

MRC Permian Company

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240

Voice 972.371.5430 • Fax 972.371.5201

ccarleton@matadorresources.com

Chris Carleton
Landman

October 21, 2014

VIA CERTIFIED RETURN RECEIPT MAIL

Amtex Energy, Inc.
P.O. Box 3418
Midland, TX 79702

Re: Matador Production Company, Cimarron State 16-19S-34E RN #134H
Participation Proposal;
Section 16, Township 19-South, Range 34-East
Lea County, New Mexico

Amtex Energy, Inc.

MRC Permian Company ("MRC") proposes the drilling of the Matador Production Company's Cimarron State 16-19S-34E RN #134H Well, located in Section 16, Township 19-South, Range 34-East, Lea County, New Mexico, to the Bone Spring 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 \$8,326,107 as itemized on the enclosed Authority for Expenditure ("AFE") dated October 21, 2014.
2. The proposed surface location of the subject well is approximately 330' FEL and 250' FNL of Section 16, Township 19-South, Range 34-East, Lea County, New Mexico. The proposed point of penetration of the subject well is approximately 380' FEL and 330' FNL. The proposed bottomhole location of the subject well is 380' FEL and 240' FSL; see the enclosed plat for more detail.
3. In this well, there is a targeted interval within the Bone Spring formation. We will drill horizontally in the Third Bone Spring (~10,700' TVD) to a Total Measured Depth of

Case 15243
Ex. 2

approximately 15,000' resulting in a productive lateral of approximately 4,300' that will require 20 frac stages to be completed.

4. Amtex Energy, Inc. will own an approximate 50% 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, Amtex Energy, Inc. shall be responsible for 50% of all costs incurred.

If you have any questions feel free to email or call me at the address above or email Van Singleton at vsingleton@matadorresources.com.

Sincerely,

MRC PERMIAN COMPANY



Chris Carleton

Enclosure(s)

Please elect one of the following and return to sender:

____ Amtex Energy, Inc. hereby elects to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Matador Production Company Cimarron State 16-19S-34E RN #134H Well, located in Lea County, New Mexico.

____ Amtex Energy, Inc. hereby elects not to participate for its proportionate share of the costs detailed in the enclosed AFE for the Matador Production Company Cimarron State 16-19S-34E RN #134H Well, located in Lea County, New Mexico.

Amtex Energy, Inc.

By: _____

Title: _____

Date: _____

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S St Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources
Department
OIL CONSERVATION DIVISION
• 1220 South St. Francis Dr.
Santa Fe, NM 87505

FORM C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

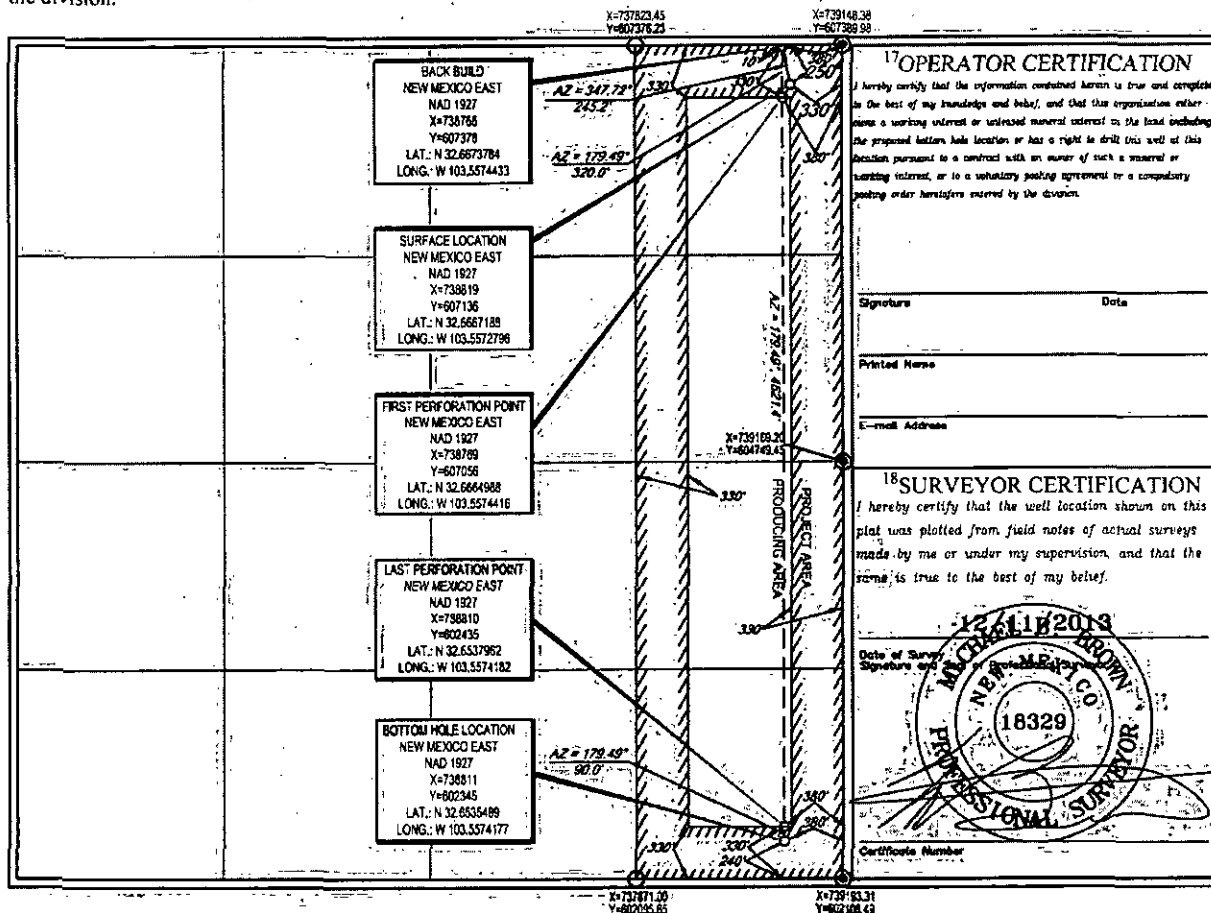
API Number		Pool Code		Pool Name	
Property Code		Property Name CIMARRON STATE 16-19S-34E RN			Well Number #134
OGRID No. 228937		Operator Name MATADOR PRODUCTION COMPANY			Elevation 3833'

10 Surface Location									
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	16	19-S	34-E	-	250'	NORTH	330'	EAST	LEA

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	16	19-S	34-E	-	240'	SOUTH	380'	EAST	LEA

Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.



MATADOR PRODUCTION COMPANY

ONE LINCOLN CENTRE • 6400 LBJ FREEWAY • SUITE 1600 • DALLAS, TEXAS 75240
Phone (972) 371-5200 • Fax (972) 371-5201

ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE

DATE:	October 21, 2014	AFE NO.:	300025-003-001
WELL NAME:	Cimarron State 18-19-34 RN #134H	FIELD:	Bone Spring
LOCATION:		MD/TVD:	15,000/10,700
COUNTY/STATE:	Lea	LATERAL LENGTH:	4,300
MRC Wt:	50.00%	DRILLING DAYS:	30
GEOLOGIC TARGET:	3rd BS	COMPLETION DAYS:	12
REMARKS:	Drill a horizontal well and complete with 17 stages, Gen 1 Bone Spring frac design.		

	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	TOTAL COSTS
INTANGIBLE COSTS				
01 Land / Legal / Regulatory	36,700			36,700
02 Location, Surveys & Damages	128,500	137,500	4,000	268,000
10 Drilling	1,025,000			1,025,000
18 Cementing & Float Equip	215,000			215,000
20 Logging / Formation Evaluation		6,500		6,500
21 Mud Logging	38,500			38,500
23 Mud Circulation System	93,950			93,950
24 Mud & Chemicals	165,000	38,000		203,000
25 Mud / Wastewater Disposal	95,000			95,000
26 Freight / Transportation	38,000	15,000		53,000
28 Rig Supervision / Engineering	126,000	61,250	18,000	205,250
31 Drill Bits	105,000			105,000
32 Fuel & Power	210,000			210,000
33 Water	12,500	171,000		183,500
34 Drig & Completion Overhead	17,500	17,000		34,500
36 Plugging & Abandonment				
38 Directional Drilling, Surveys	192,000			192,000
40 Completion Unit, Swab, CTU		180,000	28,000	208,000
44 Perforating, Wireline, Slickline		118,000	20,000	138,000
45 High Pressure Pump Truck		50,000		50,000
46 Stimulation		2,285,000		2,285,000
47 Stimulation Flowback & Disp		44,780		44,780
48 Insurance	26,100			26,100
50 Labor	193,500	28,250	6,000	225,750
51 Rental - Surface Equipment	120,500	248,425	12,000	378,925
52 Rental - Downhole Equipment	112,500	65,000		177,500
53 Rental - Living Quarters	71,750	31,210	2,000	104,960
54 Contingency	291,900	347,092	9,000	647,992
TOTAL INTANGIBLES >	3,210,900	3,818,007	99,000	7,127,907
TANGIBLE COSTS				
41 Surface Casing	74,150			74,150
42 Intermediate Casing	166,800			166,800
43 Drilling Liner				
44 Production Casing	417,150			417,150
45 Production Liner				
46 Tubing			55,000	55,000
47 Wellhead	100,000		40,000	140,000
48 Packers, Liner Hangers		85,800	20,000	105,800
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			5,000	5,000
58 Non-controllable Surface			66,000	66,000
59 Non-controllable Downhole				
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 >	758,100	85,800	374,500	1,198,200
TOTAL COSTS >	3,969,000	3,883,607	473,500	8,326,107

PREPARED BY MATADOR PRODUCTION COMPANY:

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

MATADOR RESOURCES COMPANY APPROVAL:

Executive VP, COO/CFO:	DL	VP - Res Engineering:	BMR	VP - Drilling:	BG
Executive VP, Legal:	CA	Exec Dir - Exploration:	REN	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)

This page on this AFE is an estimate only and may not be considered as a challenge on any specific item or the total cost of the project. This document is prepared under the AFE only and is not to be used as a basis for any other purpose. In executing this AFE, the Partner agrees to pay its proportionate share of actual costs incurred. This document is not to be used as a basis for any other purpose. In executing this AFE, the Partner agrees to pay its proportionate share of actual costs incurred. This document is not to be used as a basis for any other purpose. In executing this AFE, the Partner agrees to pay its proportionate share of actual costs incurred.