

MATADOR PETROLEUM CORPORATION

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

Mark Virant
Division Landman

Writer's Direct Line
(214) 987-7156

January 5, 2001

DRAFT PROPOSAL

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

Re: Laura State "13" #2 Well
660' FNL and 1,980' FEL
E/2 of Section 13, T-21-S, R-34-E
Lea County, New Mexico
Outland Prospect

Dear Ken:

Pursuant to our conversation, Matador is agreeable that Devon will not have to elect to participate in the captioned well, until such time as Matador has drilled to total depth the Mary State #1 well. Within fifteen (15) days of receipt of logs from the Mary State #1 well, Devon will provide an election as to participation in the captioned well or a farmout of Devon's leasehold interest.

If this does not correctly reflect our conversation, please advise.

Sincerely,

Mark A. Virant

MAV/ks
Enc.