

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

December 1, 1998

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 12034 Exhibit No. 6
Submitted By:
Matador Petroleum Corp.
Hearing Date: December 3, 1998

Mr. Michael F. Shepard
Mewbourne Oil Company
P. O. Box 7698
Tyler, TX 75711-7698

Re: South 600.01 Acres of
Section 1, T-21-S, R-25-E
Eddy County, New Mexico

Dear Mike:

By execution hereof, Matador Petroleum Corporation ("Matador"), Devon Energy Corporation ("Devon"), Fasken Oil and Ranch, Ltd. ("Fasken") and Mewbourne Oil Company ("Mewbourne") have agreed to the following terms and conditions regarding the development of the referenced section:

- (1) Subject to approval by the NMOCD, the parties agree to establish a 600.01 acre gas spacing and proration unit consisting of Lots 11 thru 14 and 25 thru 32 and the SW/4 of Irregular Section 1, T-21-S, R-25-E, NMPM ("Unit"), and the drilling of a well to be located 750' FWL and 2,080' FSL to a depth sufficient to test the Morrow formation (the "Well").
- (2) All operations in the Unit shall be conducted pursuant to the Operating Agreement dated April 1, 1970, between Monsanto Company, as Operator and David Fasken, et al, as Non-Operators, as modified by the Settlement Agreement dated July 20, 1998, in Cause No. 41,601 in the District Court of Midland County, Texas, 142nd Judicial District, styled, Mewbourne Oil Company vs. Fasken Land and Minerals, Ltd. and Fasken Oil and Ranch, Ltd. ("Operating Agreement"). The parties previously have stipulated that the Operating Agreement currently covers only the 297.88 acre unit for the Catclaw Draw No. 1 well, but hereby amend the Operating Agreement to include the entire 600.01 acre unit for the well.
- (3) Mewbourne Oil Company ("Mewbourne") shall have the option at casingpoint of the Well, to participate for a 21.585% working interest. If, and only if, Mewbourne elects to participate in the Well, Mewbourne shall tender to the operator a sum equal to 21.585% of the costs of drilling and completing the Well along with 21.585% of the acreage cost associated with the acquisition of the leasehold covering the 302.13 acres, more or less, of the middle third of the referenced section, being Lots 11, 12, 13, 14, 25, 26, 27 and 28

out of the captioned land (the "Middle 302.13 Acres"). Matador, Devon and Fasken would then assign to Mewbourne 21.585% of the oil and gas leasehold estate in said Middle 302.13 Acres. All attorneys fees and costs of whatsoever kind incurred by Matador, Devon and Fasken in connection with the establishment of the 600.01 acre gas spacing and proration unit shall be for their respective accounts only and shall be excluded from the drilling costs chargeable to Mewbourne's optional participation. Should Mewbourne elect not to participate in the Well, Mewbourne shall have no further interest in the Well, or ownership rights in the Middle 302.13 Acres. In such event, except as specifically provided herein, the rights of Mewbourne under the Operating Agreement shall remain unaffected as to the 297.88 acre unit for the Catclaw Draw No. 1 Well.

- (4) The establishment of the Unit shall not affect or alter the rights, liabilities and/or ownership interests of the parties in the Catclaw Draw No. 1 Well currently operated by Mewbourne, nor any rights, liabilities and/or ownership interests under the Operating Agreement as to the southern 297.88 acres, more or less, of the referenced section, being Lots 29, 30, 31, 32 and the SW/4, except as noted above as to the Well.
- (5) In the event the Well is dry and abandoned, then the Unit shall automatically lapse and terminate and be of no further force and effect and the contract area for the Operating Agreement shall contract to the 297.88 acre spacing unit for the Catclaw Draw No. 1 Well, and all subsequent operations on the southern 297.88 acres, more or less, of the referenced section shall be undertaken within and as part of the 297.88 acre proration unit created for the Catclaw Draw No. 1 well. In the event the Well is completed as commercial producer and either: a) later a replacement well is drilled for the Well; or, b) more than one potentially productive zone is encountered in the drilling of the Well such that a subsequent well is proposed in order to attempt to exploit those reserves behind pipe in the Well, the parties shall have the option to participate in the drilling of such subsequent well with the same percentages in which they participated and paid costs in the Well. In the event any other well is drilled within the southern 297.88 acres, more or less, of the referenced section, than as stated in a) and b) above of this paragraph (5), then the parties' interests in such other well(s) shall be equal to their interests in the Catclaw Draw No. 1 well.
- (6) The parties agree to the attached modified Exhibit "A" to the Operating Agreement and to execute such other and further instruments as may be necessary to carry out the intent of this Letter Agreement.

Sincerely,



C. Barry Osborne

Mewbourne Oil Company
December 1, 1998
Page 3.

Agreed to and accepted this 1st day of December, 1998.

MEWBOURNE OIL COMPANY

DEVON ENERGY CORPORATION

By: *Kenneth L. Hunter*
VICE PRESIDENT

By: _____

FASKEN OIL AND RANCH, LTD.

MATADOR PETROLEUM CORPORATION

By: _____

By: *C. Barry Osborne*
C. Barry Osborne
Secretary and General Counsel

Mewbourne Oil Company
December 1, 1998
Page 3.

Agreed to and accepted this _____ day of December, 1998.

MEWBOURNE OIL COMPANY

DEVON ENERGY CORPORATION

By: _____

By: _____

FASKEN OIL AND RANCH, LTD.

MATADOR PETROLEUM CORPORATION

By: *Natwet / Dickman CFH*

By: *CB*
C. Barry Osborne
Secretary and General Counsel

MODIFIED EXHIBIT "A"

Dated December 2, 1998

Attached to and made a part of the Operating Agreement ("Operating Agreement") dated April 1, 1970, between Monsanto Company, as Operator, and David Fasken, et al, as Non-operators, covering the following described lands. The Operating Agreement is only modified as to the changes contained herein, and the rest and remainder of the Operating Agreement remains unchanged.

LANDS SUBJECT TO THIS AGREEMENT:

Tract 1: The South 297.88 acres, being lots 29, 30, 31, 32 and the SW/4, of Section 1, T-21-S, R-25-E, Eddy County, New Mexico.

Tract 2: The middle 302.13 acres, being Lots 11, 12, 13, 14, 25, 26, 27 and 28, of Section 1, T-21-S, R-25-E, Eddy County New Mexico.

PERCENTAGE INTEREST OF PARTIES TO THIS AGREEMENT:

A. AS TO THE WELLBORE OF THE MEWBOURNE OIL COMPANY
CATCLAW DRAW "1" FEDERAL #1 WELL LOCATED 660' FSL AND
2310' FEL OF SAID SECTION 1:

BEFORE PAYOUT *

	<u>Working Interest</u>
Brooks Oil & Gas Interests, Ltd.	.00615902
Fasken Land and Minerals, Ltd.	.30179214
Devon Energy Corporation (Nev)	.07908566
Robert L. Haynie	Non-consent
Matador E&P Company	.18126044
Len Mayer	Non-consent
Mewbourne Oil Company	.43170274
Total	1.00000000

AFTER PAYOUT *

	<u>Working Interest</u>
ICA Energy	.07584069
Brooks Oil & Gas Interests, Ltd.	.00615902
Fasken Land and Minerals, Ltd.	.30179214
Devon Energy Corporation (Nev)	.07908566
Robert L. Haynie	Non-consent
Matador E&P Company	.18126044
Len Mayer	Non-consent
Mewbourne Oil Company	.35586205
Total	1.00000000

AFTER NON-CONSENT PAYOUT **

Working Interest

ICA Energy	.07584069
Brooks Oil & Gas Interests, Ltd.	.00606726
Fasken Land and Minerals, Ltd.	.29729549
Devon Energy Corporation (Nev)	.07790730
Robert L. Haynie	.00744990
Matador E&P Company	.17855970
Len Mayer	.00744990
Mewbourne Oil Company	.34942976
Total	1.00000000

* Payout as defined in the ICA Farmout Agreement to Mewbourne, and the After Payout * division of interest assumes that ICA Energy, Inc. elects to convert its reserved overriding royalty interests to a working interest.

** After the consenting parties have recouped their share of production from the Len Mayer and Robert L. Haynie non-consenting interest, as provided in the Operating Agreement.

B. AS TO THE FASKEN OIL AND RANCH, LTD. AVALON FEDERAL "1" COM. #2 WELL (THE #2 WELL) LOCATED IN TRACT 1 AS DESCRIBED ABOVE:

Working Interest

Brooks Oil & Gas Interests, Ltd.	.00305512
Fasken Land and Minerals, Ltd.	.25786407
Devon Energy Corporation (Nev)	.25786407
Robert L. Haynie	.00375133
Matador E&P Company	.25786407
Len Mayer	.00375133
Mewbourne Oil Company/ICA *	.21585000
Total	1.00000000

* This interest is subject to that Farmout Agreement dated October 22, 1996 by and between Mewbourne Oil Company and ICA Energy, Inc.

Pursuant to Provision (3) of that Letter Agreement dated _____, between Matador Petroleum Company, Devon Energy Corporation, Fasken Oil and Ranch, Ltd and Mewbourne Oil Company, Mewbourne Oil Company shall have the option, at casingpoint of the #2 well, to participate for its interest described immediately above. Should Mewbourne elect not to participate in the #2 well, Mewbourne shall be deemed to have had no interest in the #2 well from its commencement, and no interest in Tract 2, and the interests in the #2 well shall be deemed to have been at all times as follows:

Working Interest

Brooks Oil & Gas Interests, Ltd.	.00305512
Fasken Land and Minerals, Ltd.	.32981407
Devon Energy Corporation (Nev)	.32981407
Robert L. Haynie	.00375133
Matador E&P Company	.32981407
Len Mayer	.00375133
Total	1.00000000

In the event that the Fasken Catclaw Draw #2 well is dry and abandoned, then the Contract Area for this Operating Agreement will contract to Tract 1 as described above.

This Operating Agreement is subject to the terms and conditions contained in the following:

1. Settlement Agreement dated July 20, 1998 in Cause No. 41,601 in the District Court of Midland County, Texas Judicial District, styled Mewbourne Oil Company vs. Fasken Land and Minerals, Ltd. and Fasken Oil and Ranch, Ltd.
2. Letter Agreement dated October 23, 1998 between Fasken Oil and Ranch, Ltd., Devon Energy Corporation, and Matador Petroleum Corporation.
3. Letter Agreement dated _____ between Matador Petroleum Company, Devon Energy Corporation, Fasken Oil and Ranch, Ltd., and Mewbourne Oil Company.

Mewbourne Oil Company
December 1, 1998
Page 3.

Agreed to and accepted this 2nd day of December, 1998.

MEWBOURNE OIL COMPANY

By: _____

FASKEN OIL AND RANCH, LTD.

By: _____

DEVON ENERGY CORPORATION (NEVADA)

By: 

STEVE CROMWELL
Land Manager

MATADOR PETROLEUM CORPORATION

By: 

C. Barry Osborne
Secretary and General Counsel