

MATADOR PETROLEUM CORPORATION

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Mark Virant
Division Landman

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January 30, 2001

Mr. Ray Vaden
Chevron USA Inc.
15 Smith Road
Midland, Texas 79702


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

Dear Ray:

I appreciate you and Greg and the rest of the team taking time out of your schedule for our meeting on Friday. I thought the meeting was productive and we were able to address all the current outstanding issues between Matador and Chevron. As I mentioned at lunch on Friday, we are only moving the surface location of the captioned well due to surface restrictions. The bottom hole location will remain at 660' FNL and 660' FEL of Section 20, T-22-S, R-23-E, as was indicated on the AFE.

If you have any questions or need additional information, please do not hesitate to call me on my direct line at (214) 987-7156.

Sincerely,


Mark A. Virant K.S.

MAV/ks

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 12594 Exhibit No. — 7
Submitted By:
Matador Petroleum Corp.
Hearing Date: February 22, 2001