

MATADOR PETROLEUM CORPORATION

SUITE 158, PECAN CREEK
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Fax (214) 691-1415

Mark Virant
District Landman

Writer's Direct Line
(214) 987-7156

November 13, 2000

Mr. Ray Vaden
Chevron USA Inc.
15 Smith Road
Midland, Texas 79705

New Mexico "H" State NCT-4 #36 Re-Entry
S/2 Section 19, T-20-S, R-37-E
Lea County, New Mexico

Dear Ray:

Matador E & P Company ("Matador") hereby proposes to re-enter the P&A'd Texaco New Mexico "H" State NCT-4 #36 well which is located 2200' FSL & 1980' FWL of Section 19 T-20-S, R-37-E, Lea County, New Mexico. The South Half (S/2) of Section 19 will be dedicated as the proration unit for the well.

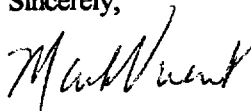
The wellbore will be deepened from 9,620' to 12,300' to test the McKee Formation. Enclosed are the following items for your review and execution should you desire to participate in the drilling of the proposed well:

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 above captioned well, we would be willing to purchase a term assignment with consideration of \$150 per acre and with Chevron delivering an 80% NRI 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 Virant