

# MRC Delaware Resources, LLC

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**Sam Pryor**  
**Senior Staff Landman**

March 8, 2017

VIA CERTIFIED RETURN RECEIPT MAIL

Louise Kadane and Michael L. Gustafson, Trustees  
of the 4-K Trust pursuant to a Declaration dated March 1, 1970, at the request of  
Matthew B. Kadane former Interest of George Kadane  
3878 Oak Lawn Avenue, Suite 575  
Dallas, Texas 75219-4478

Re: Airstrip 31 18S 35E State Com RN #132H Participation Proposal  
SHL: SE/4SW/4; BHL: NE/4NW/4  
Section 31, Township 18 South, Range 35 East  
Lea County, New Mexico

Working Interest Owner,

MRC Delaware Resources, LLC and its operating company Matador Production Company (collectively "MRC") propose the drilling of the Airstrip 31 18S 35E State Com RN #132H well (the "Well"), located in the E/2W/2 of Section 31, Township 18 South, Range 35 East, Lea County, New Mexico, to test the Bone Spring formation. The estimated cost of drilling, testing, completing, and equipping the Well is \$6,260,056, as itemized on the enclosed Authority for Expenditure ("AFE") dated March 1, 2017.

The Well will be drilled to a total vertical depth of 10,675' and a total measured depth of 15,432', producing a treatable lateral of approximately 4,633' within the Bone Spring formation to be completed with 19 stages.

MRC is proposing to drill the Well under the terms of a modified 1982 AAPL form of Operating Agreement ("OA") covering 160 acres, being the E/2W/2 of Section 31, Township 18 South, Range 35 East, Lea County, New Mexico from the surface to the base of the Wolfcamp formation ("Contract Area") pursuant to the following terms:

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

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.

BEFORE THE OIL CONSERVATION  
DIVISION  
Santa Fe, New Mexico  
Exhibit No. 4  
Case No. 15721

Louise Kadane and Michael L. Gustafson, Trustees of the 4-K Trust pursuant to a Declaration dated March 1, 1970, at the request of Matthew B. Kadane former Interest of George Kadane will own approximately 0.025% 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,

MRC Delaware Resources, LLC

  
Sam Pryor

Enclosure(s)

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 Airstrip 31 18S 35E State Com RN #132H.

\_\_\_\_\_ Party hereby elects not to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Airstrip 31 18S 35E State Com RN #132H.

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

**Louise Kadane and Michael L. Gustafson, Trustees of the 4-K Trust pursuant to a Declaration dated March 1, 1970, at the request of Matthew B. Kadane former Interest of George Kadane**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

ONE LINCOLN CENTRE • 5400 LBJ FREEWAY • SUITE 1500 • DALLAS, TEXAS 75240  
Phone (972) 371-8200 • Fax (972) 371-8201

DATE:	March 1, 2017	AFE NO.:	
WELL NAME:	Alatrip 31 18S 35E State Com RN 132H	FIELD:	
LOCATION:	E/2 W/2 31-18S-35E	MDTVO:	15432/10676
COUNTY/STATE:	Lea County, New Mexico	LATERAL LENGTH:	4.633
MERC W/:			
GEOLOGIC TARGET:	3rd Bone Spring		
REMARKS:	Drill, complete, and equip a horizontal 3rd Bone Spring well with 19 stages.		

TANGIBLE COSTS	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	FACILITY COSTS	TOTAL COSTS
Surface Casing	\$ 84,650	\$ -	\$ -	\$ -	\$ 84,650
Intermediate Casing	107,337	-	-	-	107,337
Drilling Liner	-	-	-	-	-
Production Casing	280,171	-	-	-	280,171
Production Liner	-	-	-	-	-
Tubing	-	-	58,000	-	58,000
Wellhead	41,000	-	40,000	-	81,000
Packers, Liner Hangers	9,000	32,400	-	-	41,400
Tanks	-	-	-	52,000	52,000
Production Vessels	-	-	50,000	22,900	72,900
Flow Lines	-	-	10,000	-	10,000
Rod string	-	-	-	-	-
Artificial Lift Equipment	-	-	68,000	-	68,000
Compressor	-	-	-	-	-
Installation Costs	-	-	57,000	60,000	117,000
Surface Pumps	-	-	-	-	-
Non-controllable Surface	-	-	-	40,000	40,000
Non-controllable Downhole	-	-	-	-	-
Downhole Pumps	-	-	-	-	-
Measurement & Meter Installation	-	-	7,000	58,500	65,500
Gas Conditioning / Dehydration	-	-	-	-	-
Interconnecting Facility Piping	-	-	-	-	-
Gathering / Bulk Lines	-	-	-	10,000	10,000
Valves, Dumps, Controllers	-	-	-	-	-
Tank / Facility Containment	-	-	-	30,000	30,000
Flare Stack	-	-	-	20,000	20,000
Electrical / Grounding	-	-	-	52,000	52,000
Communications / SCADA	-	-	-	-	-
Instrumentation / Safety	-	-	10,000	33,750	43,750
<b>TOTAL TANGIBLES &gt;</b>	<b>862,167</b>	<b>32,400</b>	<b>330,900</b>	<b>378,750</b>	<b>1,213,307</b>
<b>TOTAL COSTS &gt;</b>	<b>2,652,489</b>	<b>2,787,517</b>	<b>464,800</b>	<b>415,750</b>	<b>6,260,056</b>

Drilling Engineer: Patrick Walsh  
 Completions Engineer: Matt Gail  
 Production Engineer: Rakesh Patel

Team Lead - WTXAGM

STC

Executive VP, COO/CFO	VP - Res Engineering	VP - Drilling
DEL	SMR	BEG
Executive VP, Legal	Chief Geologist	VP - Production
CA	NLF	TWG
President		
MVN		

Company Name: \_\_\_\_\_ Working interest (%): \_\_\_\_\_ Tax ID: \_\_\_\_\_

Signed by: \_\_\_\_\_ Date: \_\_\_\_\_

Title: \_\_\_\_\_ Approvals: Yes \_\_\_\_\_ No (mark one)

The costs of this AFE are estimates only and may not be sufficient to achieve all the goals of the project. Taking regulatory-approved under the AFE may be delayed up to a year after the well has been completed. In executing this AFE, the Participant agrees to pay its proportionate share of actual costs incurred, including, but not limited to, regulatory, permitting and well costs under the terms of the applicable post-operating agreement, regulatory only or other agreement covering this well. Participants shall be counted by and billed proportionally for Operator's well costs and general liability insurance unless participant provides Operator a written waiver of cost-sharing as set forth, applicable to the Operator by the date of well.