

**SUMMARY OF COMMUNICATION WITH
UNCOMMITTED WORKING INTEREST OWNERS**

March 24, 2015

- Matador Production Company's ("Matador") landman, Melissa Randle, created a well proposal packet for the Airstrip State Com 31-18S-35E RN 201H well and sent to working interest parties in the unit including: Yates Energy Corporation ("Yates Energy"), Jalapeno Corporation ("Jalapeno"), Brent Ray Robertson ("Brent Robertson"), Louis Kadane and Michael L. Gustafason, Trustees of the 4-K Trust, at request of Edward G. Kadane ("4-K Trust #1") and Louis Kadane and Michael L. Gustafason, Trustees of the 4-K Trust, at request of Matthew B. Kadane ("4-K Trust #2").

April 10, 2015

- Matador follows up with Jalapeno via e-mail on the status of Airstrip proposal.

April 13, 2015

- Jalapeno responds via e-mail indicating that it will respond via letter.

April 16, 2015

- Yates Energy responds via e-mail that it will provide an answer or request for more information the following week.

April 28, 2015

- Yates Energy and Jalapeno send response letter to Matador.

May 12, 2015 – May 15, 2015

- Sam Pryor and Rudy Sims participate in calls with Yates Energy and Jalapeno to discuss the Airstrip well proposal and response letters dated April 28, 2015.

May 18, 2015

- Sam Pryor and Rudy Sims call Fred Yates and Becky Pemberton with Yates Energy to discuss the Airstrip well proposal.
- Matador arranges meeting with Yates Energy and Jalapeno for June 3, 2015, at Matador's office.
- Jalapeno and Yates Energy indicates they are unwilling to make an election until Matador meets in person.

June 3, 2015

- Matador's CEO, President, EVP – Land and Legal, EVP and General Manager, EVP – Land, Vice President – Reservoir Engineering and CTO, Operations Land Manager, New Mexico Team Lead and other members of the operations team meet with Fred Yates and Becky Pemberton of Yates Energy and with Emmons Yates of Jalapeno to discuss the Airstrip proposal and alternatives to participating.

June 19, 2015

- Matador follows up with Yates Energy and Jalapeno as to the status of their elections.
- Emmons Yates of Jalapeno indicates Jalapeno will provide a response by Monday, June 22, 2015.

June 22, 2015

- Yates Energy sends proposal to Matador regarding its interest in the Airstrip well.
- Matador agrees in principal with Yates Energy's term sheet.
- Matador calls Jalapeno to discuss the Airstrip well proposal, acreage trade and non-consent penalty and indicates that it may need to initiate force pooling proceedings if a deal is not reached with Jalapeno soon.

July 1, 2015

- Yates Energy requests proposed term assignment form.
- Matador responds indicating that the term assignment is in progress.

July 14, 2015 – July 16, 2015

- Matador initiates calls with Jalapeno to discuss the Airstrip well proposal, acreage trade and non-consent penalty again.

July 20, 2015

- Yates Energy requests update on proposed term assignment form.
- Matador initiates force pooling proceedings.

July 21, 2015

- Matador calls Jalapeno to revisit possibility of term assignment, expanded JOA contract area and non-consent penalty.
- Jalapeno again confirms that it is unwilling to sell its interest, commit its interest to the JOA unless the non-consent penalty is reduced or participate in the well.
- Matador informs Jalapeno that it will initiate force pooling proceedings.

July 22, 2015

- Matador responds to Yates Energy's request for an update on the term assignment and indicates that the proposed term assignment is in progress.

July 23, 2015

- Matador informs Yates Energy that it is filing for force pooling and will list Yates Energy on the schedule until the sale of its interest is closed.

July 30, 2015

- Yates Energy requests update on proposed term assignment form.
- Matador responds that the term assignment is in progress.

August 4, 2015

- Yates Energy receives force pooling notice and requests that the hearing be continued.
- Matador replies indicating that Yates Energy will be removed from the schedule upon the closing of its interest.
- Matador provides draft of the proposed term assignment covering Yates Energy's interest in the Airstrip well.

August 6, 2015

- Jalapeno and Yates Energy's attorney file an entry of appearance.

August 10, 2015

- Jalapeno and Yates Energy's attorney requests a continuance because of an unavailable witness without specifying who the witness is.

August 11, 2015

- Matador disagrees with any action to continue the hearing date and replies to Jalapeno and Yates Energy attorney with its reasons.

August 12, 2015

- Yates Energy's attorney, Doug Lunsford, requests the ability to review title opinions related to his client's interest in Section 31.
- Matador receives a filed motion for continuance related to the compulsory pooling case.

August 13, 2015

- Matador grants the requested permission to Doug Lunsford (Yates Energy's attorney) to review title opinions related to his client's interest.

- Van Singleton from Matador speaks to Harvey E. Yates Jr. of Jalapeno regarding potential deals related to Jalapeno's interest and reiterates that Matador is willing to provide information, but no requests have been made.
- Matador agrees to a continuance requested by Jalapeno.

August 17, 2015

- Matador receives a letter from Jalapeno requesting information it claims it needs from Matador.

August 20, 2015

- Matador receives a different form of a term assignment from Yates Energy.

August 21, 2015

- Matador receives a subpoena from Jalapeno and Yates.
- Bob Kadane, who is acquainted with 4-K Trust #1 and 4-K Trust #2, called Matador requested an updated spud date of the well.
- Sam Pryor with Matador called Bob Kadane, requesting updated address for 4-K Trust #1 and 4-K Trust #2.

August 26, 2015

- Becky Pemberton of Yates Energy requests a status update on the newly proposed term assignment.

September 1, 2015

- Matador sends revised term assignment to Yates Energy for review.
- Matador follows up with Bob Kadane on its request for updated addresses for 4-K Trust #1 and 4-K Trust #2.

September 2, 2015

- Yates Energy forwards Doug Lunsford's questions on the term assignment to Matador.

September 3, 2015

- Matador requests by e-mail a conference call to address Doug Lunsford's questions. A conference call is scheduled for the September 4th.

September 4, 2015

- Matador and Yates Energy discuss Doug Lunford's questions raised on September 2nd.

September 8, 2015

- Yates Energy sends revised term assignment to Matador for review.

September 14, 2015

- Yates Energy follows up with Matador on status of the term assignment.

September 21, 2015

- Rudy Sims with Matador requests a call with Becky Pemberton of Yates to finalize term assignment.

September 22, 2015

- Rudy and Becky discuss the term assignment via phone call.

September 24, 2015

- Matador follows up with Yates Energy as to status of the term assignment.
- Becky Pemberton with Yates indicates via e-mail that Fred Yates was out of town and will discuss the term assignment with him that afternoon.

September 25, 2015

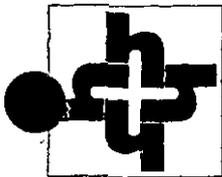
- Matador and Yates discuss the term assignment via phone call.

September 26, 2015

- Matador sends Yates revised Term Assignment that incorporates the agreed changes and final form and another copy of the JOA.

September 28, 2015

- Becky Yates emailed Rudy Sims indicating that she is Santa Fe, has read the most recent draft of the Term Assignment, everything appeared to be in order, and may have some comments to the JOA.



HARVEY E. YATES COMPANY

A MEMBER COMPANY OF HEYCO ENERGY GROUP

September 18, 2014

CERTIFIED MAIL

Airstrip Prospect Working Interest Owners
(See attached mailing list)

Re: **Airstrip 31 State Com #2H**
Sec.31, T-18S R-35E, N.M.P.M.
SHL: 150' FSL & 330' FWL
Sec. 31, T-18S, R-35E, N.M.P.M.
BHL: 330' FNL & 710' FWL
Lea County, New Mexico

Ladies and Gentlemen:

Harvey E. Yates Company ("HEYCO") hereby proposes to drill the above captioned well. The Airstrip 31 State Com #2H well has been staked and permitted at an approximate surface hole location of 150' FSL and 330' FWL in Section 31 of T-18S, R-35E, with an approximate bottom hole location of 330' FNL and 710' FWL in Section 31 and will be drilled horizontally to test the Bone Spring 3rd Sand at an approximate vertical depth of 10,510 feet. The project area for this well will be 154.28 acres (W/2W/2 Section 31).

A Joint Operating Agreement is enclosed for your review and execution. If you wish to participate in the captioned well please return a signed AFE with the executed pages to the JOA to my attention. Also attached to this proposal is a spreadsheet that outlines the legal description of the contract area for the prospect, and the breakdown of the working interest for each owner in the prospect area (634.28 acres). In the event you elect not to participate in this drilling proposal, HEYCO will consider a farm-in of your working interest on terms acceptable to HEYCO.

Should you have any questions regarding this proposal please contact me for any land concerns, Trent Green for any technical questions, and Gordon Yahney for geology concerns.

Very truly yours,

Colby Booth
Landman

CSB
Enclosures
AirstripFedCom2HProposalLtr.doc/Land:SE Airstrip

Southeast Airstrip
Mailing Labels

Harvey E. Yates Company
P.O. Box 1933
Roswell, NM 88202-1933

Jalapeno Corporation
P.O. Box 1608
Albuquerque, NM 87103-1608

Prime Energy Corporation
9821 Katy Freeway, Suite 1050
Houston, TX 77024-6009

Roden Associates, Ltd.
2603 Augusta, Suite 740
Houston, TX 77057

S & C Construction Company
P.O. Box 1509
Whitefish, MT 59937

Spiral, Inc.
P.O. Box 1933
Roswell, NM 88202-1933

Devon Energy Production Co.
333 W. Sheridan
Oklahoma City, OK 73102

Explorers Petroleum Corporation
P.O. Box 1933
Roswell, NM 88202-1933

Mike Kadane Trust
P.O. Box 5012
Wichita Falls, TX 76307

Roden Participants, Ltd.
2603 Augusta, Suite 740
Houston, TX 77057

Roden Exploration Company Ltd.
2603 Augusta, Suite 740
Houston, TX 77057

Sherrfive, LP
812 Eagle Pointe
Montgomery, TX 77316

Yates Energy Corporation
P.O. Box 2323
Roswell, NM 88202-2323



Authority For Expenditure Harvey E. Yates Company

| | |
|------------------------|----------------------|
| Date | 7/15/2014 |
| Prepared By | Jim Ward |
| Prospect Name | Airstrip Bone Spring |
| County, State | Lea, New Mexico |
| Projected Total Depth: | 15,185' |

| | |
|----------------------|---|
| Lease / Well Number: | Airstrip 31 State #2H |
| Location: | SHL; Sec. 31, T18S R35E, 150' FSL & 330' FWL |
| | BHL; Sec 31, T 18S, R35E, 330' FNL & 710' FWL |
| Field: | Airstrip; Bone Spring |
| Primary Objectives: | 3rd Bone Springs |

NOTES

Daywork Contract - Horiz. Well - Closed Loop Mud System
Sand Completion (Multiple stages Frac)
Assumes regulatory agent approves casing program.
Casing prices based on direct purchase for this well.

It is recognized that the amounts provided here are estimates only and approval of this authorization shall extend to actual costs incurred in conducting the operations specified, whether more or less than estimated.

| Intan. Drilling Costs BCP | | | | COSTS |
|---------------------------|---|----------|---------------|---------------------|
| 951-000 | Abandonment & Cleanup | | | \$ 30,000 |
| 920-009 | Abstracts & Title Opinions | | | \$ 15,000 |
| 920-009 | Well Control Insurance | 15,185' | \$/Ft: 0.57 | \$ 8,700 |
| 921-000 | Legal, Permits & Fees | | | \$ 5,000 |
| 921-000 | Staking Location & Surveys | | | \$ 11,500 |
| 921-001 | Location, Road & ROW | | | \$ 80,000 |
| 921-003 | IDC Daywork | Days: 23 | \$/Day: 19500 | \$ 448,500 |
| 921-003 | Mobilization / Demobilization | | | \$ 100,000 |
| 921-003 | Rig Fuel | Days: 23 | \$/Day: 4500 | \$ 103,500 |
| 921-002 | IDC Footage | | \$/Ft: | |
| 922-001 | Supervision | Days: 23 | \$/Day: 1850 | \$ 42,550 |
| 922-001 | Drilling Overhead (Administrative Services) | | | \$ 5,600 |
| 922-004 | Bits & Reamers | | | \$ 73,000 |
| 922-000 | Rentals Surface | | | \$ 203,980 |
| 922-000 | Rentals Sub-Surface | | | \$ 82,915 |
| 922-000 | Drill Pipe / Motors | Days: 15 | \$/Day: 2500 | \$ 37,500 |
| 922-000 | Directional Drilling Expense | | | \$ 150,000 |
| 921-008 | Inspection - Drill String | | | \$ 10,000 |
| 921-008 | Well Control & Testing | | | \$ 6,000 |
| 921-008 | Miscellaneous IDC | | | \$ 25,000 |
| 921-006 | Mud Logging | Days: 18 | \$/Day: 1800 | \$ 32,400 |
| 922-003 | Contract Labor | | | \$ 25,500 |
| 922-002 | Transportation | | | \$ 15,000 |
| 921-004 | Surface Casing Crews | | | \$ 15,000 |
| 921-004 | Surface Cement and Cement Services | | | \$ 47,000 |
| 921-004 | Surface Float Equipment & Centralizers | | | \$ 3,500 |
| 921-007 | Intermediate Casing Crews | | | \$ 20,000 |
| 921-007 | Intermediate Cement and Cement Services | | | \$ 34,000 |
| 921-007 | Intermediate Float Equipment & Centralizers | | | \$ 5,000 |
| 921-005 | Mud & Additives | | | \$ 100,000 |
| 921-011 | Corrosion Control & Chem. | | | \$ 7,000 |
| 921-010 | Water | | | \$ 25,000 |
| 921-010 | Water / Mud Disposal | | | \$ 25,000 |
| | Contingency (10%) | | | \$ 179,315 |
| | TOTAL | | | \$ 1,972,460 |

| Intan. Formation Testing BCP | | COSTS |
|------------------------------|------------------------------------|------------------|
| 923-003 | Logging & Wireline | \$ 45,000 |
| 923-003 | Drill Stem - Formation Tests | \$ - |
| 923-001 | Coring & Analysis (Sidewall Cores) | \$ - |
| | Contingency (10%) | \$ 4,500 |
| | TOTAL | \$ 49,500 |

| Tangible Lease & Well Equipment BCP | | | | COSTS |
|-------------------------------------|------------------------|---------|----------------------|-------------------|
| 930-001 | Surface Casing | 13-3/8" | \$/Ft: 41 Feet: 2000 | \$ 82,000 |
| 930-002 | Intermediate Csg | 9-5/8" | \$/Ft: 30 Feet: 4040 | \$ 121,200 |
| | | " | \$/Ft: Feet: | \$ - |
| | | " | \$/Ft: Feet: | \$ - |
| 930-009 | Wellhead | | | \$ 25,000 |
| 931-003 | Cattle Guards | | | \$ 5,000 |
| | Contingency (10%) | | | \$ 23,320 |
| | TOTAL EQUIPMENT | | | \$ 256,520 |

| | |
|-------------------------|--------------|
| TOTAL DRILLING | \$ 2,278,480 |
| TOTAL INTANGIBLE | \$ 6,306,735 |

| Intan. Comp. Costs ACP | | | | COSTS |
|------------------------|--------------------------------------|----------|---------------|---------------------|
| 951-000 | Abandonment & Cleanup | | | \$ (30,000) |
| 921-003 | Daywork | Days: 5 | \$/Day: 19500 | \$ 97,500 |
| 921-003 | Rig Fuel | Days: 5 | \$/Day: 4500 | \$ 22,500 |
| 924-008 | Drilling Rig Supervision | Days: 5 | \$/Day: 1850 | \$ 9,250 |
| 924-004 | Production Casing Crews | | | \$ 25,000 |
| 924-004 | Production Casing Cement & Services | | | \$ 76,000 |
| 924-004 | Prod. Float Equipment & Centralizers | | | \$ 12,000 |
| 924-001 | Completion / Swab Unit | Days: 10 | \$/Day: 4500 | \$ 45,000 |
| 924-008 | Compl. Rig Supervision | Days: 10 | \$/Day: 750 | \$ 7,500 |
| 924-008 | Administrative Services | | | \$ 6,500 |
| 924-003 | Mud & Chemicals | | | \$ 5,000 |
| 924-003 | Water Hauling | | | \$ 100,000 |
| 924-005 | Logging, Perforations & Wireline | | | \$ 140,000 |
| 924-006 | Rentals Subsurface | | | \$ 100,000 |
| 924-006 | Rentals Surface | | | \$ 235,000 |
| 924-006 | Nitrogen Service & Coiled Tubing | | | \$ 180,000 |
| 924-006 | Fishing | | | \$ - |
| 924-007 | Stimulation | | | \$ 2,500,000 |
| 924-007 | Transportation | | | \$ 14,000 |
| 924-009 | Contract Labor & Roustabout | | | \$ 15,000 |
| 925-001 | Bits & Reamers | | | \$ 5,000 |
| 925-001 | Couplings & Fittings | | | \$ 15,000 |
| 925-003 | Location & Road Expense | | | \$ 10,000 |
| 925-003 | Miscellaneous IDC | | | \$ 150,000 |
| 925-003 | Pipe Inspection & Recondition | | | \$ 20,000 |
| 925-003 | Pumping Services (Kill Truck) | | | \$ 120,000 |
| 925-003 | Testing | | | \$ 11,500 |
| 925-003 | Well Control Insurance | Days: 10 | \$/Day: 350 | \$ 3,500 |
| | Contingency (10%) | | | \$ 389,525 |
| | TOTAL | | | \$ 4,284,775 |

| Tangible Well Equipment ACP | | | | COSTS |
|-----------------------------|-------------------------|--------|----------------------|-------------------|
| 930-003 | Prod. Csg / Liners | 5-1/2" | \$/Ft: 15 Feet: 8000 | \$ 120,000 |
| | | " | \$/Ft: 20 Feet: 7500 | \$ 150,000 |
| 930-004 | Tubing | 2-3/8" | \$/Ft: 7 Feet: 10500 | \$ 68,250 |
| 930-009 | Wellhead | | | \$ 9,500 |
| 931-000 | Downhole Lift Equipment | | | \$ - |
| 931-000 | Subsurface Equipment | | | \$ 45,000 |
| | Contingency (10%) | | | \$ 39,275 |
| | TOTAL EQUIPMENT | | | \$ 432,025 |

| Tangible Lease & Battery Equipment ACP | | COSTS |
|--|----------------------------------|-------------------|
| 940-001 | Pumping Units & Engines | \$ - |
| 940-002 | Emission Controls | \$ - |
| 940-002 | Heaters, Treaters & Separators | \$ 35,000 |
| 940-005 | Tanks & Accessory Equipment | \$ 150,000 |
| 941-001 | Pipeline | \$ 45,000 |
| 941-001 | Facility Electrical & Automation | \$ 25,000 |
| 941-001 | Overhead Electricity | \$ 12,500 |
| 941-001 | Misc. Non-Controllable Equipment | \$ 25,000 |
| | Contingency (10%) | \$ 29,250 |
| | TOTAL EQUIPMENT | \$ 321,750 |

| | |
|-------------------------|--------------|
| TOTAL COMPLETION | \$ 5,038,550 |
| TOTAL TANGIBLE | \$ 1,010,285 |

| | |
|----------------------------|--------------|
| TOTAL DRY HOLE COST | \$ 2,420,655 |
| TOTAL WELL COST | \$ 7,317,030 |



Authority For Expenditure Harvey E. Yates Company

| Region | Well Name | Field Name | Well Number | AFE No. |
|---------|-----------------------|-----------------------|-------------|---------|
| Permian | Airstrip 31 State #2H | Airstrip, Bone Spring | | |

| Location | County, State | Oil | Gas | EXPL | PROD |
|---|-----------------|-------------------------------------|--------------------------|-------------------------------------|--------------------------|
| SHL: Sec. 31, T18S R35E, 150' FSL & 330' FWL BHL: Sec 31, T 18S, R35E, 330' FNL & 710' FWL | Lea, New Mexico | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

| Estimate Type | Est. Start Date | Est. Close Date | Estimate | Total Gas, Oil, Water |
|-----------------------|-------------------|-------------------|------------------|-----------------------|
| Original Estimate | | | | 15,185' |
| Revised Estimate | December 15, 2014 | February 28, 2015 | 3rd Bone Springs | |
| Supplemental Estimate | | | | |

| Day of Possession |
|-------------------|
| |

| Tubular Costs | | | |
|---------------|--------------|-------------------|--------------|
| Drill Pipe | \$ 1,972,460 | Formation Testing | \$ 49,500 |
| | | | \$ 4,284,775 |

| Landed Costs | | | |
|--------------------------|------------|--------------------------|------------|
| Drill and Well Equipment | \$ 256,520 | Well Equipment | \$ 432,025 |
| | | Leasehold Well Equipment | \$ 321,750 |

| | | | |
|----------------|--------------|------------------|--------------|
| Total Drilling | \$ 2,278,480 | Total Completion | \$ 5,038,550 |
| Total Tubulars | \$ 6,306,735 | Total Landed | \$ 1,010,295 |

| | | | |
|-------------------|--------------|---------------------|--------------|
| Total W.A.R. Cost | \$ 7,317,030 | Total Dry Hole Cost | \$ 2,420,655 |
|-------------------|--------------|---------------------|--------------|

1. All tubulars, well or lease equipment is priced by COPAS and CEPS guidelines using the Historic Price Multiplier.

Well Control Insurance:
Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by operators well control insurance procedure by Operator so long as Operator conducts operation hereunder and to pay your prorata share of the premiums therefore. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits at the time this AFE is Returned, if available, but in no event later than commencement of frilling operation. You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.

I elect to purchase my own well control insurance policy.

Well control insurance procedure by Operator, provides, among other terms, for \$20,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up / pollution expense covering drilling (trough completion with a \$1,000,000 (100% W.I.) deductible.

Marketing Election:
HEYCO sells its gas under arm's length contracts with third party purchasers. Such contracts may include fees. In addition, penalties may be incurred for insufficient volumes delivered over time. Should you choose to market your share of gas with HEYCO, you will be subject to all of the terms of such contracts. Upon written request to HEYCO, we will share with you the terms and conditions pursuant to which gas will be sold. Failure to make an election below shall be deemed an election to market your gas with HEYCO under the terms and conditions set forth above.

I elect to take my gas in kind.

I elect to market my gas with HEYCO pursuant to the terms and conditions of its contract.

All Comments:

Harvey E. Yates Approval
Harvey E. Yates Company By: T.W. Green Date: Tuesday, July 15, 2014

Operator Approval
Company: _____ Date: _____
Signature: _____

Jalapeño Corporation
P.O. Box 1608
Albuquerque, NM 87103-1608
Phone: (505) 242-2050 Fax: (505) 242-8501

WELL INFORMATION REQUIREMENTS

E-MAIL jbarrack@jalapenocorp.com and evates@jalapenocorp.com:

Daily Drilling & Completion Reports

New Wells -Daily Production Reports for the first year

1. First 60 days – send daily
2. For rest of the year – send Monthly

E-MAIL jbarrack@jalapenocorp.com: Electric log

MAIL FINAL REPORTS:

Surveyed Location Plat

Daily Drilling & Completion Reports at the end of the drilling & completion

State and/or Federal Forms (Drilling & Completion)

Logs – **Final prints of all open hole and cased hole logs**

Production Tests

Well Prognosis

Geological Reports

Core Analysis – Prelim and Final

Mudlogging – One reproducible copy of the final print

Logs – Electric Logs and Dipmeters (Field and Final); Cement Bond; DST

Charts with Engr. analysis, core descriptions and analysis and fluid analysis; Digital Log Data.

Test – Gas/Oil Ratio; Open Flow; Shut-In; Bottom Hole Pressure; Reservoir Fluid or Gas Analysis; Drillstem; Monthly Production Reports.

To mail final reports:

P.O. Box 1608, Albuquerque, NM 87103-1608

To FedEx/UPS final reports:

1429 Central NW Suite 3, Albuquerque, NM 87104

Telephone Reports (night, holidays or weekends) for any critical and urgent decision: Emmons Yates – Cell phone # (505) 980-0703 or Harvey E. Yates, Jr. – Cell phone # (505) 980-7761.

It is understood and agreed that our representative shall have access to the rig floor at all times and to any and all information concerning the captioned well.



Authority For Expenditure Harvey E. Yates Company

| | |
|------------------------|----------------------|
| Date: | 7/15/2014 |
| Prepared By: | Jim Ward |
| Prospect Name: | Airstrip Bone Spring |
| County, State: | Lea, New Mexico |
| Projected Total Depth: | 15,185' |

| | |
|----------------------|--|
| Lease / Well Number: | Airstrip 31 State #2H |
| Location: | SHL: Sec 31, T18S R35E, 150' FSL & 330' FWL BHL: Sec 31, T 18S, R35E, 330' FNL & 710' FWL |
| Field: | Airstrip, Bone Spring |
| Primary Objectives: | 3rd Bone Springs |

NOTES

Daywork Contract - Horiz. Well - Closed Loop Mud System
Sand Completion (Multiple stages Frac)
Assumes regulatory agent approves casing program
Casing prices based on direct purchase for this well.

It is recognized that the amounts provided here are estimates only and approval of this authorization shall extend to actual costs incurred in conducting the operations specified, whether more or less than estimated.

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| 920-009 Abstracts & Title Opinions | | \$ 15,000 |
| 920-009 Well Control Insurance | 15,185' \$/Ft: 0.57 | \$ 8,700 |
| 921-000 Legal, Permits & Fees | | \$ 5,000 |
| 921-000 Staking Location & Surveys | | \$ 11,500 |
| 921-001 Location, Road & ROW | | \$ 80,000 |
| 921-003 IDC Daywork | Days: 23 \$/Day: 19500 | \$ 448,500 |
| 921-003 Mobilization / Demobilization | | \$ 100,000 |
| 921-003 Rig Fuel | Days: 23 \$/Day: 4500 | \$ 103,500 |
| 921-002 IDC Footage | \$/Ft: | |
| 922-001 Supervision | Days: 23 \$/Day: 1850 | \$ 42,550 |
| 922-001 Drilling Overhead (Administrative Services) | | \$ 5,500 |
| 922-004 Bits & Reamers | | \$ 73,000 |
| 922-000 Rentals Surface | | \$ 203,980 |
| 922-000 Rentals Sub-Surface | | \$ 82,915 |
| 922-000 Drill Pipe / Motors | Days: 15 \$/Day: 2500 | \$ 37,500 |
| 922-000 Directional Drilling Expense | | \$ 150,000 |
| 921-008 Inspection - Drill String | | \$ 10,000 |
| 921-008 Well Control & Testing | | \$ 6,000 |
| 921-008 Miscellaneous IDC | | \$ 25,000 |
| 921-006 Mud Logging | Days: 18 \$/Day: 1800 | \$ 32,400 |
| 922-003 Contract Labor | | \$ 25,500 |
| 922-002 Transportation | | \$ 15,000 |
| 921-004 Surface Casing Crews | | \$ 15,000 |
| 921-004 Surface Cement and Cement Services | | \$ 47,000 |
| 921-004 Surface Float Equipment & Centralizers | | \$ 3,500 |
| 921-007 Intermediate Casing Crews | | \$ 20,000 |
| 921-007 Intermediate Cement and Cement Services | | \$ 34,000 |
| 921-007 Intermediate Float Equipment & Centralizers | | \$ 5,000 |
| 921-005 Mud & Additives | | \$ 100,000 |
| 921-011 Corrosion Control & Chem. | | \$ 7,000 |
| 921-010 Water | | \$ 25,000 |
| 921-010 Water / Mud Disposal | | \$ 25,000 |
| Contingency (10%) | | \$ 179,315 |
| TOTAL | | \$ 1,972,460 |

| Intan. Formation Testing BCP | | COSTS |
|--|--|------------------|
| 923-003 Logging & Wireline | | \$ 45,000 |
| 923-003 Drill Stem - Formation Tests | | \$ - |
| 923-001 Coring & Analysis (Sidewall Cores) | | \$ - |
| Contingency (10%) | | \$ 4,500 |
| TOTAL | | \$ 49,500 |

| Tangible Lease & Well Equipment BCP | | COSTS |
|-------------------------------------|------------------------------|-------------------|
| 930-001 Surface Casing | 13-3/8" \$/Ft: 41 Feet: 2000 | \$ 82,000 |
| 930-002 Intermediate Csg | 9-5/8" \$/Ft: 30 Feet: 4040 | \$ 121,200 |
| | " \$/Ft: Feet: | \$ - |
| | " \$/Ft: Feet: | \$ - |
| 930-009 Wellhead | | \$ 25,000 |
| 931-003 Cattle Guards | | \$ 5,000 |
| Contingency (10%) | | \$ 23,320 |
| TOTAL EQUIPMENT | | \$ 256,520 |

| | |
|-------------------------|--------------|
| TOTAL DRILLING | \$ 2,278,480 |
| TOTAL INTANGIBLE | \$ 6,306,735 |

| Intan. Comp. Costs ACP | | COSTS |
|--|-----------------------|---------------------|
| 951-000 Abandonment & Cleanup | | \$ (30,000) |
| 921-003 Daywork | Days: 5 \$/Day: 19500 | \$ 97,500 |
| 921-003 Rig Fuel | Days: 5 \$/Day: 4500 | \$ 22,500 |
| 924-008 Drilling Rig Supervision | Days: 5 \$/Day: 1850 | \$ 9,250 |
| 924-004 Production Casing Crews | | \$ 25,000 |
| 924-004 Production Casing Cement & Services | | \$ 76,000 |
| 924-004 Prod. Float Equipment & Centralizers | | \$ 12,000 |
| 924-001 Completion / Swab Unit | Days: 10 \$/Day: 4500 | \$ 45,000 |
| 924-008 Compl. Rig Supervision | Days: 10 \$/Day: 750 | \$ 7,500 |
| 924-008 Administrative Services | | \$ 6,500 |
| 924-003 Mud & Chemicals | | \$ 5,000 |
| 924-003 Water Hauling | | \$ 100,000 |
| 924-005 Logging, Perforations & Wireline | | \$ 140,000 |
| 924-006 Rentals Subsurface | | \$ 100,000 |
| 924-006 Rentals Surface | | \$ 235,000 |
| 924-006 Nitrogen Service & Coiled Tubing | | \$ 180,000 |
| 924-006 Fishing | | \$ - |
| 924-007 Stimulation | | \$ 2,500,000 |
| 924-007 Transportation | | \$ 14,000 |
| 924-009 Contract Labor & Roustabout | | \$ 15,000 |
| 925-001 Bits & Reamers | | \$ 5,000 |
| 925-001 Couplings & Fittings | | \$ 15,000 |
| 925-003 Location & Road Expense | | \$ 10,000 |
| 925-003 Miscellaneous IDC | | \$ 150,000 |
| 925-003 Pipe Inspection & Recondition | | \$ 20,000 |
| 925-003 Pumping Services (Kill Truck) | | \$ 120,000 |
| 925-003 Testing | | \$ 11,500 |
| 925-003 Well Control Insurance | Days: 10 \$/Day: 350 | \$ 3,500 |
| Contingency (10%) | | \$ 389,525 |
| TOTAL | | \$ 4,284,775 |

| Tangible Well Equipment ACP | | COSTS |
|----------------------------------|-----------------------------|-------------------|
| 930-003 Prod. Csg / Liners | 5-1/2" \$/Ft: 15 Feet: 8000 | \$ 120,000 |
| | " \$/Ft: 20 Feet: 7500 | \$ 150,000 |
| 930-004 Tubing | 2-3/8" \$/Ft: 7 Feet: 10500 | \$ 68,250 |
| 930-009 Wellhead | | \$ 9,500 |
| 931-000 Downhole Lift Equipment: | | \$ - |
| 931-000 Subsurface Equipment | | \$ 45,000 |
| Contingency (10%) | | \$ 39,275 |
| TOTAL EQUIPMENT | | \$ 432,025 |

| Tangible Lease & Battery Equipment ACP | | COSTS |
|--|--|-------------------|
| 940-001 Pumping Units & Engines | | \$ - |
| 940-002 Emission Controls | | \$ - |
| 940-002 Heaters, Treaters & Separators | | \$ 35,000 |
| 940-005 Tanks & Accessory Equipment | | \$ 150,000 |
| 941-001 Pipeline | | \$ 45,000 |
| 941-001 Facility Electrical & Automation | | \$ 25,000 |
| 941-001 Overhead Electricity | | \$ 12,500 |
| 941-001 Misc. Non-Controllable Equipment | | \$ 25,000 |
| Contingency (10%) | | \$ 29,250 |
| TOTAL EQUIPMENT | | \$ 321,750 |

| | |
|-------------------------|--------------|
| TOTAL COMPLETION | \$ 5,038,550 |
| TOTAL TANGIBLE | \$ 1,010,255 |

| | |
|----------------------------|--------------|
| TOTAL DRY HOLE COST | \$ 2,320,655 |
| TOTAL WELL COST | \$ 7,317,030 |



Authority For Expenditure Harvey E. Yates Company

| Region | Well Name | Field Name | Property Number | AFE No. |
|---------|-----------------------|-----------------------|-----------------|---------|
| Permian | Airstrip 31 State #2H | Airstrip, Bone Spring | | |

| Location | County, State | Well Type | | | |
|--|-----------------|-----------|-------------------------------------|------|-------------------------------------|
| SHL; Sec. 31, T18S R35E, 150' FSL & 330' FWL BHL; Sec 31, T 18S R35E, 330' FNL & 710' FWL | Lea, New Mexico | Oil | <input checked="" type="checkbox"/> | EXPL | <input checked="" type="checkbox"/> |
| | | Gas | <input type="checkbox"/> | PROD | <input type="checkbox"/> |

| Estimate Type | Est. Start Date | Est. Comp Date | Formation | Total Measured Depth |
|-----------------------|--------------------------|-------------------|-------------------|----------------------|
| Original Estimate | <input type="checkbox"/> | | | 15,185' |
| Revised Estimate | <input type="checkbox"/> | December 15, 2014 | February 28, 2015 | 3rd Bone Springs |
| Supplemental Estimate | <input type="checkbox"/> | | | Total Vertical Depth |

Project Description

| Intangible Costs | | | |
|------------------|--------------|-------------------|-----------|
| Drilling | \$ 1,972,460 | Formation Testing | \$ 49,500 |
| Completion | \$ 4,284,775 | | |

| Tangible Costs | | | |
|--------------------------|------------|-----------------------------|------------|
| Lease and Well Equipment | \$ 256,520 | Well Equipment | \$ 432,025 |
| | | Lease and Battery Equipment | \$ 321,750 |

| | | | |
|------------------|--------------|------------------|--------------|
| Total Drilling | \$ 2,278,480 | Total Completion | \$ 5,038,550 |
| Total Intangible | \$ 6,306,735 | Total Tangible | \$ 1,010,295 |

| | | | |
|-----------------|--------------|---------------------|--------------|
| Total Well Cost | \$ 7,317,030 | Total Dry Hole Cost | \$ 2,420,655 |
|-----------------|--------------|---------------------|--------------|

Comments on Well Cost:

1. All tubulars, well or lease equipment is priced by COPAS and CEPS guidelines using the Historic Price Multiplier.

Well Control Insurance

Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by operators well control insurance procedure by Operator so long as Operator conducts operation hereunder and to pay your prorata share of the premiums therefore. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits at the time this AFE is Returned, if available, but in no event later than commencement of drilling operation. You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.

I elect to purchase my own well control insurance policy.

Well control insurance procedure by Operator, provides, among other terms, for \$20,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up / pollution expense covering drilling (through completion with a \$1,000,000 (100% W.I.) deductible.

Marketing Election

HEYCO sells its gas under arm's length contracts with third party purchasers. Such contracts may include fees. In addition, penalties may be incurred for insufficient volumes delivered over time. Should you choose to market your share of gas with HEYCO, you will be subject to all of the terms of such contracts. Upon written request to HEYCO, we will share with you the terms and conditions pursuant to which gas will be sold. Failure to make an election below shall be deemed an election to market your gas with HEYCO under the terms and conditions set forth above.

I elect to take my gas in kind.

I elect to market my gas with HEYCO pursuant to the terms and conditions of its contract.

AFE Comments

Harvey E. Yates Approval

Harvey E. Yates Company By: T.W. Green Date: Tuesday, July 15, 2014

Joint Interest Approval

| Company | Approves (S) |
|----------------|----------------------|
| Jalapeno Corp. | Harvey E. Yates, Jr. |
| Date | Signature |
| 10/23/14 | [Signature] |

Jalapeno Corporation
P.O. Box 1608
Albuquerque, NM 87103-1608
Phone: (505) 242-2050 Fax: (505) 242-8501

October 21, 2014

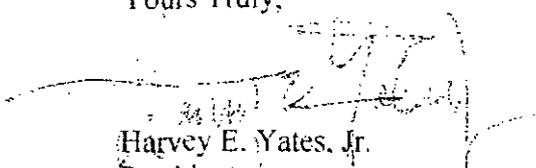
Attn: Colby Booth
Harvey E. Yates Company
P.O. Box 1933
Roswell, NM 88202

RE: Airstrip 31 State Com #2H
S31, T18S, R35E
Lea County, New Mexico

Dear Colby,

Enclosed please find the executed AFE evidencing that Jalapeno Corporation has agreed to participate in the drilling of the Airstrip horizontal well. However, we do not agree to sign the proposed operating agreement. The reason is that the non-consent penalty is much too high considering the low risk. We believe the geologic, engineering and other risks associated with 2nd and 3rd Bone Spring horizontal drilling in the township do not support your proposed 100%/300% nonconsent penalty. We believe a far more supportable nonconsent penalty would be 100%/150%. If this is acceptable, we will execute the operating agreement.

Yours Truly,


Harvey E. Yates, Jr.
President
Jalapeño Corporation

MRC Delaware Resources, LLC

500 North Main Street, Suite One, Roswell, New Mexico 88201
Mailing Address: P.O. Box 1936, Roswell, New Mexico 88202-1936
Voice 575-623-6601 • Fax 575-627-2427
Sender's e-mail: mrandle@matadorresources.com

Melissa Randle
Land Manager

March 24, 2015

VIA CERTIFIED MAIL 7012 2920 0002 3253 7414

Jalapeno Corporation
P.O. Box 1608
Albuquerque, NM 87103-1608

Re: Well Proposal
Matador: Airstrip State Com 31-18S-35E #201H (formerly Airstrip 31 State #2H)
Section 31-18S-35E
Lea County, New Mexico

Dear Jalapeno Corporation:

Reference is made to that certain well proposal letter dated September 14, 2014, sent by Harvey E. Yates Company ("HEYCO") proposing to drill the Airstrip 31 State #2H well referenced above to test the Third Bone Springs formation at a horizontal location in the W/2 W/2 of the subject section. On Friday, February 27, 2015, HEYCO closed on and merged its assets in New Mexico with Matador Resources Company and MRC Delaware Resources, LLC ("MRC Delaware") is the new successor entity with Matador Production Company being the operating company entity for MRC Delaware.

MRC Delaware desires to drill the subject well above to a depth that is approximately 200' deeper than originally proposed in order to test the Wolfcamp formation at a surface location approximately 150' FSL and 330' FWL of Section 31, Township 18 South, Range 35 East, and a bottom hole location of approximately 330' FNL and 710' FWL of Section 31, Township 18 South, Range 35 East, Lea County, New Mexico. We intend to drill horizontally (~10,840' TVD) to a Total Measured Depth of approximately 15,500' resulting in a lateral wellbore of approximately 4,400' that is planned to be completed with 15 frac stages. Estimated costs to drill the test well are \$5,376,594 for a dry hole with a completed well costing approximately \$9,099,800 as shown on the enclosed AFE.

Please indicate your election for this proposed operation by executing this letter below, as well as the enclosed AFE, if participating, and return both to the attention of the undersigned. 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, you will be responsible for your proportionate share of all actual costs incurred. If your election is to participate, please accept this letter as an invoice notice and request for payment and to please remit payment for your proportionate share of costs pursuant to Article VII.C of the above referenced operating agreement as detailed in the enclosed AFE to Matador Production

Company on or before fifteen (15) days after receipt of this estimate and invoice is received.

I have enclosed a revised Operating Agreement to the previous agreement sent under the September 14, 2014 proposal letter for your review and execution. We have corrected the operator name, well depth, contract depth, Exhibit "A", header names, etc. to reflect the proposed well herein. Please return one (1) executed copy of the signature page to the Operating Agreement along with your election letter and AFE.

As an alternative to participation, MRC Delaware hereby proposes the following options covering your 5.097063% Working Interest in this proposed unit:

- 1) Assign all your interest to MRC Delaware for \$1800.00 per net acre for delivering of your existing Net Revenue Interest, less and except your interest in any existing producing wellbore(s) located in the SE Airstrip Com #1 Unit.
- 2) Assign all of your interest to MRC Delaware delivering a 75.0% Net Revenue Interest, reserving an Overriding Royalty Interest equal to the positive difference between existing burdens and 25.0%, proportionately reduced. Any assignment would cover all rights less and except any rights in and to any existing producing wellbore(s) located in the SE Airstrip Com #1 Unit.

As an alternative to the above options, MRC Delaware would be interested in purchasing your interest in this unit/section including any producing well bores, subject to the negotiation of mutually agreeable price and terms. If you are interested in pursuing this alternative, please so indicate at the space provided below and/or contact the undersigned. We will immediately forward this information to our Acquisitions and Divestitures Department for follow-up. However, you are advised that entering into negotiations to sell your interest does not excuse or allow you to delay your required election under this well proposal.

Your earliest attention and response to this proposal will be greatly appreciated. With this recent merger, there is an opportunity to move this well onto our rig schedule and spud this proposed well around April 25, 2015, provided we can gather the elections and signatures needed ahead of spudding the well. Should you have any questions regarding this proposal, please contact me at any time using the contact information above.

Sincerely,

MRC DELAWARE RESOURCES, LLC


Melissa Randle
Land Manager

Enclosures

Please elect one (1) of the following and return to sender:

_____ Jalapeno Corporation hereby elects to participate for its proportionate share of the costs detailed in the enclosed AFE for the Airstrip State Com 31-18S-35E #201H Well, located in Lea County, New Mexico.

_____ Please find enclosed our proportionate share of well costs pursuant to the cash call provision under the governing operating agreement referenced hereinabove.

_____ Jalapeno Corporation hereby elects not to participate for its proportionate share of the costs detailed in the enclosed AFE for the Airstrip State Com 31-18S-35E #201H Well, located in Lea County, New Mexico.

_____ Jalapeno Corporation hereby elects to assign our interest for \$1,800/acre for delivery of my existing Net Revenue Interest, less and except your interest in any existing producing wellbore(s) located in the SE Airstrip Com #1 Unit. Please provide assignment form for review and acceptance.

_____ Jalapeno Corporation hereby elects to assign all of our interest to MRC Delaware delivering a 75.0% Net Revenue Interest, reserving an Overriding Royalty Interest equal to the positive difference between existing burdens and 25.0%, proportionately reduced. Any assignment would cover all rights less and except any rights in and to any existing producing wellbore(s) located in the SE Airstrip Com #1 Unit. Please provide assignment form for review and acceptance.

Jalapeno Corporation

By: _____

Title: _____

Date: _____

_____ I / We are interested in selling our interest in this unit, please contact us to discuss.

MRC Delaware Resources, LLC

500 North Main Street, Suite One, Roswell, New Mexico 88201
Mailing Address: P.O. Box 1936, Roswell, New Mexico 88202-1936
Voice 575-623-6601 • Fax 575-627-2427
Sender's e-mail: mrandle@matadorresources.com

Melissa Randle
Land Manager

March 24, 2015

VIA CERTIFIED MAIL 7012 2920 0002 3253 7582

Yates Energy Corporation
P.O. Box 2323
Roswell, NM 88202-2323

Re: Well Proposal
Matador: Airstrip State Com 31-18S-35E #201H (formerly Airstrip 31 State #2H)
Section 31-18S-35E
Lea County, New Mexico

Dear Yates Energy Corporation:

Reference is made to that certain well proposal letter dated September 14, 2014, sent by Harvey E. Yates Company ("HEYCO") proposing to drill the Airstrip 31 State #2H well referenced above to test the Third Bone Springs formation at a horizontal location in the W/2 W/2 of the subject section. On Friday, February 27, 2015, HEYCO closed on and merged its assets in New Mexico with Matador Resources Company and MRC Delaware Resources, LLC ("MRC Delaware") is the new successor entity with Matador Production Company being the operating company entity for MRC Delaware.

MRC Delaware desires to drill the subject well above to a depth that is approximately 200' deeper than originally proposed in order to test the Wolfcamp formation at a surface location approximately 150' FSL and 330' FWL of Section 31, Township 18 South, Range 35 East, and a bottom hole location of approximately 330' FNL and 710' FWL of Section 31, Township 18 South, Range 35 East, Lea County, New Mexico. We intend to drill horizontally (~10,840' TVD) to a Total Measured Depth of approximately 15,500' resulting in a lateral wellbore of approximately 4,400' that is planned to be completed with 15 frac stages. Estimated costs to drill the test well are \$5,376,594 for a dry hole with a completed well costing approximately \$9,099,800 as shown on the enclosed AFE.

Please indicate your election for this proposed operation by executing this letter below, as well as the enclosed AFE, if participating, and return both to the attention of the undersigned. 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, you will be responsible for your proportionate share of all actual costs incurred. If your election is to participate, please accept this letter as an invoice notice and request for payment and to please remit payment for your proportionate share of costs pursuant to Article VII.C of the above referenced operating agreement as detailed in the enclosed AFE to Matador Production

Company on or before fifteen (15) days after receipt of this estimate and invoice is received.

I have enclosed a revised Operating Agreement to the previous agreement sent under the September 14, 2014 proposal letter for your review and execution. We have corrected the operator name, well depth, contract depth, Exhibit "A", header names, etc. to reflect the proposed well herein. Please return one (1) executed copy of the signature page to the Operating Agreement along with your election letter and AFE.

As an alternative to participation, MRC Delaware hereby proposes the following options covering your 8.394506% Working Interest in this proposed unit:

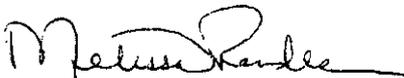
- 1) Assign all your interest to MRC Delaware for \$1800.00 per net acre for delivering of your existing Net Revenue Interest, less and except your interest in any existing producing wellbore(s) located in the SE Airstrip Com #1 Unit.
- 2) Assign all of your interest to MRC Delaware delivering a 75.0% Net Revenue Interest, reserving an Overriding Royalty Interest equal to the positive difference between existing burdens and 25.0%, proportionately reduced. Any assignment would cover all rights less and except any rights in and to any existing producing wellbore(s) located in the SE Airstrip Com #1 Unit.

As an alternative to the above options, MRC Delaware would be interested in purchasing your interest in this unit/section, including any producing well bores, subject to the negotiation of mutually agreeable price and terms. If you are interested in pursuing this alternative, please so indicate at the space provided below and/or contact the undersigned. We will immediately forward this information to our Acquisitions and Divestitures Department for follow-up. However, you are advised that entering into negotiations to sell your interest does not excuse or allow you to delay your required election under this well proposal.

Your earliest attention and response to this proposal will be greatly appreciated. With this recent merger, there is an opportunity to move this well onto our rig schedule and spud this proposed well around April 25, 2015, provided we can gather the elections and signatures needed ahead of spudding the well. Should you have any questions regarding this proposal, please contact me at any time using the contact information above.

Sincerely,

MRC DELAWARE RESOURCES, LLC



Melissa Randle
Land Manager

Enclosures

Please elect one (1) of the following and return to sender:

_____ Yates Energy Corporation hereby elects to participate for its proportionate share of the costs detailed in the enclosed AFE for the Airstrip State Com 31-18S-35E #201H Well, located in Lea County, New Mexico.

_____ Please find enclosed our proportionate share of well costs pursuant to the cash call provision under the governing operating agreement referenced hereinabove.

_____ Yates Energy Corporation hereby elects not to participate for its proportionate share of the costs detailed in the enclosed AFE for the Airstrip State Com 31-18S-35E #201H Well, located in Lea County, New Mexico.

_____ Yates Energy Corporation hereby elects to assign our interest for \$1,800/acre for delivery of my existing Net Revenue Interest, less and except your interest in any existing producing wellbore(s) located in the SE Airstrip Com #1 Unit. Please provide assignment form for review and acceptance.

_____ Yates Energy Corporation hereby elects to assign all of our interest to MRC Delaware delivering a 75.0% Net Revenue Interest, reserving an Overriding Royalty Interest equal to the positive difference between existing burdens and 25.0%, proportionately reduced. Any assignment would cover all rights less and except any rights in and to any existing producing wellbore(s) located in the SE Airstrip Com #1 Unit. Please provide assignment form for review and acceptance.

Yates Energy Corporation

By: _____

Title: _____

Date: _____

_____ I / We are interested in selling our interest in this unit, please contact us to discuss.

From: Isabel Zhang [<mailto:yzhang@jalapenocorp.com>]
Sent: Monday, April 13, 2015 3:08 PM
To: Melissa Randle
Subject: RE: Airstrip 31 State Com 31-18S-35E #201H

Dear Melissa,

Congratulations on your new move!

I talked to Mr. Yates about your proposal. He mentioned to seek the other alternatives in your proposal. He is very likely not to participate the drilling. But these are the thoughts we discussed. We will send you a letter for our comments and decision. Hope you well and thank you.

Best Regards

Yan Isabel Zhang
Landman
Jalapeño Corporation
505.242.2050 phone
505.242.8501 fax
yzhang@jalapenocorp.com

From: Melissa Randle [<mailto:MRandle@matadorresources.com>]
Sent: Friday, April 10, 2015 3:45 PM
To: yzhang@jalapenocorp.com
Subject: Airstrip 31 State Com 31-18S-35E #201H

Isabelle – Good afternoon. It has been awhile since our last conversation. Last year was such a hectic time for everyone at HEYCO. I am looking forward to working with you as a new employee of Matador Resources Company (MRC).

Today, I am checking in to see if you know what Mr. Yates plans to do in our new Airstrip proposal. I will appreciate your assistance with any update. Also, let me know if Mr. Yates has any questions concerning the technical aspects of the well, and I will get you contact information for one of our Engineers.

I look forward to hearing from you soon. Please begin to use my new email address or call me at the number below.

I hope you are doing well. Have a great weekend!

Melissa Randle
Land Manager | Matador Resources Company
575.623.6601 | www.matadorresources.com



This transmission is strictly confidential. If you are not the intended recipient of this message, you may not disclose, print, copy or disseminate this information. If you have received this in error, please reply and notify the sender (only) and delete the message. Unauthorized interception of this e-mail is a violation of federal criminal law. This communication does not reflect an intention by the sender or the sender's client or principal to conduct a transaction or make any agreement by electronic means. Nothing contained in this message or in any attachment shall satisfy the requirements for a writing, and nothing contained herein shall constitute a contract or electronic signature under the Electronic Signatures in Global and National Commerce Act, any version of the Uniform Electronic Transactions Act or any other statute governing electronic transactions.

RECEIVED MAY 4 2015

Jalapeno Corporation

PO Box 1608, Albuquerque, NM. 87103

Ph: 505-242-2050 fax: 505-242-8501

April 28, 2015

Re: Matador Airstrip State Com #20 1H

Sent Return Receipt Requested

Melissa Randle, Land Manager
MRC Delaware Resources LLC
PO Box 1936
Roswell, New Mexico 88202-1936

Dear Melissa:

Thanks for your letter regarding the subject well which was received here on March 31st. You enclosed with your letter both an AFE and a proposed operating agreement ("JOA").

While we may be willing to participate in the proposed well, we are unwilling to execute a JOA written as you have proposed. The "non-consent" provisions included in your JOA suggest a much greater geologic risk -- a risk inherent in the vertical-well world --, but far overestimates the geologic risk inherent in the Bone Spring or Wolfcamp horizontal drilling world. Because of this, any JOA we execute with terms even approaching those you suggest would have to be limited to the well's spacing unit and be limited to the horizon to be drilled in the well's proposed lateral -- in this case the Wolfcamp formation.

In regard to your AFE we have some problems. For starters, we note the your new AFE is \$1,782,770 higher than the AFE sent out by Heyco a few months ago even though rig costs, as well as the cost of other services, have fallen since the start of the precipitous oil-price decline. Thus, we also have compared the AFE you sent for the Airstrip with AFEs from comparable wells proposed by other operators in the general area. The comparison raises some questions. For instance, COG Operating LLC's AFE for the CTA State Com # 6H has a supervision estimate of \$105,000 while your AFE has a supervision estimate of over twice as much -- \$234,000. Intangible Costs Contingencies in your AFE are \$690,017 whereas the CTA well's AFE has Intangible Costs Contingencies at \$80,000. In short, while the depth of your well is approximately 2,000 feet deeper than the CTA well, this fact by no means explains the significant additional cost of your proposed well.

Trying to get at the reason for your greatly elevated costs, we have compared the estimated drilling cost per foot from your AFE with the estimated drilling cost per foot of other well know operators in the area. The estimated drill cost per foot of COG's CTA # 6H is \$130 per foot. The estimated drill cost of Devon's Bellatrix # 4H is \$215 per foot. While Devon is

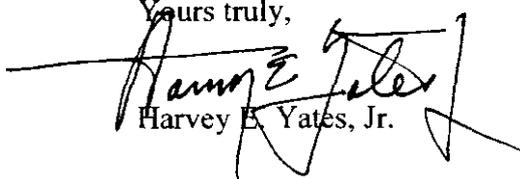
known as a high cost operator, your AFE blows them out of the water. The proposed cost per foot of your well is \$347. As I say, we have problems with your AFE, and for obvious reasons we decline to sign it in its present condition.

Your letter proposes some alternatives to participating in the well, none of which appear to us to be reasonable. For instance, whereas Matador recently priced Heyco acreage at \$8,000 an acre, you suggest that we sell our acreage to MRC for \$1,500 an acre -- this even though the Airstrip acreage is likely among the more valuable acreage purchased by Matador.

As an alternative to your proposals, we will offer one: We would agree to sell MRC a one year term lease covering our interest in the Wolfcamp underlying the spacing unit for \$5,000 per net acre. We would reserve an ORR equal to the difference between 25% and the existing burdens. If you are interested in this, please let us know.

It is our understanding that Yates Energy joins us in this response.

Yours truly,



Harvey E. Yates, Jr.



April 28, 2015
Sent Return Receipt Requested

Melissa Randle, Land Manager
MRC Delaware Resources LLC
P.O. Box 1936
Roswell, New Mexico 88202-1936

Re: Matador Airstrip State Com #20 1H

Dear Melissa:

We are in receipt of your letter regarding the subject well, together with an AFE and proposed operating agreement ("JOA"). Your letter was received by us on March 31, 2015.

Yates Energy may have some interest in participating in the proposed well, however the JOA as proposed is objectionable. Particularly, the non-consent provisions you propose reflect a greater geologic risk than is inherent in the Bone Springs or Wolfcamp horizons for a horizontal well. More appropriate terms would reduce the non-consent penalties or, at the least, limit the applicability to the well's spacing unit and the Wolfcamp formation.

We have also reviewed the included AFE. The drilling costs reflected in that AFE are \$1,782,770 higher than the AFE sent by HEYCO a few months ago, even though rig, services and other costs have declined considerably. Compared to other operators in the general area, the AFE costs materially exceed those in several categories, including supervision, Intangible Costs Contingencies, and drilling costs per foot. Until the costs reflected in the AFE are more closely aligned with market conditions and similar operations in the area, we will decline to sign it.

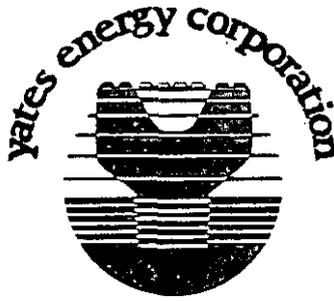
Although we have no interest in the other alternatives to participation that your letter proposes, none of which seem reasonable given your recent transaction with HEYCO, we would be willing to explore a one-year term lease covering our interest in the Wolfcamp underlying the spacing unit for \$5,000 per net acre. We would reserve an ORR equal to the difference between 25% and the existing burdens. Please let us know if you would like to further discuss this proposal.

It is our understanding that Jalapeno Corporation joins us in this response.

Best regards,

A handwritten signature in black ink that reads "Becky Yates Pemberton". The signature is fluid and cursive, with the first name being the most prominent.

Becky Yates Pemberton



June 22, 2015

Sam Pryor
Senior Staff Landman
Matador Resources Company
One Lincoln Center
5400 LBJ Freeway
Suite 1500
Dallas, Texas 75240

Re: Matador Airstrip State Com #201H

Dear Sam:

It was a pleasure to meet you in person on June 3 in Dallas. When we concluded our meeting, we agreed to get back to you about our participation in the above referenced well. What we propose is the following:

- That Yates Energy participate in the proposed well as to 3% of 8/8 out of its existing working interest, subject to a mutually agreeable Joint Operating Agreement covering all of Section 31; and
- That Yates Energy and MRC enter into a one year term assignment for the balance of Yates Energy's working interest (5.394506% of 8/8ths) for \$5,000 per net acre. Yates Energy would deliver a 75% NRI and the term assignment would cover depths from the surface down to the base of the Wolfcamp, subject to a 180 day continuous development clause to earn horizons in addition to the Wolfcamp. The term assignment will contain horizontal and vertical Pugh clause provisions with the ultimate effect that MRC will earn and retain Yates Energy's working interest in the project area as to each discrete zone in each formation covered thereby in which it drills and completes a producing horizontal well.

We look forward to reaching a mutually beneficial agreement to begin our working relationship together in this area. If you would like to discuss the proposal further, please give me a call at (512) 480-0614.

Best Regards,

A handwritten signature in black ink that reads "Becky Yates Pemberton". The signature is fluid and cursive, with the first name being the most prominent.

Becky Yates Pemberton

Dana Arnold

From: Doug Lunsford <dlunsford@hinklelawfirm.com>
Sent: Thursday, August 13, 2015 11:54 AM
To: Sam Pryor
Cc: Dana Arnold; Rudy Sims; Becky Pemberton
Subject: RE: Airstrip Term Assignment from Yates Energy Corporation to Matador covering All Sec. 31-18S-33E, NMPM, Lea County, NM

Thanks Sam. If I have any further questions, may I contact you directly, or do I need to go through Matador's attorney? Doug

From: Sam Pryor [mailto:spryor@matadorresources.com]
Sent: Thursday, August 13, 2015 10:14 AM
To: Doug Lunsford
Cc: Dana Arnold; Rudy Sims; Becky Pemberton
Subject: Re: Airstrip Term Assignment from Yates Energy Corporation to Matador covering All Sec. 31-18S-33E, NMPM, Lea County, NM

Doug,

Thank you for reaching out to us. Matador grants you its consent to refer to the DTO's covering the S2 and N2 issued in 2013 and 2014 in order to verify Yates Energy's interest. However, please do not share these DTO's without our express written consent.

Thanks and please let us know if you have any questions or if we can be of further assistance.

Sam

Sam Pryor
Senior Staff Landman
Office: 972.371.5241
Cell: 214.435.5918
spryor@matadorresources.com

Doug Lunsford <dlunsford@hinklelawfirm.com> wrote:

Sam, I am re-sending this e-mail to you because I typed in an erroneous e-mail address for you and it bounced back. Doug

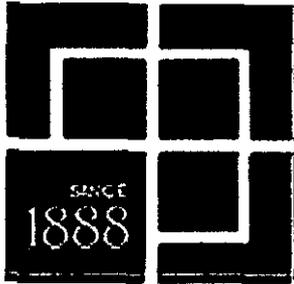
From: Doug Lunsford
Sent: Wednesday, August 12, 2015 2:05 PM
To: pryor@matadorresources.com
Cc: bpemberton@yatesenergy.com; darnold@matadorresources.com
Subject: Airstrip Term Assignment from Yates Energy Corporation to Matador covering All Sec. 31-18S-33E, NMPM, Lea County, NM

Sam, I am assisting Becky Pemberton of YEC with the proposed Term Assignment. She forwarded to me the proposed Ex. A to the A and ownership information from the Gray Reed T/O you e-mailed to her yesterday. Becky previously furnished to me from YEC's files, the 9/13/90 John Nelson DOTO for the S. E. Airstrip Com #1 Well with a communitized spacing unit comprising Lots 3, 4, E/2SW, SE (S/2) Sec. 31 and the 10/15/81 JOA covering the same lands as a contract area. The ownership information you furnished to her

is not sufficient for us to determine how the 8.394507% WI and 6.866996% NRI for YEC are derived. Are these numbers based solely based upon YEC's leasehold interests in the Peoples fee lease covering lands in both the N/2 and S/2 Sec. 31 or upon a combination of YEC's contractual WI in S/2Sec. 31 derived from the 10/15/81 JOA and its leasehold interest in the Peoples fee lease covering NW, S/2NE Sec. 31? It would be helpful to know how the 7/16/15 Gray Reed T/O (i) credited leasehold title to YEC in the 4 tracts comprising Sec. 31 and (ii) credited title to YEC of the CWI in S/2 Sec. 31 arising under said JOA.

As you probably know, I did DTOs on S/2 and N/2 Sec. 31 for HEYCO in 2013 and 2014. In view of passage of time, I really recollect very little about them. I want to assure you that I will not review them to assist YEC in this endeavor unless Matador expressly consents.

Yours truly, Doug Lunsford



Douglas L. Lunsford,
Partner
Hinkle Shanor LLP
P.O. Box 10
Roswell, New Mexico 88202-0010
(575) 622-6510 telephone
(575) 623-9332 facsimile
dlunsford@hinklelawfirm.com

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Jalapeno Corporation

PO Box 1608, Albuquerque, NM. 87103

Ph: 505-242-2050 fax: 505-242-8501

August 17, 2015

Van Singleton
Matador Production Company
Suite 1500
One Lincoln Centre,
5400 LBJ Freeway,
Dallas, Texas 75240

Dear Van:

In the course of our conversation on Thursday you mentioned that our Motion for Continuance stated that we were going to request a subpoena from the OCD in order to secure documents from Matador. You suggested that we just send you a list of needed information without going through the subpoena process. I appreciate that offer. Consequently, I attach to this letter a list of the documents we need from Matador related to its force-pooling application. If some of the requested information is more readily available to Matador than other information, I request that it be supplied to us as Matador retrieves it. However, I would request that all the information be supplied to us by the last day of this month which is just a few days before the hearing date.

Our conversation occurred because you called and then texted me to say that you have been gone for a month and that you hoped we could resolve the Airstrip pooling matter which got off-track in your absence. I returned your call. I agree that this matter is off-track.

As you are aware we received in March 2015 Matador's AFE from Melissa Randal (Landman for Matador) together with a letter which demanded that we respond within 15 days and immediately pay our proportionate share of the Airstrip well -- a cost which had grown by approximately \$1.7 million since Heyco's earlier AFE for a well at the same location. Melissa's letter also included a Joint Operating Agreement (JOA) which contained a 100%/300% non-consent penalty provision. Needless to say, both my brother, Fred Yates, and I found the tone of Melissa's letter to be particularly inappropriate. We thought that Matador, Jalapeno and Yates Energy all had reason to start their relationship on friendly, rather than hostile, terms.

Both in my written response to Melissa and in subsequent conversations with your subordinates, I have explained that I would not sign a JOA for horizontal drilling which contains a non-consent provision which, though customary during the era of vertical wells, is now inappropriate because it reflects a penalty which is unrelated to the actual risk most drillers are taking when they drill horizontal wells in the Delaware Basin. I suggested changing the non-

consent provision in Matador's proposed JOA to make those terms more reflective of the actual risk of drilling in the area. Matador rejected any change to the non-consent terms.

However, because we were trying to start our relationship with Matador in a cooperative way, I suggested terms of yet another deal which I thought would allow Matador to drill its Airstrip well, even though I would not sign its proffered JOA, and even though I believe Matador's AFE is unreasonably high. I offered to trade our acreage under the 154.28 spacing unit to Matador for \$5,000 a net acre (the same price Matador has agreed to pay Yates Energy) if Matador would trade to Jalapeno some Chaves County acreage which it had fortuitously inherited in its Heyco merger. (The offer price for the Chaves County acreage was the same price Jalapeno recently paid another joint owner of the same Chaves County acreage.) My thinking was that if Matador itself owned our acreage within the spacing unit, neither the JOA issue nor the AFE issue would arise.

However, when Sam Pryor, another Matador Landman, called to discuss the exchange offer he suggested that though the exchange seemed to be fair, Matador still wanted me to sign the offending JOA as to acreage outside of the spacing unit. Of course, I refused. Negotiations broke down. Until you and I talked Thursday I assumed the deal is "off-track," not because there is a dispute as to the spacing unit regarding which Matador has filed the force-pooling application, but because I won't sign a JOA which covers our ownership in acreage outside of the spacing unit which is being force-pooled.

In our conversation on Thursday you suggested that there is an additional problem with my acreage trade proposal. Because one of my brothers, George, is on Matador's board of directors, and Matador is a public company, Matador cannot make a different deal with me than it makes with other parties. This seems to me to place Matador in a particularly difficult position because, before Matador initiates a force pooling action, it is supposed to negotiate in good faith to resolve the issue. Yet, Matador would be limited to communicating to me what the deal would be, because others have agreed to it. I doubt that such communication would rise to the level of the required negotiations. (Keep in mind that depending on the circumstances, the "others" may have no knowledge about the oil industry, no knowledge about the actual risk of the proposed drilling and no capacity to examine an AFE.)

In a third attempt to get our dispute resolved, on Thursday I suggested yet another possible trade which would allow Matador to incorporate our acreage within a JOA covering all of Section 31. In other words, it would resolve the problem Sam Pryor raised. I suggested that Matador might buy all our net acreage in Section 31 from surface to the base of the Wolfcamp under a term agreement equivalent to that it has negotiated with Yates Energy. (As I understand that Term Agreement, Matador would pay \$5,000 a net acre and would be subject to a continuous drilling agreement to hold the acreage. Jalapeno would retain an ORR equal to the difference between existing burdens and 25%. The term agreement also would contain a horizontal Pugh Clause.) Matador could then enter our acreage into a JOA containing non-consent terms of its choosing. However, my stipulation was that as to any acreage returned to Jalapeno as a consequence of the termination of Matador's rights to it, the acreage would be subject to a 100%/150% non-consent provision rather than the 100%/300% provision contained

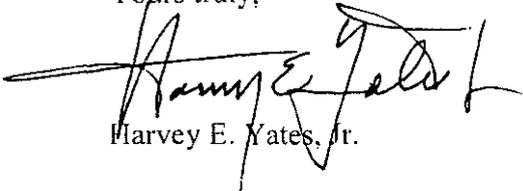
in Matador's proposed JOA. As in the earlier offer, Matador would sell to Jalapeno its interest in the Chaves County acreage: W/2 of Sec. 17 of 9S, 27E.

Thus, Matador has from me three offers related to its proposed drilling:

- It can simply change the terms of the non-consent provisions in its proposed JOA to 100%/150%. Jalapeno will non-consent as to the drilling of the Airstrip Wolfcamp well, but may well later consent to Bone Spring horizontal wells or even later Wolfcamp wells within acreage covered by the JOA depending, of course, on the then posted price of oil, or
- It can trade its Section 17 Chaves County acreage for our interest in the Airstrip spacing unit, at the earlier specified prices. It could then place its newly acquired interest in the Airstrip acreage into its JOA and drill the well, or
- It can purchase Jalapeno's acreage within Sec. 31 of 18S, 35E on a term assignment and convey to us its acreage in W/2 Sec. 17, 9S, 27E. as discussed above.

I think the record shows that I have bent over backward in an attempt to reach a deal with Matador. However, because Matador filed a force-pooling action against us, we have had to employ attorneys, and they are costly. My preference among the deals is the first one above -- that Matador simply change the non-consent provisions of its JOA -- but, I am willing to enter into any of the three deals this week. After that, we will have piled so much legal time into preparation for the OCD Hearing, the follow-up OCC hearing, and, if necessary, the District Court case, that I'm not sure that any of the proposed settlement offers will make sense any more. If we are going to make a deal, we should do it now. Thanks for reaching out to me.

Yours truly,



Harvey E. Yates, Jr.

ATTACHEMENT TO LETTER TO VAN SINGLETON
INFORMATION NEEDED FROM MATADOR

INFORMATION AS TO DRILLING AND COMPLETION PLANS: As to the proposed Airstrip 31 RN State Com. 201H (hereinafter Airstrip 201H) we request the following information:

- Documents specifying how far below the top of the Wolfcamp formation Matador's proposed lateral will be.
- Documents related to whether the lateral will cut the Bone Spring formation as well as the Wolfcamp formation.
- Documents having to do with whether Matador's frac job will penetrate the Bone Spring formation as well as the Wolfcamp formation.

PROJECTED RECOVERY FROM AIRSTRIP WELL: Please provide any documents in Matador's possession which estimate or project the ultimate recovery from the Airstrip 201H.

WOLFCAMP DST: Heyco drilled the Southeast Airstrip # 1 in Unit N of Section 31 of 18TS, 35RE. (API # 3002527618) and completed it in the Morrow. In the course of that drilling effort Heyco caused a drill-stem test of the Wolfcamp formation. Please provide a copy of the drill stem test results. Additionally, please provide all documents having to do with Matador's lateral in the Airstrip 201H and its proposed frac-job suggesting whether either would penetrate the Wolfcamp at the approximate depth tested in the earlier Heyco well.

WHAT HORIZONS IS MATADOR ATTEMPTING TO FORCE-POOL?: Please provide documents clarifying the horizon which Matador is attempting to force-pool. See below:

- In the heading paragraph Matador states: "*(ii) pooling all mineral interests in the **Wolfcamp formation** underlying the non-standard unit...*" (emphasis added)
- And, Matador's plea asks that the Division enter an order "*B Pooling all mineral interests in the **Wolfcamp formation** underlying the W1/W1/2 of Section 31.*" (emphasis added)
- However, at paragraph 2. Matador states, "*Applicant seeks to dedicate the W1/2W1/2 ... to form a non-standard 154.28 acre oil spacing and proration unit (project area) **for any formations and/or pools developed on 40 acre spacing within that vertical extent.***" (emphasis added)

MATADOR'S ACTUAL RISK: Matador asks that a 200% risk penalty be applied to the Airstrip 201H. Please provide all documents evidencing that 200% is equivalent to the actual risk Matador would encounter if it drills the Airstrip 201H.

INFORMATION WHICH MATADOR HAS CONVEYED TO OTHERS REGARDING ITS PERMIAN BASIN RISK AND REWARDS: Please provide all documents conveyed to Matador's board of directors, shareholders, lenders, analysts and reports to the Securities Exchange Commission dealing with the risk and reward of Matador's drilling on its Permian Basin acreage in New Mexico.

SPECIFIC WELL INFORMATION: For each of the following wells please provide all documents having to do with risk and reward, cost of drilling and completing, and success or failure related to the well:

- PICKARD STATE No. 002H, API Number: 3002541614,
- JIM ROLFE 22 18 34 RN STATE No. 131H, API Number: 3002541889,
- JIM ROLFE 22 18 34 RN STATE No. 131Y, API Number: 3002542057,
- PICKARD STATE 20-18S-34E RN#121H, API Number: 3002541614,
- CIMMARON 16-19S-34E RN #134H
- TIGER 14 24s 28e rb#204h. I API# is(30-015-43087
- AIRSTRIP 201H API Number: 3002540397.
- All other horizontal wells drilled by Matador in Southeast New Mexico

HEDGING AND FIXED PRICE CONTRACTS: Please provide documents related to the actual price Matador itself will receive for oil and gas production from the Airstrip 201H including documents evidencing whether Matador has or has not hedged the production it would receive from the Airstrip 201H and, additionally, whether it has entered into any fixed price contract which would affect the price it would receive for oil or gas from the Airstrip 201H. (Below, where I reference "hedged dollar price" or "hedged fund dollars" please also provide information as to any fixed price contract payments.)

- If Matador is hedged, please provide documents evidencing whether the revenue Matador would receive from a force-pooled party's former proportionate share of the production, would be paid to Matador in hedged fund dollars -- that is, in the per barrel price for which has Matador hedged.
- If Matador would be paid at the hedged price for the force-pooled parties' former interest, please provide all documents, including risk analyses, specifying whether the 200% penalty which Matador has asked the OCD to impose was calculated in the analyses at the hedged dollar price or at the actual oil price which is expected to be received for the produced oil or gas.
- Please provide all documents which relate to whether Matador plans to have the recoupment of the penalty, which would be imposed on the parties which are force-pooled, calculated at the hedged price or in the actual price then prevailing for the oil and when it is sold?

RIG COSTS: Matador's predecessor, Heyco, provided Jalapeno Corporation and Yates Energy an AFE for the drilling of a Bone Spring well at the same location as now proposed by Matador. Both Jalapeno and Yates Energy consented to participate in Heyco's well. However, Matador's AFE is approximately one million seven hundred thousand dollars higher than the Heyco AFE agreed to by Jalapeno and Yates Energy. In the meantime the cost of drill rigs has plummeted as drill rigs in the Permian Basin have been stacked. However, public information suggests that Matador owns its own rigs or has leased rigs to utilize in its Permian Basin drilling.

- Please provide all documents related to any drilling contract or ancillary related agreement which affects, or would tend to affect, the cost of drilling the Airstrip 201H or which evidence the reason for Matador's high AFE cost for the Airstrip 201H;
- Please provide all documents which explain the reason for the higher cost of drilling the Matador well than AFE'd earlier for the proposed Heyco well even though since the earlier AFE rig costs and other service prices have plummeted;
- If Matador intends to drill the Airstrip 201H with its own rig or with a leased rig, if Matador intends to use its own equipment otherwise or if Matador intends to dispose of salt water in its own disposal wells, please provide copies of all accounting or other documents which reveal both Matador's likely actual cost of such operations as well as the cost it intends to bill non-operators for such operations.

ESTIMATED ULTIMATE RECOVERIES: Please provide all documents in Matador's possession which estimate the ultimate recovery which Matador expects from wells it has drilled, has submitted an application to drill or will propose to drill in the following townships which surround the proposed Airstrip 201H: T18S, R34E; T18S, R35E; T19S, R34E and T19S, R35E.

MRC Delaware Resources Company

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

Voice 972.371.5273 • Fax 972.371.5201

vsingleton@matadorresources.com

August 26, 2015

Mr. Harvey Yates
Jalapeno Corporation
Post Office Box 1608
Albuquerque, NM 87103

Re: Airstrip Well

Dear Harvey:

I have reviewed your letter dated August 17, 2015 and have had the chance to consider your most recent proposal and the attached requests (the "Letter"). When we last spoke, I suggested that you send us a request for any information that you may need in connection with your analysis of Matador's force pooling application and related hearing with respect to the State Com Well 31-18S-35E #201H (the "Well"). Additionally, we have since received a copy of a subpoena filed by your attorneys with the OCD requesting many of the same items found in the attachment to your Letter, along with a number of other items not requested in the Letter. As a result, Matador's legal counsel will prepare and file the appropriate response to your request for a subpoena.

Your Letter included a number of items that require a response from Matador. First, you referenced the March, 2015 AFE prepared by Matador and duly submitted to Jalapeno and specifically highlighted the \$1.7 million increase in the cost compared to that of a proposal you had previously received from HEYCO. As we have discussed on several occasions, the HEYCO proposal contemplated a Bone Spring completion instead of the Wolfcamp completion as shown in our March 24 well proposal and AFE. The proposed Wolfcamp completion is deeper than the Bone Spring proposal and will require an additional string of casing. These two reasons account for the vast majority of the difference between the HEYCO AFE and the new AFE which is really not an "apples to apples" comparison.

You also raised an issue with respect to the 100%/300% non-consent penalty contemplated by our proposed JOA. I understand that you have raised this objection with other operators as well; however, this is a current industry standard non-consent penalty contained in all recent operating agreements Matador has entered into in the Delaware Basin, whether or not we are the operator and other working interest owners in the proposed unit have agreed to these terms. While you may not agree with such penalty, based on our experience as an operator of

horizontal wells in this area, we disagree with your assertion that a lower risk threshold is more appropriate for horizontal wells. Accordingly, we are unable to accommodate your request for a 100%/150% non-consent penalty.

I appreciate your efforts to work with Matador on a possible transaction involving your acreage. You mentioned in your Letter that your brother, George Yates, is on Matador's Board of Directors. You may have misunderstood the point I was making. The fact that George is on our Board does not preclude Matador from negotiating with you or other family members. Your Letter seems to ignore the good faith efforts that Matador has made to offer Jalapeno a variety of deal options. Specific to that point, in our initial proposal we offered Jalapeno four different options, including: participating in the well, assigning all of your net revenue interest in the proposed contract area for the Well to Matador for \$1,800/net acre, assigning 75% of your net revenue interest with a reserved 25% overriding royalty interest in the proposed contract area for the Well, or selling all of your interest in the related governmental section. After you responded unfavorably to all of those options, we invited you to our office and raised the price we would pay on a per acre basis to \$5000.00 per acre and presented an additional alternative—contributing the acreage to a joint venture in which Jalapeno or its affiliates have a beneficial interest. Beyond that, we have seriously considered your counterproposals and offers, but we are unwilling to accept terms materially different than those we have negotiated with other parties in the applicable section or the general area.

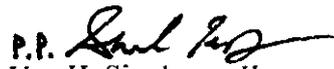
With respect to the specific transactions we have discussed, you mentioned the possible trade of your four net acres in the proposed spacing unit of the Well for all of our acreage in Section 17, T9S, R27E, Chaves County. The deal terms that you have offered, however, do not seem to be fair for both sides as we would receive a limited amount of your acreage in Section 31 with a number of additional limitations while you would receive all of our acreage in Section 17 with no additional limitations. That type of trade would be unacceptable unless you are willing to expand the trade to include all of the acreage Jalapeno owns in the section without additional limitations. The price per acre and horizontal Pugh provisions preclude us from pursuing this transaction for such a small position. Again, if Jalapeno would expand its offer to include all of the acreage it holds in the section, we would be interested in discussing the proposed transaction further.

You have also offered to sell all of Jalapeno's interest in Section 31 pursuant to a term assignment. As we understand your proposal, Jalapeno would convey all of its net acreage in Section 31 to Matador in exchange for \$5,000/ net mineral acre pursuant to a term assignment with a one-year term and a 120 day continuous drilling clause. Under this scenario, Matador could include the acreage in any JOA it enters into in connection with the formation of a unit involving Section 31; however, any acreage/depths that Matador does not hold would revert to Jalapeno and would no longer be subject to the terms of the JOA. We are not opposed to this scenario so long as any acreage that might revert to Jalapeno would remain a part of the contract area covered by the JOA. By maintaining uniformity in the contract area, additional wells could be proposed in the future without having to revise the JOA and our hope would be that Jalapeno would participate as a working interest owner.

We understand that you believe you have tried to work with us to reach a deal and we also believe that we have worked hard to reach a compromise acceptable to both parties. While our strong preference is to enter into agreement to include your acreage in the section encompassing the Airstrip unit, we cannot accept terms that are less favorable than those which have been agreeable to many other operators in the Delaware Basin and that could impair our ability to further develop these minerals in the future. We would like to continue to work to resolve this matter before the scheduled hearing on September 3, 2015. I will call you to further discuss the options that you have presented.

If you have any further questions, please do not hesitate to contact me (972) 371-5273.

Respectfully,



P.P. Van H. Singleton, II,
Executive Vice President of Land