

MRC Permian Company

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clayton.sporich@matadorresources.com

Clayton Sporich
Landman

June 25, 2014

VIA CERTIFIED RETURN RECEIPT MAIL

Texabec, LLC
P.O. Box 702008
Dallas, TX 75370-2008

Re: Matador Production Company – Tiger 14-24S-28E RB #224H
Participation Proposal
Section 14, Township 24-South, Range 28-East
Eddy County, New Mexico

Gentlemen and Ladies:

MRC Permian Company ("MRC") proposes the drilling of the Matador Production Company's Tiger 14-24S-28E RB #224H Well, located in Section 14, Township 24-South, Range 28-East, Eddy County, New Mexico, to the Wolfcamp formation.

MRC is requesting that you indicate below your election of whether to participate in the drilling and completion of this proposed well as set out herein. Please indicate your election in the space provided below, sign and return one (1) copy of this letter to the undersigned.

In connection with the above, please note the following:

1. The estimated cost of drilling, testing, completing, and equipping the subject well is \$9,767,742 as itemized on the enclosed Authority for Expenditure ("AFE") dated June 13, 2014.
2. The proposed surface location of the subject well is approximately 350' FSL and 250' FEL of Section 14, Township 24-South, Range 28-East, Eddy County, New Mexico. The proposed point of penetration of the subject well is approximately 350' FSL and 330' FEL. The proposed bottomhole location of the subject well is 350' FSL and 260' FWL; see the enclosed plat for more detail.
3. In this well, there is a targeted interval within the Wolfcamp formation. We will drill horizontally in the Wolfcamp Middle Base (Wolfcamp "D") (~10,300' TVD) to a Total

**BEFORE THE OIL CONVERSION
DIVISION**

Santa Fe, New Mexico

Exhibit No. 3

Submitted by: **MATADOR PRODUCTION CO**

Hearing Date: September 4, 2014

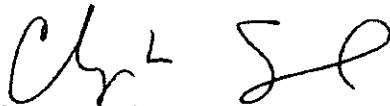
Measured Depth of approximately 15,100' resulting in a productive lateral of approximately 4,300' that will require 18 frac stages to be completed.

4. Texabec, LLC will own an approximate 0.78% working interest in the proposed well, subject to title verification.

If your election is to participate in the drilling and completion of the proposed well, please sign and return a copy of the enclosed AFE within 30 days of receipt of this notice. Please be aware that the enclosed AFE is only an estimate of costs to be incurred and in electing to participate in the proposed well, Texabec, LLC shall be responsible for 0.78% of all costs incurred.

Sincerely,

MRC PERMIAN COMPANY


Clayton Sporich

Enclosure(s)

Please elect one of the following and return to sender:

_____ Texabec, LLC hereby elects to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Matador Production Company Tiger 14-24S-28E RB #224H Well, located in Eddy County, New Mexico.

_____ Texabec, LLC elects not to participate for its proportionate share of the costs detailed in the enclosed AFE for the Matador Production Company Tiger 14-24S-28E RB #224H Well, located in Eddy County, New Mexico.

Texabec, LLC

By: _____

Title: _____

Date: _____

MATADOR PRODUCTION COMPANY

ONE LINCOLN CENTRE • 5400 LBJ FREEWAY • SUITE 1500 • DALLAS, TEXAS 75240

Phone (972) 371-5200 • Fax (972) 371-5201

ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE

DATE:	June 13, 2014	AFE NO.:	300014-008-01
WELL NAME:	Tiger 14-24S-28E RB #224H	FIELD:	Pierce Crossing
LOCATION:		MD/TVD:	15100'/10300'
COUNTY/STATE:	Eddy	LATERAL LENGTH:	4,400
MRC WI:	84.00%	DRILLING DAYS:	31
GEOLOGIC TARGET:	Wolfcamp B	COMPLETION DAYS:	14
REMARKS:	Drill a horizontal well and complete with 18 stages		

	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	TOTAL COSTS
INTANGIBLE COSTS				
01 Land / Legal / Regulatory	\$ 38,700			\$ 38,700
02 Location, Surveys & Damages	130,500	137,500	4,000	272,000
10 Drilling	991,500			991,500
16 Cementing & Float Equip	225,000			225,000
20 Logging / Formation Evaluation	-	6,500		6,500
21 Mud Logging	39,700			39,700
23 Mud Circulation System	102,865			102,865
24 Mud & Chemicals	214,100	38,000		250,100
25 Mud / Wastewater Disposal	120,000			120,000
26 Freight / Transportation	36,000	18,500		52,500
28 Rig Supervision / Engineering	126,000	69,500	18,000	213,500
31 Drill Bits	98,500			98,500
32 Fuel & Power	217,000			217,000
33 Water	28,000	292,825		318,825
34 Orig & Completion Overhead	17,500	18,000		35,500
36 Plugging & Abandonment	-			-
38 Directional Drilling, Surveys	265,000			265,000
40 Completion Unit, Swab, CTU	-	160,000	28,000	188,000
44 Perforating, Wireline, Slickline	-	145,500	20,000	165,500
45 High Pressure Pump Truck	-	45,000		45,000
46 Stimulation	-	2,790,000		2,790,000
47 Stimulation Flowback & Disp	-	45,500		45,500
48 Insurance	27,180			27,180
50 Labor	136,000	22,000	8,000	164,000
51 Rental - Surface Equipment	144,770	261,200	12,000	417,970
52 Rental - Downhole Equipment	40,000	55,000		95,000
53 Rental - Living Quarters	73,735	33,340	2,000	109,075
54 Contingency	308,805	413,417	9,000	729,222
TOTAL INTANGIBLES >	3,374,856	4,547,582	99,000	8,021,437

	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	TOTAL COSTS
TANGIBLE COSTS				
41 Surface Casing	\$ 37,375			\$ 37,375
42 Intermediate Casing	83,500			83,500
43 Drilling Liner	302,400			302,400
44 Production Casing	524,625			524,625
45 Production Liner	-			-
46 Tubing	-		52,500	52,500
47 Wellhead	100,000		40,000	140,000
48 Packers, Liner Hangers	-	69,700	20,000	89,700
49 Tanks	-			-
50 Production Vessels	-		74,000	74,000
51 Flow Lines	-			-
52 Rod string	-			-
53 Artificial Lift Equipment	-		20,000	20,000
54 Compressor	-			-
55 Installation Costs	-		82,000	82,000
56 Surface Pumps	-			-
58 Non-controllable Surface	-		66,000	66,000
59 Non-controllable Downhole	-		2,000	2,000
61 Downhole Pumps	-			-
63 Measurement & Meter Installation	-		12,500	12,500
64 Gas Conditioning / Dehydration	-			-
65 Interconnecting Facility Piping	-			-
66 Gathering / Bulk Lines	-			-
67 Valves, Dumps, Controllers	-			-
68 Tank / Facility Containment	-			-
69 Flare Stack	-			-
70 Electrical / Grounding	-			-
71 Communications / SCADA	-			-
72 Instrumentation / Safety	-			-
TOTAL TANGIBLES >	1,047,900	69,700	369,000	1,486,600
TOTAL COSTS >	4,422,755	4,617,282	468,000	9,508,037

PREPARED BY MATADOR PRODUCTION COMPANY:

Drilling Engineer:	Aaron Byrd	Team Lead - WTX/NM	
Completions Engineer:	Adam Lange		RCL
Production Engineer:	Casey McCain		

MATADOR RESOURCES COMPANY APPROVAL:

Executive VP, COO/CFO	DEL	VP - Res Engineering	SMR	VP - Drilling	EG
Executive VP, Legal	GA	Exec Dir - Exploration	DFN	VP - Production	WFM
President	MVH	VP & General Manager	RCL		

NON OPERATING PARTNER APPROVAL:

Company Name:		Working Interest (%):		Tax ID:	
Signed by:		Date:			
Title:		Approval:	Yes	No	(mark one)