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

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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.