



SOUTHWEST ROYALTIES

SOUTHWEST ROYALTIES, INC.
Southwest Royalties Building
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January 5, 2001

Oil Conservation Division
New Mexico Energy, Minerals and
Natural Resources Department
2040 South Pacheco Street
Santa Fe, NM 87505

Case 12572: Application of Matador Petroleum Corporation for Compulsory Pooling and
And Unorthodox Gas Well Location, Lea County, New Mexico.

Dear Mr. Examiner:

Southwest Royalties, Inc. and its co-interest owners are the owners of the working interest leasehold estate under that certain Oil and Gas Lease between the State of New Mexico, as Lessor, and Francis C. Wilson, as Lessee, dated December 10, 1936, bearing Lease No. B-6807 insofar as the same covers 120 acres in the SE/4 Sec. 13, T21S, R34E, N.M.P.M., Lea County, New Mexico, those 120 acres being described as the NW/4SE/4 and S2SE/4 of said Section 13, below the depth of 5200 ft. The leasehold rights above that depth of 5200 ft. in those 120 acres were previously owned by Southwest Royalties, but assigned to Parks & Luttrell, Inc., effective May 1, 1998. It is the writer's understanding that those rights so assigned by Southwest Royalties to Parks & Luttrell are now owned by DelMar Holdings, L.P., which may or may not assert some claim to Southwest Royalties deep rights.

The writer recognizes that the Division is not the proper forum to resolve a title problem, if any there be in this instance.

Please be advised that Southwest Royalties asserts no interest in the shallow rights above 5200 ft. in the described 120 acres, and that it is willing to join in Matador Petroleum's proposed well so long as there be some provisions in the Operating Agreement to divide the costs and expenses of drilling, testing and completing its Laura State "13" Com No. 2 Well, as well as insure that the production from the different depths is properly paid to the owner thereof.

A copy of this letter is faxed to your office today, that is January 5, 2001, and the original mailed to you this date. Copies of this letter are also mailed to Mr. Kellahin, as well as those working interest owners set forth in Mr. Kellahin's Notice of Hearing.

Respectfully,

Jon P. Tate
Vice President

cc: W. Thomas Kellahin
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P. O. Box 2265
Santa Fe, New Mexico 87504-2265