

# MATADOR PETROLEUM CORPORATION

SUITE 158, PECAN CREEK  
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DALLAS, TX 75231-3751  
Fax (214) 691-1415

Mark Virant  
District Landman

Writer's Direct Line  
(214) 987-7156

October 27, 2000

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

IB Federal Com #1  
E/2 Section 20, T-22-S, R-23-E  
Eddy County, New Mexico

Dear Ray:

Matador E & P Company ("Matador") hereby proposes the drilling of the IB Federal Com #1 well to be located 660' FNL & 660' FEL of Section 20 T-22-S, R-23-E, Eddy County, New Mexico. The East Half (E/2) of Section 20 will be dedicated as the proration unit for the well.

The well will be drilled to a depth sufficient to adequately test the Cisco formation, or 7700', whichever is the lesser depth. 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 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 IB Federal Com #1 well, we would be willing to pursue any of the options outlined in my correspondence to you dated October 12, 2000 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

BEFORE THE  
OIL CONSERVATION DIVISION  
Case No. 12594 Exhibit No. 5  
Submitted By:  
**Matador Petroleum Corp.**  
Hearing Date: February 22, 2001