

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

October 20, 2000

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

Laura State "13" Com No. 2
E/2 Section 13, T-21-S, R-34-E
Lea County, New Mexico

Dear Duke:

Matador E & P Company ("Matador") hereby proposes the drilling of the Laura State "13" Com No. 2 well to be located 660' FNL & 1980' FEL of Section 13, T-21-S, R-34-E, Lea County, New Mexico. The East Half (E/2) of Section 13 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's 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.

While we respectfully request your participation in the drilling of the proposed well, we would appreciate you granting Matador a farmout of your interest under mutually acceptable terms in the event you do not desire to participate in the well.

Thank you for your attention to this matter. If you have any questions, or need any additional information, please feel free to call.

Sincerely,



Mark A. Virant

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October 20, 2000

Mr. Francis Wilson
Wilson Oil Corporation
3012 Huron St.
Denver, Colorado 80202

Laura State "13" Com No. 2
E/2 Section 13, T-21-S, R-34-E
Lea County, New Mexico

Dear Mr. Wilson:

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October 20, 2000

Lucille T. Ellis
500 N. Big Spring
Midland, Texas 79701

Laura State "13" Com No. 2
E/2 Section 13, T-21-S, R-34-E
Lea County, New Mexico

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Mark A. Virant
District Landman

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October 20, 2000

Glen J. Ellis, Jr.
500 N. Big Spring
Midland, Texas 79701

Laura State "13" Com No. 2
E/2 Section 13, T-21-S, R-34-E
Lea County, New Mexico

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October 20, 2000

Ellis Petroleum Corporation
500 N. Big Spring
Midland, Texas 79701

Laura State "13" Com No. 2
E/2 Section 13, T-21-S, R-34-E
Lea County, New Mexico

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Mark A. Virant
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October 20, 2000

RJR Resources
550 W. Texas
Midland, Texas 79701

Laura State "13" Com No. 2
E/2 Section 13, T-21-S, R-34-E
Lea County, New Mexico

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District Landman

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October 20, 2000

Arcadia Exploration & Production
8117 Preston Road, Suite 205
Dallas, Texas 75219

Laura State "13" Com No. 2
E/2 Section 13, T-21-S, R-34-E
Lea County, New Mexico

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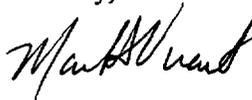
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District Landman

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October 20, 2000

Mr. Mike Mullins
Texaco, Inc.
500 N. Loraine
Midland, Texas 79701

Laura State "13" Com No. 2
E/2 Section 13, T-21-S, R-34-E
Lea County, New Mexico

Dear Mr. Mullins:

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