

MATADOR PETROLEUM CORPORATION

SUITE 150, PECAN CREEK
8340 MEADOW ROAD
DALLAS, TEXAS 75231-3751
(214) 987-3650
FAX: (214) 691-1415

Mark Virant
Permian Division Land Manager

Writer's Direct Line
(214) 987-7156

January 3, 2002

Mr. J. F. Rusnak
Marathon Oil Company
125 West Missouri
Midland, Texas 79702

Re: Mershon Gas Com #2
N/2, N/2N/2N/2 S/2
Section 21, T-22-S, R-23-E
Eddy County, New Mexico

Dear Joe:


Pursuant to that certain Term Assignment of Oil and Gas Lease dated August 15, 2001 by and between Marathon Oil Company ("Marathon") and Matador E & P Company ("Matador") (recorded via Memorandum in Book 433, Page 892 of the Oil and Gas Records, Eddy County, New Mexico) Marathon has assigned to Matador all of its right, title and interests in and to the lands described above limited in depth to the Upper Penn formation.

Accordingly, it is agreed and understood that the Mershon Gas Com #2 is a replacement well and as such the Mershon Gas Com #1 Well will not be produced within the Indian-Basin Upper Pennsylvanian Pool. Furthermore, Matador agrees to be bound by the terms of that certain Letter Agreement dated August 4, 2000 by and between Marathon and Kerr-McGee Oil and Gas Onshore, LLC.

If the foregoing is acceptable, please sign and date this letter in the space provided below and return to the undersigned via fax at (214) 987-7120.

Thank you for your assistance in this matter.

Sincerely,


Mark A. Virant

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 112786 Exhibit No. — 5
Submitted By:
Matador Operating Company
Hearing Date: January 10, 2002

RECEIVED TIME JAN. 4. 8:40AM

Mr. J. F. Rusnak
January 3, 2002
Page 2

Agreed and accepted this 3 day of January, 2002.

MARATHON OIL COMPANY

By: [Signature]

Title: Manager I&AT

D:\My Documents\Mark\Marathon gas Com #2 Agmt Marathon.doc

RECEIVED TIME JAN. 4. 8:40AM