



## SOUTHWEST ROYALTIES

SOUTHWEST ROYALTIES, INC.  
Southwest Royalties Building  
407 N. Big Spring, Midland, TX. 79701-4326  
P.O. Box 11390, Midland, TX. 79702-8390  
(915) 686-9927, 1-800-433-7945

October 26, 2000

Mr. Mark A. Virant  
Matador Petroleum Corporation  
Suite 158, Pecan Creek  
8340 Meadow Road  
Dallas, Texas 75231-3751

Re: Southwest Royalties, Inc.  
Laura State "13" State Comm No. 2  
E/2 Section 13-21S-34E  
Lea County, New Mexico

Gentlemen:

Pursuant to our telephone conversation of October 24, 2000, we are in receipt of your letter, joint operating agreement and AFE proposing the drilling of the Laura State "13" State Comm No. 2 under the captioned lands. We are somewhat perplexed by the interest you are crediting us with on Exhibit "A" of the joint operating agreement. It appears that you are only crediting Southwest Royalties, Inc., ("Southwest") with forty (40) acres under the East Half (E/2) of said Section 13, when in fact, we own deep rights under the entirety of the Southeast Quarter (SE/4), save and except those rights under the NE/4 SE/4 under which we have issued a term assignment to a third party. It appears to us that you are crediting remaining 120 acres in the SE/4 to Delmar Holdings, L.P., the successor in title to Parks & Luttrell, Inc., ("P&L") to whom we sold our shallow rights under the SE/4.

As evidenced by the enclosed assignment from Southwest to P&L, we specifically excepted from our conveyance of State Lease B-8807 (which covers Section 13) "...formations covered by the Union Oil Company of California - Wilson Deep Unit No. 1 in the W/2 of said Section 13." The Wilson Deep Unit covers all producing formations below a depth of 5,200 and it is those rights we purposely excepted from our assignment to P&L. Please immediately advise us if you are not in agreement with our position once you have had a chance to review the enclosed assignment.

If there is anything further that you should require in regard to this matter, please do not hesitate to call upon us.

Thank you very much.

Yours very truly,

Jon P. Tate  
Vice President

JPT/tbm

CC: Delmar Resources, L. P.

BEFORE THE  
OIL CONSERVATION DIVISION  
Case No. 12573 Exhibit No. 8  
Submitted By:  
Matador Petroleum Corp.  
Hearing Date: January 11, 2001