

MRC Permian Company

One Lincoln Centre • 5400 I.B.J. Freeway • Suite 1500 • Dallas, Texas 75240
Voice 972.371.5242 • Fax 214.866.4883
jlirly@matadorresources.com

Jeff Lierly, CPL
Senior Landman

October 15, 2015

OCT 15 2015

VIA CERTIFIED RETURN RECEIPT MAIL

Nearburg Exploration Co., L.L.C.
3300 N. A Street, Bld. 2, Suite 120
Midland, Texas, 79705

Re: Eland State 32-18S-33E RN #124H Participation Proposal
Section 32, Township 18 South, Range 33 East
Lea County, New Mexico

Nearburg Exploration Co., L.L.C.:

MRC Permian Company and its operating company Matador Production Company (collectively "MRC") propose the drilling of the Eland State 32-18S-33E RN #124H well (the "Well"), located in Section 32, Township 18 South, Range 33 East, Lea County, New Mexico, to test the Bone Spring formation. The estimated cost of drilling, testing, completing, and equipping the Well is \$6,172,296.00, as itemized on the enclosed Authority for Expenditure ("AFE") dated September 29, 2015.

The Well will be drilled to a total vertical depth of 9,379' and a total measured depth of 14,383', producing a treatable lateral of approximately 4,604' within the Bone Spring formation to be completed with 12 stages.

MRC is proposing to drill the Well under the terms of the modified 1989 AAPL form of Operating Agreement ("OA") which is enclosed herein for your review and approval. The Operating Agreement will cover all of Section 32, Township 18 South, Range 33 East, Lea County, New Mexico from the surface to the base of the Bone Spring formation ("Contract Area") pursuant to the following terms:

- 100/300/300 Non-consent penalty
- \$7,000/\$700 Drilling and Producing overhead rate

Please note that this OA will supersede two existing Operating Agreements currently in place, one of which governs the N½ of Section 32, and the other that governs the S½ of Section 32, for all future wells within the Contract Area as to the specified depths. By entering into the new OA that will blend the contractual interests in the existing Operating Agreements, MRC and all working interest parties will benefit from having one agreement govern operations for future horizontal development. ✓

MRC requests that you indicate your election to participate in the drilling and completion of the Well in the space provided below, sign and return one (1) copy of this letter along with your geological well requirements, the AFE, and the OA to the undersigned.

Nearburg Exploration Co., L.L.C. will own approximately 33.333333% working interest in the Well, subject to title verification.

If your election is to participate in the drilling and completion of the Well, please sign and return a copy of the enclosed AFE within thirty (30) days of receipt of this notice. Please be aware that the enclosed AFE is only an estimate of costs to be incurred and by electing to participate in the Well, each working interest owner shall be responsible for its proportionate share of all costs incurred.

Please contact me if you have any questions.

Sincerely,



Jeff Lierly, CPL

Enclosures

Please elect one of the following and return to sender.

_____. Party hereby elects to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Eland State 32-18S-33E RN #124II.

_____. Party hereby elects not to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Eland State 32-18S-33E RN #124II.

_____. I / We are interested in selling our interest in the Contract Area, please contact us to discuss.

Nearburg Exploration Co., L.L.C.

By: _____

Title: _____

Date: _____

MODEL FORM OPERATING AGREEMENT

Eland State 32 Working Interest Unit

OPERATING AGREEMENT

DATED

October 15 , 2015 ,
year

OPERATOR Matador Production Company

CONTRACT AREA Township 18 South, Range 33 East, N.M.P.M.

Section 32: All, see Exhibit A for depth and other limitations

COUNTY OF Lea , STATE OF New Mexico

COPYRIGHT 1989 - ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM
LANDMEN, 4100 FOSSIL CREEK BLVD.
FORT WORTH, TEXAS, 76137, APPROVED FORM.

A.A.P.L. NO. 610 - 1989

ARTICLE II.
EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

- X A. Exhibit "A," shall include the following information:
- (1) Description of lands subject to this agreement,
 - (2) Restrictions, if any, as to depths, formations, or substances,
 - (3) Parties to agreement with addresses and telephone numbers for notice purposes,
 - (4) Percentages or fractional interests of parties to this agreement,
 - (5) Oil and Gas Leases and/or Oil and Gas Interests subject to this agreement,
 - (6) Burdens on production.
- B. ~~Exhibit "B," Form of Lease.~~
- X C. Exhibit "C," Accounting Procedure.
- X D. Exhibit "D," Insurance.
- X E. Exhibit "E," Gas Balancing Agreement.
- X F. Exhibit "F," Non-Discrimination and Certification of Non-Segregated Facilities.
- G. ~~Exhibit "G," Tax Partnership.~~
- X H. Other: Model Form Recording Statement to Operating Agreement and Financing Statement

EXHIBIT "A"

Attached to and made a part of that certain Operating Agreement dated October 15, 2015, by and among Matador Production Company, as Operator, and MRC Delaware Resources, LLC et al, as Non-Operators (this "Agreement")

I. CONTRACT AREA:

Township 18 South, Range 33 East, N.M.P.M.
Section 32: All
Containing 640 acres, more or less
Lea County, New Mexico

Save and except the following wellbores:

- Atlantic 32 State #2 (API #30-025-31222) located 1980' FNL & 990' FWL of Section 32, Township 18 South, Range 33 East, N.M.P.M., Lea County, New Mexico.
- Atlantic 32 State #4 (API #30-025-31378) located 1650' FNL & 1650' FWL of Section 32, Township 18 South, Range 33 East, N.M.P.M., Lea County, New Mexico.
- Atlantic 32 State #7 (API #30-025-35237) located 1980' FNL & 780' FWL of Section 32, Township 18 South, Range 33 East, N.M.P.M., Lea County, New Mexico.
- Gazelle 32 State #1 (API #30-025-35009) located 660' FSL & 660' FWL of Section 32, Township 18 South, Range 33 East, N.M.P.M., Lea County, New Mexico.

This Operating Agreement shall replace and supersede all existing Operating Agreements between all or any portion of the parties hereto but only insofar as to the depth limitations from 4,600' to the base of the Bone Spring formation, as defined below, within the Contract Area described in this Operating Agreement. ✓

II. DEPTH RESTRICTIONS:

This Agreement covers all depths from 4,600' subsurface to the base of the Bone Spring formation. As used in this Agreement, the term "base of the Bone Spring formation" shall mean the stratigraphic equivalent of the geologic interval having a subsurface depth ending at a total vertical depth of approximately 10,672', as identified on the LEK 28 Federal #1 (API #30-025-31590) Halliburton Dual Laterolog, located 810' FSL & 660' FWL of Section 28, Township 18 South, Range 33 East, N.M.P.M., Lea County, New Mexico.

III. ADDRESS OF THE PARTIES:

Matador Production Company
MRC Delaware Resources, LLC
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, Texas 75240
Attn: David E. Lancaster, Executive Vice President
Phone: (972) 371-5200
Fax: (972) 371-5201
Email:

MRC Spiral Resources Company, LLC
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, Texas 75240
Attn:
Phone:
Fax:
Email:

MRC Explorers Resources Company, LLC
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, Texas 75240
Attn:
Phone:
Fax:
Email:

Nearburg Exploration Co., L.L.C.
3300 N. A Street, Bld.2, Suite 120
Midland, Texas 79705
Attn: Randy Howard, Land Manager
Phone: (432) 818-2914
Fax:
Email: rhoward@nearburg.com

Colkelan Corporation
903 S. St. Francis Drive, Suite C
Santa Fe, New Mexico 87501
Attn:
Phone:
Fax:
Email:

Nadel and Gussman Capitan LLC
15 East 5th Street, Suite 3200
Tulsa, Oklahoma 74103
Attn:
Phone:
Fax:
Email:

Sybel Blackman Carney, as her separate property
21 Trovita
Irvine, California 92720-1952
Phone:
Fax:
Email:

Dr. Robert B. Cahan and Bernice A. Cahan, husband and wife
2340 Sutter Street
San Francisco, California 94115
Phone:
Fax:
Email:

Lauralind Corporation
P.O. Box 2143
Roswell, New Mexico 88201
Attn:
Phone:
Fax:
Email:

Yvonne Maday Crandell
174 S. Mansfield
Los Angeles, California 90036
Phone:
Fax:
Email:

Rohoel, Inc.
1600 Broadway, Suite 1050
Denver, Colorado 80202
Attn:
Phone: (303) 894-9576
Fax:
Email:

IV. PERCENTAGES OF THE PARTIES:

	<u>Initial, Substitute and Subsequent Wells</u>
MRC Delaware Resources, LLC	57.675459%
MRC Spiral Resources Company, LLC	2.625426%
MRC Explorers Resources Company, LLC	2.375426%
Nearburg Exploration Co., L.L.C.	33.333333%
Colkelan Corporation	0.666666%
Nadel and Gussman Capitan LLC	2.625426%
Sybel Blackman Carney, as her separate property	0.118669%
Dr. Robert B. Cahan and Bernice A. Cahan, husband and wife	0.015823%
Lauralind Corporation	0.250000%
Yvonne Maday Crandell	0.015823%
Rohoel, Inc.	0.297949%
TOTAL	100.00000%

V. Oil and Gas Leases subject to this Agreement:

Oil and Gas Lease K0-1860

Date: October 17, 1961

Lessor: State of New Mexico

Lessee: The Atlantic Refining Company

Recorded: Not recorded

Lands Covered: insofar and only insofar as said lease covers the N½ of Section 32, Township 18 South, Range 33 East, N.M.P.M., Lea County, New Mexico

Oil and Gas Lease VB-0097

Date: May 1, 1987

Lessor: State of New Mexico

Lessee: Harvey E. Yates Company

Recorded: Not recorded

Lands Covered: insofar and only insofar as said lease covers the S½ of Section 32, Township 18 South, Range 33 East, N.M.P.M., Lea County, New Mexico

VI. Burdens on Production:

Burdens of record as of the effective date of this Agreement. All parties are still subject to their own respective leasehold burdens derived from existing contracts entered into prior to the effective date of this Agreement. The contractual interests of the parties outlined herein are derived from the following Joint Operating Agreements:

- 1) South Corbin Bone Spring Prospect Atlantic "32" State #1 Operating Agreement, dated July 28, 1989, between Harvey E. Yates Company, as Operator, and Spiral, Inc. et al, as Non-Operators, covering the N/2 of Section 32, Township 18 South, Range 33 East, N.M.P.M., Lea County, New Mexico.
- 2) Gazelle Prospect Operating Agreement, dated May 28, 1998, between Harvey E. Yates Company, as Operator, and Nearburg Exploration Company, L.L.C. et al, as Non-Operators, covering the S/2 of Section 32, Township 18 South, Range 33 East, N.M.P.M., Lea County, New Mexico. ✓

End of Exhibit "A"

MRC Permian Company

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240
Voice 972.371.5242 • Fax 214.866.4883
jlirly@matadorresources.com

Jeff Lierly, CPL
Senior Landman

October 28, 2015

VIA CERTIFIED RETURN RECEIPT MAIL

Nearburg Exploration Co., L.L.C.
3300 N. A Street, Bld. 2, Suite 120
Midland, Texas, 79705

Re: Eland State 32-18S-33E RN #123H Participation Proposal
SHL: 154' FNL & 1859' FEL; BHL: 240' FSL & 1870' FEL
Section 32, Township 18 South, Range 33 East
Lea County, New Mexico

Nearburg Exploration Co., L.L.C.:

MRC Permian Company and its operating company Matador Production Company (collectively "MRC") propose the drilling of the Eland State 32-18S-33E RN #124H well (the "Well"), located in the W/2E/2 of Section 32, Township 18 South, Range 33 East, Lea County, New Mexico, to test the Bone Spring formation. The estimated cost of drilling, testing, completing, and equipping the Well is \$6,185,429, as itemized on the enclosed Authority for Expenditure ("AFE") dated October 27, 2015.

The Well will be drilled to a total vertical depth of 9,750' and a total measured depth of 14,850', producing a treatable lateral of approximately 4,604' within the Bone Spring formation to be completed with 12 stages.

MRC is proposing to drill the Well under the terms of the modified 1989 AAPL form of Operating Agreement ("OA") which was previously furnished for your review and approval. The Operating Agreement will cover all of Section 32, Township 18 South, Range 33 East, Lea County, New Mexico from the surface to the base of the Bone Spring formation ("Contract Area") pursuant to the following terms:

- 100/300/300% Non-consent penalty
- \$7,000/\$700 Drilling and Producing overhead rate

Please note that this well proposal will replace the Eland State 32-18S-33E RN #124H proposal as the Initial Test Well for the OA that will supersede two existing Operating Agreements currently in place, one of which governs the N½ of Section 32, and the other that governs the S½ of Section 32, for all future wells within the Contract Area as to the specified depths. By entering into the new OA that will blend the contractual interests in the existing Operating Agreements, MRC and all

EXHIBIT 4-B

working interest parties will benefit from having one agreement govern operations for future horizontal development.

MRC requests that you indicate your election to participate in the drilling and completion of the Well in the space provided below, sign and return one (1) copy of this letter along with your geological well requirements, the AFE, and the OA to the undersigned.

Nearburg Exploration Co., L.L.C. will own approximately 33.333333% working interest in the Well, subject to title verification.

If your election is to participate in the drilling and completion of the Well, please sign and return a copy of the enclosed AFE within thirty (30) days of receipt of this notice. Please be aware that the enclosed AFE is only an estimate of costs to be incurred and by electing to participate in the Well, each working interest owner shall be responsible for its proportionate share of all costs incurred.

Please contact me if you have any questions.

Sincerely,



Jeff Lierly, CPL

Enclosures

Please elect one of the following and return to sender.

_____ Party hereby elects to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Eland State 32-18S-33E RN #123H.

_____ Party hereby elects not to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Eland State 32-18S-33E RN #123H.

_____ I / We are interested in selling our interest in the Contract Area, please contact us to discuss.

By: _____

Title: _____

Date: _____

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
311 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., Sante 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.
Sante 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

¹ API Number		² Pool Code	³ Pool Name
⁴ Property Code	⁵ Property Name ELAND STATE 32-18S-33E RN		⁶ Well Number #123H
⁷ OCRID No.	⁸ Operator Name MATADOR PRODUCTION COMPANY		⁹ Elevation 3754'

¹⁰Surface Location

U/L or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	32	18-S	33-E	-	154'	NORTH	1859'	EAST	LEA

U/L or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	32	18-S	33-E	-	240'	SOUTH	1870'	EAST	LEA

¹² Dedicated Acres 160	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ 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.

<p>SURFACE LOCATION NEW MEXICO EAST NAD 1927 X=700293 Y=622867 LAT.: N 32.7106679 LONG.: W 103.6821492</p> <p>FIRST PERFORATION POINT NEW MEXICO EAST NAD 1927 X=700283 Y=622891 LAT.: N 32.7101828 LONG.: W 103.6821660</p> <p>LAST PERFORATION POINT NEW MEXICO EAST NAD 1927 X=700315 Y=618070 LAT.: N 32.6974929 LONG.: W 103.6821750</p> <p>BOTTOM HOLE LOCATION NEW MEXICO EAST NAD 1927 X=700315 Y=617980 LAT.: N 32.6972355 LONG.: W 103.6821748</p>		<p>¹⁷OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or undivided mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p> <p>E-mail Address _____</p> <p>¹⁸SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true to the best of my belief.</p> <p>Date of Survey _____ Signature _____</p> <p></p> <p>Certificate Number _____</p>
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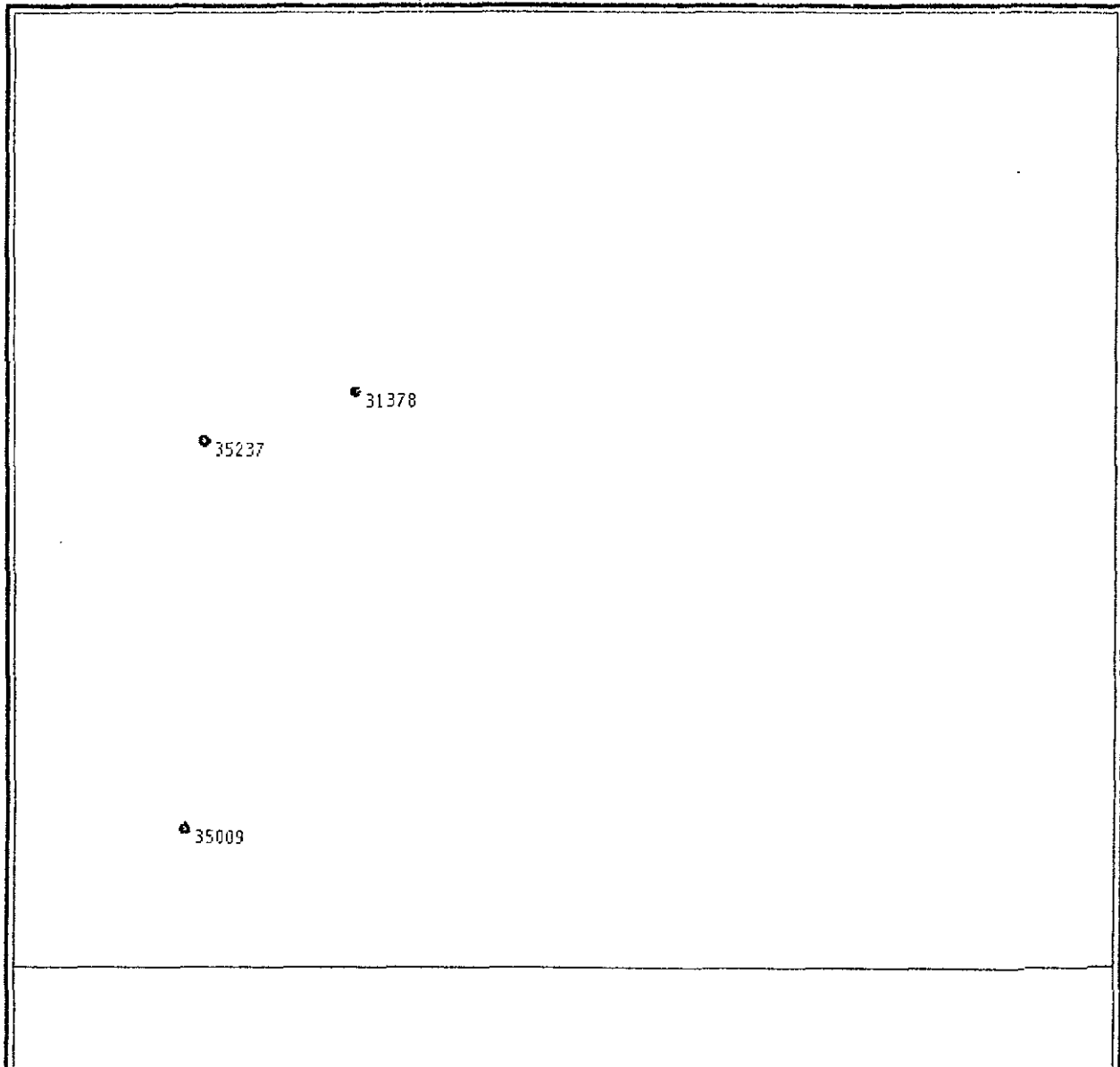
Phone (972) 371-5200 • Fax (972) 371-5201

ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE

TANGIBLE COSTS	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	TOTAL COSTS
41 Surface Casing	\$ 62,150	\$ -	\$ -	\$ 62,150
42 Intermediate Casing	155,200	-	-	155,200
43 Drilling Liner	-	-	-	-
44 Production Casing	372,628	-	-	372,628
45 Production Liner	-	-	-	-
46 Tubing	-	-	48,750	48,750
47 Wellhead	55,000	-	60,000	115,000
48 Packers, Liner Hangers	-	20,500	15,000	35,500
49 Tanks	-	-	-	-
50 Production Vessels	-	-	74,000	74,000
51 Flow Lines	-	-	50,000	50,000
52 Rod string	-	-	38,280	38,280
53 Artificial Lift Equipment	-	-	115,000	115,000
54 Compressor	-	-	-	-
55 Installation Costs	-	-	102,000	102,000
56 Surface Pumps	-	-	5,000	5,000
58 Non-controllable Surface	-	-	41,000	41,000
59 Non-controllable Downhole	-	-	-	-
61 Downhole Pumps	-	-	15,000	15,000
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	-	-	10,000	10,000
72 Instrumentation / Safety	-	-	-	-
TOTAL TANGIBLES >	644,978	20,900	586,530	1,252,408
TOTAL COSTS >	3,190,713	2,300,386	694,330	6,185,429

[illegible]

Untitled Search



Untitled Search

API#	Operator	Lease	Well#	County	Legal	Reservoir Name	Well Status	Pres. IP (BO/D)	Pres. IP (MCF/D)	First Prod.	Avg. (BO/D)	Avg. (MCF/D)	Last Prod.	Cumulative Oil	Cumulative Gas	Cumulative Water
30-025-31378	MATADOR PRODUCTION COMPANY	ATLANTIC 32 STATE	004	LEA	S.32, T.18S, R.33E	QUEEN	Active	58.23	28.13	Oct 1991	0.55		JUL 2015	43,422	33,813	22,642
30-025-35237	MATADOR PRODUCTION COMPANY	ATLANTIC 32 STATE	007	LEA	S.32, T.18S, R.33E	MORROW, SOUTH (GAS)	Active	11.52	625.55	Dec 2001	0.77	60.53	Sep 2015	7,977	755,164	445
30-025-35009	MATADOR PRODUCTION COMPANY	GAZELLE 32 STATE	031	LEA	S.32, T.18S, R.33E	MORROW, SOUTH (GAS)	Active	111.00	2,345.03	JUL 2000	1.03	171.27	Sep 2015	75,911	5,516,636	7,955