied for a compulsory pooling hearing for the above captioned well which is scheduled for October 19, 2000. I have enclosed a copy of our application for your files. Matador plans to spud prior to year-end. Additionally, we have received a Title Opinion covering the above captioned lands and the revised WI are as follows:

Devon Energy Production Company	14.25%
Nearburg Exploration Company	10.75%
EOG Resources, Inc.	31.25%
Parks & Luttrell Energy, Inc.	.9375%
AsherResources	1.40625%
Matador Petroleum Corporation	41.40625%
	<hr/>
	100%

I have received some requested changes to the JOA which I will be circulating shortly. If you have any questions or need additional information, please do not hesitate to call.

Sincerely,



Mark A. Virant

MAV/ks
Enc.

MATADOR PETROLEUM CORPORATION

SUITE 158, PECAN CREEK
8340 MEADOW ROAD
DALLAS, TX 75231-3751
Fax (214) 691-1415

Mark A. Virant
District Landman

Writer's Direct Line
(214) 987-7156

September 25, 2000

VIA FACSIMILE 915-688-4831

Mr. Michael R. Mullins
Texaco Exploration & Production Inc.
P.O. Box 3109
Midland, Texas 79702

Re: State of New Mexico Lease
B-1167-53
SE/4 SE/4 of Section 12
T-21-S, R-34-E
Lea County, New Mexico

Dear Mike:

Matador Petroleum Corporation ("Matador") hereby requests a term assignment of Texaco Exploration and Production Inc. ("Texaco") right, title and interest in the above referenced lands. Subject to final management approval, we request your consideration of the following general terms:

1. The assignment will cover SE/4SE/4 Section 12, T-21-S, R-34-E, Lea County, New Mexico, limited to cover all rights only as to depths below 5,200 feet below the surface.
2. The assignment will be for a primary term of two years from the date of execution.
3. Texaco agrees to deliver a 77% net revenue interest to Matador.
4. Matador will agree to pay you total consideration of Three Thousand Seven Hundred Fifty Dollars and No/100 (\$3,750.00) representing consideration of Five Hundred Dollars per net acre (\$500/acre) for your 40 gross and 7.5 net acres, in the assigned premises.
5. Matador will agree to provide you with well data for any well drilled on the assigned premises.

Mr. Michael R. Mullins
September 25, 2000
Page Two

If this proposal is acceptable, please indicate your acceptance in the space provided below and return one original to the undersigned.

Sincerely,



Mark A. Virant

ACCEPTED AND AGREED THIS _____ DAY OF _____, 2000.

TEXACO EXPLORATION & PRODUCTION INC.

By: _____

MATADOR PETROLEUM CORPORATION

SUITE 158, PECAN CREEK

8340 MEADOW ROAD

DALLAS, TX 75231-3751

Fax (214) 691-1415

Mark A. Virant
District Landman

Writer's Direct Line
(214) 987-7156

September 25, 2000

VIA FACSIMILE 713-658-1950

Mr. Pete Preston
Parks & Luttrell Energy, Inc.
1221 Lamar, Suite 1328
Houston, Texas 77010

Re: State of New Mexico Lease
B-1167-53
SE/4 SE/4 of Section 12
T-21-S, R-34-E
Lea County, New Mexico

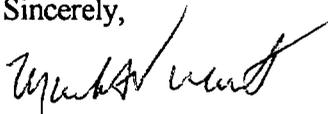
Dear Pete:

Matador Petroleum Corporation ("Matador") hereby requests an assignment of Parks & Luttrell Energy, Inc. ("Parks") right, title and interest in the above referenced lands. Subject to final management approval, we request your consideration of the following general terms:

1. The assignment will cover SE/4SE/4 Section 12, T-21-S, R-34-E, Lea County, New Mexico, limited to cover all rights only as to depths below 5,200 feet below the surface.
2. You agree to deliver a 77% net revenue interest to Matador.
3. Matador will agree to pay you total consideration of One Thousand Five Hundred Dollars and No/100 (\$1,500.00) representing consideration of Five Hundred Dollars per net acre (\$500/acre) for your 40 gross and 3 net acres, in the assigned premises.

If this proposal is acceptable, please indicate your acceptance in the space provided below and return one original to the undersigned.

Sincerely,



Mark A. Virant

Mr. Pete Preston
September 25, 2000
Page Two

ACCEPTED AND AGREED THIS _____ DAY OF _____, 2000.

PARKS & LUTTRELL ENERGY, INC.

By:

MATADOR PETROLEUM CORPORATION

SUITE 158, PECAN CREEK
8340 MEADOW ROAD
DALLAS, TX 75231-3751
Fax (214) 691-1415

Mark A. Virant
District Landman

Writer's Direct Line
(214) 987-7156

September 22, 2000

VIA FEDERAL EXPRESS

Mr. Pete Preston
Parks & Luttrell Energy, Inc.
1221 Lamar, Suite 1328
Houston, Texas 77010

Mary St. No. 1 Well
E/2 Section 12, T-21-S, R-34-E
Lea County, New Mexico

Dear Mr. Preston:

Matador E & P Company ("Matador") hereby proposes the drilling of the Mary St. No. 1 well to be located 660' FSL & 1,980' FEL of Section 12, T-21-S, R-34-E, Lea County, New Mexico. The East Half (E/2) of Section 12 will be dedicated as the proration unit for the well.

The well will be drilled to a depth sufficient to adequately test the Morrow formation, or 12,900', whichever is the lesser depth. Enclosed are the following items for your review and execution should you desire to participate in the drilling of the proposed well:

1. A draft of the proposed form of 1982 AAPL Form 610 Model Form Operating Agreement ("JOA"). If the JOA meets with your approval, I will have the Agreement executed on behalf of Matador.
2. Two (2) original AFE which outline the estimated cost of the operation for the drilling of the subject well. Should you desire to participate in the drilling of the proposed well, please return one (1) executed copy of the AFE to my attention.

As we are concerned with drainage from an offset well in the Section, we would appreciate your earliest attention to this matter. While we respectfully request your participation in the drilling of the Mary St No. 1 well, we would appreciate you granting Matador a farmout of your interest in the event you do not desire to participate in the well. I have been authorized to accept a farmout of your interest with you retaining an overriding royalty interest equal to the difference between existing lease burdens and 25%. You would also have the right to convert your retained override to a 25% working interest after payout, subject to proportionate reduction.

Thank you for your attention to this matter. If you have any questions, or need any additional information, please feel free to call. Either myself, or another representative of Matador, would be happy to come by and meet with you to further discuss our drilling plans for the E/2 Section 12.

Sincerely,



Mark A. Virant

MATADOR PETROLEUM CORPORATION

SUITE 158, PECAN CREEK
8340 MEADOW ROAD
DALLAS, TX 75231-3751
Fax (214) 691-1415

Mark A. Virant
District Landman

Writer's Direct Line
(214) 987-7156

September 22, 2000

VIA FEDERAL EXPRESS

Mr. Mark Seaman
Asher Fund 1990 Ltd.
A Texas Limited Partnership
20770 Highway 281 North, Suite 108
San Antonio, Texas 78258

Mary St. No. 1 Well
E/2 Section 12, T-21-S, R-34-E
Lea County, New Mexico

Dear Mr. Seaman:

Matador E & P Company ("Matador") hereby proposes the drilling of the Mary St. No. 1 well to be located 660' FSL & 1,980' FEL of Section 12, T-21-S, R-34-E, Lea County, New Mexico. The East Half (E/2) of Section 12 will be dedicated as the proration unit for the well.

The well will be drilled to a depth sufficient to adequately test the Morrow formation, or 12,900', whichever is the lesser depth. Enclosed are the following items for your review and execution should you desire to participate in the drilling of the proposed well:

1. A draft of the proposed form of 1982 AAPL Form 610 Model Form Operating Agreement ("JOA"). If the JOA meets with your approval, I will have the Agreement executed on behalf of Matador.
2. Two (2) original AFE which outline the estimated cost of the operation for the drilling of the subject well. Should you desire to participate in the drilling of the proposed well, please return one (1) executed copy of the AFE to my attention.

As we are concerned with drainage from an offset well in the Section, we would appreciate your earliest attention to this matter. While we respectfully request your participation in the drilling of the Mary St No. 1 well, we would appreciate you granting Matador a farmout of your interest in the event you do not desire to participate in the well. I have been authorized to accept a farmout of your interest with you retaining an overriding royalty interest equal to the difference between existing lease burdens and 25%. You would also have the right to convert your retained override to a 25% working interest after payout, subject to proportionate reduction.

Thank you for your attention to this matter. If you have any questions, or need any additional information, please feel free to call. Either myself, or another representative of Matador, would be happy to come by and meet with you to further discuss our drilling plans for the E/2 Section 12.

Sincerely,



Mark A. Virant

MATADOR PETROLEUM CORPORATION

SUITE 158, PECAN CREEK
8340 MEADOW ROAD
DALLAS, TX 75231-3751
Fax (214) 691-1415

Mona D. Ables
District Landman

Writer's Direct Line
(214) 987-7129

August 25, 2000

Mr. Randy Turner
Turner & Davis
400 West Illinois, Suite 1400
Midland, TX 79702-2796

Re: Request for Drilling Title Opinion
Mary State Com #1 well
E/2 Section 12, T-21-S, R-34-E
Lea County, New Mexico

Dear Randy:

We request your assistance in the preparation of a Drilling Title Opinion for the Mary State Com #1 well which will be located 660' FSL & 1980' FEL Section 12, T-21-S, R-34-E, Lea County, New Mexico:

Last Tuesday, at the NM State Lease Sale, Matador acquired the N/2SE and SWSE Section 12. The lease has not been processed yet, but I can forward you a copy when it is received in our office. I am also showing Matador with a 2.5 net acre interest in the SESE Section 12.

According to our takeoffs, the remainder of the SESE Section 12 is owned 43% by Nearburg and 57% by Santa Fe (which effective August 29, will become Devon). Nearburg and Santa Fe also share the State Lease in the E/2NE according to our information.

The W/2NE has been credited to EOG Resources, Inc. as a result of the well located in the SWNE which is operated by EOG. Larry Cunningham at EOG has indicated he was able to locate an old 1976 Title Opinion that he is happy to provide us a copy of to assist in your efforts.

We have already proposed this well to our partners and Joe is hoping we will be able to get elections back timely, so that at such time as we have a rig available, we can begin drilling. Please let me know if you think you will need longer than 30 days to complete the opinion. If you need any additional information, please feel free to call.

Sincerely,



Mona D. Ables

MATADOR PETROLEUM CORPORATION

SUITE 158, PECAN CREEK
8340 MEADOW ROAD
DALLAS, TX 75231-3751
Fax (214) 691-1415

Mona D. Ables
District Landman

Writer's Direct Line
(214) 987-7129

August 18, 2000

Mr. Curtis Smith
Santa Fe Snyder Corporation
550 W. Texas, Suite 1330
Midland, TX 79701

(now Devon)

VIA FEDERAL EXPRESS

Mary St. Com No. 1 Well
E/2 Section 12, T-21-S, R-34-E
Lea County, New Mexico

Dear Curtis:

Matador E & P Company ("Matador") hereby proposes the drilling of the Mary St. Com No. 1 well to be located 660' FSL & 1,980' FEL of Section 12, T-21-S, R-34-E, Lea County, New Mexico. The East Half (E/2) of Section 12 will be dedicated as the proration unit for the well.

The well will be drilled to a depth sufficient to adequately test the Morrow formation, or 12,900', whichever is the lesser depth. Enclosed are the following items for your review and execution should you desire to participate in the drilling of the proposed well:

1. A draft of the proposed form of 1982 AAPL Form 610 Model Form Operating Agreement ("JOA"). If the JOA meets with your approval, I will have the Agreement executed on behalf of Matador.
2. Two (2) original AFE which outline the estimated cost of the operation for the drilling of the subject well. Should you desire to participate in the drilling of the proposed well, please return one (1) executed copy of the AFE to my attention.

As we are concerned with drainage from an offset well in the Section, we would appreciate your earliest attention to this matter. While we respectfully request your participation in the drilling of the Mary St Com No. 1 well, we would appreciate you granting Matador a farmout of your interest in the event you do not desire to participate in the well. I have been authorized to accept a farmout of your interest with you retaining an overriding royalty interest equal to the difference between existing lease burdens and 25%. You would also have the right to convert your retained override to a 25% working interest after payout, subject to proportionate reduction.

Thank you for your attention to this matter. If you have any questions, or need any additional information, please feel free to call. Either myself, or another representative of Matador, would be happy to come by and meet with you to further discuss our drilling plans for the E/2 Section 12.

Sincerely,

Mona Ables

Mona D. Ables
(214) 987-7129

MATADOR PETROLEUM CORPORATION

SUITE 158, PECAN CREEK
8340 MEADOW ROAD
DALLAS, TX 75231-3751
Fax (214) 691-1415

Mona D. Ables
District Landman

Writer's Direct Line
(214) 987-7129

August 17, 2000

VIA FEDERAL EXPRESS

Mr. Duke Roush
Nearburg Exploration Company
3300 North "A" Street, Suite 120
Building 2
Midland, Texas 79705

915 686 8235

Mary St. No. 1 Well
E/2 Section 12, T-21-S, R-34-E
Lea County, New Mexico

Dear Duke:

Matador E & P Company ("Matador") hereby proposes the drilling of the Mary St. No. 1 well to be located 660' FSL & 1,980' FEL of Section 12, T-21-S, R-34-E, Lea County, New Mexico. The East Half (E/2) of Section 12 will be dedicated as the proration unit for the well.

The well will be drilled to a depth sufficient to adequately test the Morrow formation, or 12,900', whichever is the lesser depth. Enclosed are the following items for your review and execution should you desire to participate in the drilling of the proposed well:

1. A draft of the proposed form of 1982 AAPL Form 610 Model Form Operating Agreement ("JOA"). If the JOA meets with your approval, I will have the Agreement executed on behalf of Matador.
2. Two (2) original AFE which outline the estimated cost of the operation for the drilling of the subject well. Should you desire to participate in the drilling of the proposed well, please return one (1) executed copy of the AFE to my attention.

As we are concerned with drainage from an offset well in the Section, we would appreciate your earliest attention to this matter. While we respectfully request your participation in the drilling of the Mary St No. 1 well, we would appreciate you granting Matador a farmout of your interest in the event you do not desire to participate in the well. I have been authorized to accept a farmout of your interest with you retaining an overriding royalty interest equal to the difference between existing lease burdens and 25%. You would also have the right to convert your retained override to a 25% working interest after payout, subject to proportionate reduction.

Thank you for your attention to this matter. If you have any questions, or need any additional information, please feel free to call. Either myself, or another representative of Matador, would be happy to come by and meet with you to further discuss our drilling plans for the E/2 Section 12.

Sincerely,



Mona D. Ables

MATADOR PETROLEUM CORPORATION

SUITE 158, PECAN CREEK
8340 MEADOW ROAD
DALLAS, TX 75231-3751
Fax (214) 691-1415

Mona D. Ables
District Landman

Writer's Direct Line
(214) 987-7129

August 17, 2000

Ken Wilpitz
Ms. Carla Wood
Devon Energy Production Company, L.P.
20 N. Broadway, Suite 1500
Oklahoma City, OK 73102

405-228-4227

VIA FEDERAL EXPRESS

Mary St. No. 1 Well
E/2 Section 12, T-21-S, R-34-E
Lea County, New Mexico

Dear Carla:

Matador E & P Company ("Matador") hereby proposes the drilling of the Mary St. No. 1 well to be located 660' FSL & 1,980' FEL of Section 12, T-21-S, R-34-E, Lea County, New Mexico. The East Half (E/2) of Section 12 will be dedicated as the proration unit for the well.

The well will be drilled to a depth sufficient to adequately test the Morrow formation, or 12,900', whichever is the lesser depth. Enclosed are the following items for your review and execution should you desire to participate in the drilling of the proposed well:

1. A draft of the proposed form of 1982 AAPL Form 610 Model Form Operating Agreement ("JOA"). If the JOA meets with your approval, I will have the Agreement executed on behalf of Matador.
2. Two (2) original AFE which outline the estimated cost of the operation for the drilling of the subject well. Should you desire to participate in the drilling of the proposed well, please return one (1) executed copy of the AFE to my attention.

As we are concerned with drainage from an offset well in the Section, we would appreciate your earliest attention to this matter. While we respectfully request your participation in the drilling of the Mary St No. 1 well, we would appreciate you granting Matador a farmout of your interest in the event you do not desire to participate in the well. I have been authorized to accept a farmout of your interest with you retaining an overriding royalty interest equal to the difference between existing lease burdens and 25%. You would also have the right to convert your retained override to a 25% working interest after payout, subject to proportionate reduction.

Thank you for your attention to this matter. If you have any questions, or need any additional information, please feel free to call. Either myself, or another representative of Matador, would be happy to come by and meet with you to further discuss our drilling plans for the E/2 Section 12.

Sincerely,

Mona Ables

Mona D. Ables
(214) 987-7129

MATADOR PETROLEUM CORPORATION

SUITE 158, PECAN CREEK
8340 MEADOW ROAD
DALLAS, TX 75231-3751
Fax (214) 691-1415

Mona D. Ables
District Landman

Writer's Direct Line
(214) 987-7129

August 17, 2000

Mr. Larry Cunningham
EOG Resources, Inc.
4000 N. Big Spring, Suite 500
Midland, Texas 79705

915 686 3730

VIA FEDERAL EXPRESS

Mary St. No. 1 Well
E/2 Section 12, T-21-S, R-34-E
Lea County, New Mexico

Dear Larry:

Matador E & P Company ("Matador") hereby proposes the drilling of the Mary St. No. 1 well to be located 660' FSL & 1,980' FEL of Section 12, T-21-S, R-34-E, Lea County, New Mexico. The East Half (E/2) of Section 12 will be dedicated as the proration unit for the well.

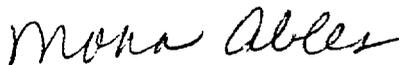
The well will be drilled to a depth sufficient to adequately test the Morrow formation, or 12,900', whichever is the lesser depth. Enclosed are the following items for your review and execution should you desire to participate in the drilling of the proposed well:

1. A draft of the proposed form of 1982 AAPL Form 610 Model Form Operating Agreement ("JOA"). If the JOA meets with your approval, I will have the Agreement executed on behalf of Matador.
2. Two (2) original AFE which outline the estimated cost of the operation for the drilling of the subject well. Should you desire to participate in the drilling of the proposed well, please return one (1) executed copy of the AFE to my attention.

As we are concerned with drainage from an offset well in the Section, we would appreciate your earliest attention to this matter. While we respectfully request your participation in the drilling of the Mary St No. 1 well, we would appreciate you granting Matador a farmout of your interest in the event you do not desire to participate in the well. I have been authorized to accept a farmout of your interest with you retaining an overriding royalty interest equal to the difference between existing lease burdens and 25%. You would also have the right to convert your retained override to a 25% working interest after payout, subject to proportionate reduction.

Thank you for your attention to this matter. If you have any questions, or need any additional information, please feel free to call. Either myself, or another representative of Matador, would be happy to come by and meet with you to further discuss our drilling plans for the E/2 Section 12.

Sincerely,



Mona D. Ables
(214) 987-7129