

**BEFORE THE OIL CONSERVATION DIVISION
EXAMINER HEARING AUGUST 31, 2017**

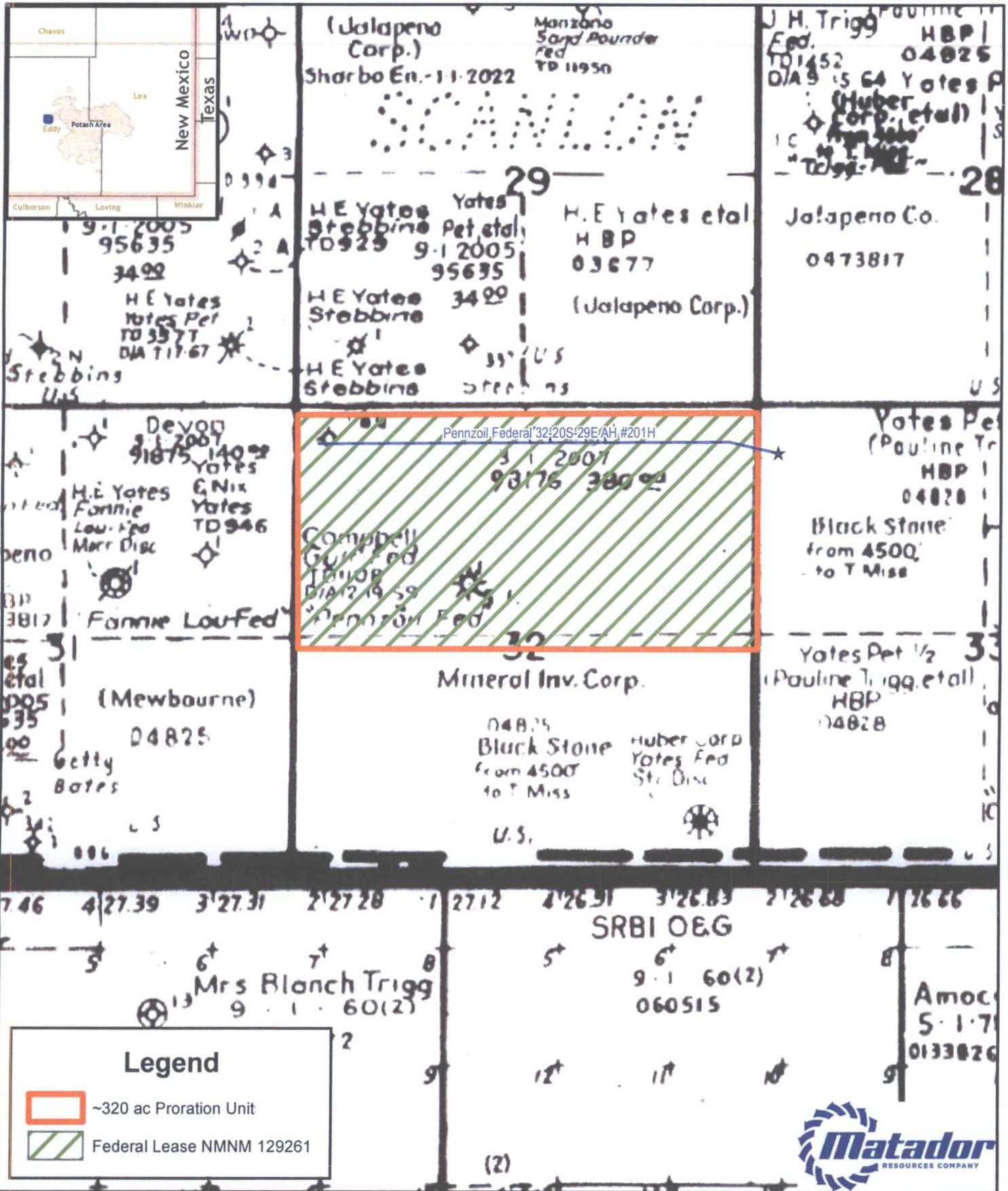
CASE NO. 15796

PENNZOIL 32 FED No. 201H WELL

EDDY COUNTY, NEW MEXICO



32-20S-29E



1:18,000

1 inch = 1,500 feet

Southeast New Mexico

GIS Standard Map Disclaimer:
This cartographic product is for informational purposes and may not have been prepared for, or be suitable for, legal, engineering, or surveying purposes. Users of this information should review or consult the primary data and information sources to ascertain the suitability of the information.

Date: August 28, 2017
Coordinate System: NAD 1927 StatePlane New Mexico East FIPS 3001
Projection: Transverse Mercator; Datum: North American 1927; Units: Foot US
Sources: IHS; ESRI;



BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico

Exhibit No. 1
Submitted by: **MATADOR PRODUCTION CO.**

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., 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 73480	³ Pool Name BURTON FLAT; WOLFCAMP, EAST (GAS)	
⁴ Property Code	⁵ Property Name PENNZOIL 32 FED		⁶ Well Number #201H	
⁷ OGRID No.	⁸ Operator Name MATADOR PRODUCTION COMPANY		⁹ Elevation 3264'	

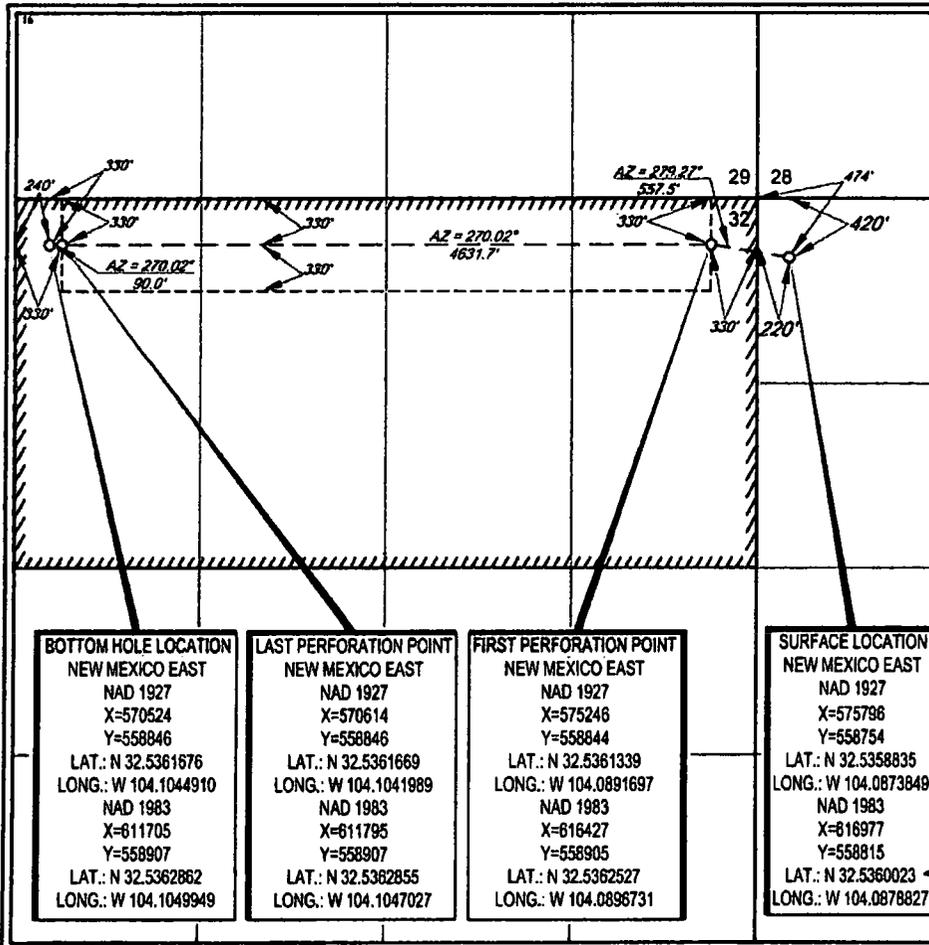
¹⁰Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	33	20-S	29-E	-	420'	NORTH	220'	WEST	EDDY

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	32	20-S	29-E	-	330'	NORTH	240'	WEST	EDDY

¹¹ Dedicated Acres 320	¹² Joint or Infill	¹³ Consolidation Code	¹⁴ 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.



BOTTOM HOLE LOCATION
NEW MEXICO EAST
NAD 1927
X=570524
Y=558846
LAT.: N 32.5361676
LONG.: W 104.1044910
NAD 1983
X=811705
Y=558907
LAT.: N 32.5362862
LONG.: W 104.1049949

LAST PERFORATION POINT
NEW MEXICO EAST
NAD 1927
X=570614
Y=558846
LAT.: N 32.5361669
LONG.: W 104.1041989
NAD 1983
X=811795
Y=558907
LAT.: N 32.5362855
LONG.: W 104.1047027

FIRST PERFORATION POINT
NEW MEXICO EAST
NAD 1927
X=575246
Y=558844
LAT.: N 32.5361339
LONG.: W 104.0891697
NAD 1983
X=816427
Y=558905
LAT.: N 32.5362527
LONG.: W 104.0896731

SURFACE LOCATION
NEW MEXICO EAST
NAD 1927
X=575796
Y=558754
LAT.: N 32.5358835
LONG.: W 104.0873849
NAD 1983
X=816977
Y=558815
LAT.: N 32.5360023
LONG.: W 104.0878827

¹⁷OPERATOR CERTIFICATION

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 unleased 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.

Cassie Hahn 7/12/17
Signature Date

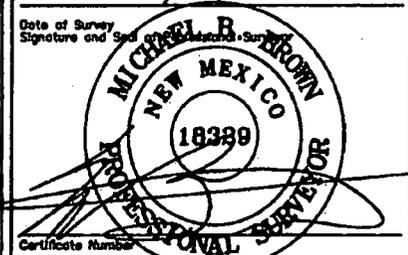
Cassie Hahn
Printed Name

chahn@matadorresources.com
E-mail Address

¹⁸SURVEYOR CERTIFICATION

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.

07/27/2016
Date of Survey
Signature and Seal of Surveyor



D:\USER\DATA\STOVALL\DESKTOP\STEBBINS_PENNZOIL\PENNZOIL 32 SLOT 1\LO_PENNZOIL_32_FED_201H_Rv2.DWG 8/23/2016 11:55:20 AM (plotted)

Summary of Interests*

MRC Delaware Resources, LLC Working Interest		40.00%
Compulsory Pool Interest Total:		60.00%
Interest Owner:	Description:	Interest:
Marathon Oil Corporation	Working Interest Owner	60.00%

Pennzoil 32 Fed #201H

*The Summary of Interests was calculated based on a 320 acre unit and is subject to the final surveyed perimeter



BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. 3

Submitted by: MATADOR PRODUCTION CO.

Hearing Date: August 31, 2017

pMRC Delaware Resources, LLC

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

Voice 972.371.5241 • Fax 214.866.4883

spryor@matadorresources.com

Sam Pryor
Senior Staff Landman

May 1, 2017

VIA CERTIFIED RETURN RECEIPT MAIL

Nadel and Gussman Delaware, LLC
15 East 5th Street Ste 3300
Tulsa, OK 74103

Re: Pennzoil 32 Fed #201H Participation Proposal
SHL: Section 33 - NW4NW4; BHL: Section 32- NW4NW4
Section 32, Township 20 South, Range 29 East
Eddy County, New Mexico

Nadel and Gussman Delaware, LLC,

MRC Delaware Resources, LLC and its operating company Matador Production Company (collectively "MRC") propose the drilling of the Pennzoil 32 Federal #201H well (the "Well"), located in the N2N2 of Section 32, Township 20 South, Range 29 East, Eddy County, New Mexico, to test the Wolfcamp formation. The estimated cost of drilling, testing, completing, and equipping the Well is \$7,581,913 as itemized on the enclosed Authority for Expenditure ("AFE") dated March 27, 2017.

The Well will be drilled to a total vertical depth of 9,465' and a total measured depth of 14,749', producing a treatable lateral of approximately 4,653' within the Wolfcamp formation to be completed with 22 stages.

MRC is proposing to drill the Well under the terms of a modified 1989 AAPL form of Operating Agreement ("OA") covering 320 acres, being the N2 of Section 32, Township 20 South, Range 29 East, Eddy 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.

Nadel and Gussman Delaware, LLC will own approximately 0.21000000% 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 Pennzoil 32 Federal #201H.

_____ Party hereby elects not to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Pennzoil 32 Federal #201H.

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

Nadel and Gussman Delaware, LLC

By: _____

Title: _____

Date: _____

MRC Delaware Resources, LLC

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

Voice 972.371.5241 • Fax 214.866.4883

spryor@matadorresources.com

Sam Pryor
Senior Staff Landman

May 1, 2017

VIA CERTIFIED RETURN RECEIPT MAIL

Crown Oil Partners V, LP
PO Box 50820
Midland, TX 79710

Re: Pennzoil 32 Fed #201H Participation Proposal
SHL: Section 33 - NW4NW4; BHL: Section 32- NW4NW4
Section 32, Township 20 South, Range 29 East
Eddy County, New Mexico

Crown Oil Partners V, LP,

MRC Delaware Resources, LLC and its operating company Matador Production Company (collectively "MRC") propose the drilling of the Pennzoil 32 Federal #201H well (the "Well"), located in the N2N2 of Section 32, Township 20 South, Range 29 East, Eddy County, New Mexico, to test the Wolfcamp formation. The estimated cost of drilling, testing, completing, and equipping the Well is \$7,581,913 as itemized on the enclosed Authority for Expenditure ("AFE") dated March 27, 2017.

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- 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.

Crown Oil Partners V, LP will own approximately 0.19500000% 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)

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

Crown Oil Partners V, LP

By: _____

Title: _____

Date: _____

MRC Delaware Resources, LLC

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240
Voice 972.371.5241 • Fax 214.866.4883
spryor@matadorresources.com

Sam Pryor
Senior Staff Landman

May 1, 2017

VIA CERTIFIED RETURN RECEIPT MAIL

Crump Energy Partners II, LLC
PO Box 50820
Midland, TX 79710

Re: Pennzoil 32 Fed #201H Participation Proposal
SHL: Section 33 - NW4NW4; BHL: Section 32- NW4NW4
Section 32, Township 20 South, Range 29 East
Eddy County, New Mexico

Crump Energy Partners II, LLC,

MRC Delaware Resources, LLC and its operating company Matador Production Company (collectively "MRC") propose the drilling of the Pennzoil 32 Federal #201H well (the "Well"), located in the N2N2 of Section 32, Township 20 South, Range 29 East, Eddy County, New Mexico, to test the Wolfcamp formation. The estimated cost of drilling, testing, completing, and equipping the Well is \$7,581,913 as itemized on the enclosed Authority for Expenditure ("AFE") dated March 27, 2017.

The Well will be drilled to a total vertical depth of 9,465' and a total measured depth of 14,749', producing a treatable lateral of approximately 4,653' within the Wolfcamp formation to be completed with 22 stages.

MRC is proposing to drill the Well under the terms of a modified 1989 AAPL form of Operating Agreement ("OA") covering 320 acres, being the N2 of Section 32, Township 20 South, Range 29 East, Eddy 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.

Crump Energy Partners II, LLC will own approximately 0.19500000% 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 Pennzoil 32 Federal #201H.

_____ Party hereby elects not to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Pennzoil 32 Federal #201H.

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

Crump Energy Partners II, LLC

By: _____

Title: _____

Date: _____

MATADOR PRODUCTION COMPANY

ONE LINCOLN CENTRE • 8400 LBJ FREEWAY • SUITE 1500 • DALLAS, TEXAS 75240

Phone (972) 371-5200 • Fax (972) 371-5201

ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE

DATE:	March 28, 2017	AFE NO.:	
WELL NAME:	Pennzoil 32 Fed #201H	FIELD:	Wolfcamp
LOCATION:	N/2N/2 Sec. 32, T20S-R20E	MD/TVD:	14,749 / 9,465'
COUNTY/STATE:	Eddy	LATERAL LENGTH:	4,653'
MRC Wt:			
GEOLOGIC TARGET:	Upper Wolfcamp		
REMARKS:	Drill, complete, and equip a horizontal Upper Wolfcamp well with 22 stages.		

INTANGIBLE COSTS	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	FACILITY COSTS	TOTAL COSTS
Land / Legal / Regulatory	\$ 51,700	\$ -	\$ -	\$ -	\$ 51,700
Location, Surveys & Damages	81,500	13,000	5,000	28,000	108,500
Drilling	782,950	-	-	-	782,950
Cementing & Float Equip	201,000	-	-	-	201,000
Logging / Formation Evaluation	-	6,000	-	-	6,000
Mud Logging	25,088	-	-	-	25,088
Mud Circulation System	50,428	-	-	-	50,428
Mud & Chemicals	105,800	20,000	-	-	125,800
Mud / Wastewater Disposal	153,000	-	-	-	153,000
Freight / Transportation	15,000	12,000	-	-	27,000
Rig Supervision / Engineering	115,600	57,500	3,200	6,500	182,200
Drill Btts	94,000	-	-	-	94,000
Fuel & Power	88,825	-	-	-	88,825
Water	37,000	450,000	-	-	487,000
Drig & Completion Overhead	9,000	6,500	-	-	15,500
Plugging & Abandonment	-	-	-	-	-
Directional Drilling, Surveys	245,000	-	-	-	245,000
Completion Unit, Swab, CTU	-	40,000	10,500	-	50,500
Perforating, Wireline, Bliddline	-	142,500	-	-	142,500
High Pressure Pump Truck	-	42,000	10,500	-	52,500
Stimulation	-	2,288,000	-	-	2,288,000
Stimulation Flowback & Otap	-	180,500	4,500	-	185,000
Insurance	28,333	-	-	-	28,333
Labor	100,500	9,000	6,000	-	115,500
Rental - Surface Equipment	54,088	103,059	1,000	1,800	159,947
Rental - Downhole Equipment	56,000	28,000	-	-	84,000
Rental - Living Quarters	83,863	29,570	1,000	800	80,733
Contingency	116,744	342,363	2,870	3,740	465,516
TOTAL INTANGIBLES >	2,451,817	3,788,988	44,370	41,140	6,303,114
TANGIBLE COSTS	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	FACILITY COSTS	TOTAL COSTS
Surface Casing	\$ 35,450	\$ -	\$ -	\$ -	\$ 35,450
Intermediate Casing	43,000	-	-	-	43,000
Drilling Liner	348,106	-	-	-	348,106
Production Casing	211,643	-	-	-	211,643
Production Liner	-	-	-	-	-
Tubing	-	-	40,075	-	40,075
Wellhead	48,000	-	40,000	-	88,000
Packers, Liner Hangers	8,000	37,800	-	-	45,800
Tanks	-	-	-	76,000	76,000
Production Vessels	-	-	60,000	83,250	143,250
Flow Lines	-	-	17,000	7,500	24,500
Rod string	-	-	-	-	-
Artificial Lift Equipment	-	-	58,000	-	58,000
Compressor	-	-	-	-	-
Installation Costs	-	-	50,000	21,000	71,000
Surface Pumps	-	-	5,000	-	5,000
Non-controllable Surface	-	-	-	15,000	15,000
Non-controllable Downhole	-	-	-	-	-
Downhole Pumps	-	-	-	-	-
Measurement & Meter Installation	-	-	18,225	14,000	30,225
Gas Conditioning / Dehydration	-	-	-	-	-
Interconnecting Facility Piping	-	-	-	-	-
Gathering / Bulk Lines	-	-	-	-	-
Valves, Dumps, Controllers	-	-	-	-	-
Tank / Facility Containment	-	-	-	7,500	7,500
Flare Stack	-	-	-	10,750	10,750
Electrical / Grounding	-	-	21,250	7,500	28,750
Communications / SCADA	-	-	-	-	-
Instrumentation / Safety	-	-	2,500	18,250	18,750
TOTAL TANGIBLES >	692,199	37,800	280,050	258,750	1,278,799
TOTAL COSTS >	3,143,816	3,826,788	334,420	299,890	7,581,913

PREPARED BY MATADOR PRODUCTION COMPANY:

Drilling Engineer:	Patrick Walsh	Team Lead - WTX/NM	
Completions Engineer:	Matt Bell		JTG
Production Engineer:	Rakesh Patel		

MATADOR RESOURCES COMPANY APPROVAL:

Executive VP, COO/CFO	VP - Res Engineering	VP - Drilling
DEL	BMR	BG
Executive VP, Legal	Exec Dir - Exploration	VP - Production
CA	NLF	TWG
President		
MVH		

NON OPERATING PARTNER APPROVAL:

Company Name:	Working Interest (%):	Tax ID:
Signed by:	Date:	
Title:	Approval: Yes	No (mark one)

This cost on this AFE are estimates only and may not be accurate as settings are not specified on the total cost of this project. Third parties approval under this AFE may be required to be a part of this well has been executed. In executing this AFE, the Participant agrees to pay its proportional share of actual costs incurred, including, but not limited to, royalties, shut-in and well costs under the terms of the applicable joint operating agreement, regulatory order or other agreement covering the well. Participants shall be deemed to have approved and shall be responsible for Operator's well control and general liability insurance unless participant provides Quarterly a certificate attesting to such insurance to an amount acceptable to the Operator by the date of issue.

Jordan L. Kessler

From: Sam Pryor <spryor@matadorresources.com>
Sent: Tuesday, August 22, 2017 7:43 AM
To: Brown, Matthew D. (MRO)
Cc: Tate, Matthew S. (MRO); Gorman, Jessica (MRO)
Subject: Re: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Thanks, Matt. I am out of the office but available by cell if you need to discuss.

214-435-5918

Sam

Sent from my iPhone

On Aug 22, 2017, at 8:00 AM, Brown, Matthew D. (MRO) <mbrown3@marathonoil.com> wrote:

****EXTERNAL EMAIL****

Sam,

Sorry for the delayed response. Our Subsurface team has been swamped with 2018 budget work and other projects. I'll try and get final decision this week so that you can avoid having to go to hearing.

Regards,

Matt Brown, CPL
Marathon Oil Corporation
Land – Permian
Ph# 713.296.3408 / Cell# 281.468.8833
5555 San Felipe St. / Houston, TX 77056

From: Sam Pryor [<mailto:spryor@matadorresources.com>]
Sent: Monday, August 21, 2017 11:09 AM
To: Brown, Matthew D. (MRO) <mbrown3@marathonoil.com>
Cc: Tate, Matthew S. (MRO) <matthewstate@marathonoil.com>; Gorman, Jessica (MRO) <jgorman1@marathonoil.com>
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Matt,

I wanted to follow up on the proposed terms for our Pennzoil 32 term assignment. The force pool hearing is scheduled for next week and I would like to be able to come to terms this week and potentially close prior to the hearing next week. Let me know if you have any questions or concerns.

Thanks,
Sam

From: Sam Pryor
Sent: Wednesday, August 09, 2017 12:53 PM

To: 'Brown, Matthew D. (MRO)'
Cc: Tate, Matthew S. (MRO); Gorman, Jessica (MRO)
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Matt,

Below is a WI breakdown per our title opinion. It is my understanding that Marathon has acquired each of the below interests. Please let me know if Marathon has not acquired some or all of these interests. The WI % is based on a 320 acre contractual unit.

Net Acres	WI	
		Leased
67.2000	0.21000000	Nadel and Gussman Delaware, LLC (WI)
62.4000	0.19500000	Crown Oil Partners V, LP (WI)
62.4000	0.19500000	Crump Energy Partners II, LLC (WI)

Let me know if you have any questions.

Sam

From: Brown, Matthew D. (MRO) [<mailto:mbrown3@marathonoil.com>]
Sent: Wednesday, August 02, 2017 11:59 AM
To: Sam Pryor
Cc: Tate, Matthew S. (MRO); Gorman, Jessica (MRO)
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Sam,

I apologize in advance if I have already asked this question. However, what is the background on the 60/40% WI split? Our records show that we own 160 net acres. However, I seem to recall that a JV Agreement defined contractual interests as 60/40%. Thanks in advance for any background you can provide.

Regards,

Matt Brown, CPL
Marathon Oil Corporation
Land - Permian
Ph# 713.296.3408 / Cell# 281.468.8833
5555 San Felipe St. / Houston, TX 77056

From: Sam Pryor [<mailto:spryor@matadorresources.com>]
Sent: Monday, July 31, 2017 12:28 PM
To: Brown, Matthew D. (MRO) <mbrown3@marathonoil.com>
Cc: Tate, Matthew S. (MRO) <matthewstate@marathonoil.com>; Chris Carleton <ccarleton@matadorresources.com>
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Matt,

I apologize for the delay. Please find below proposed terms for the term assignment.

- Term: 2 Years
- Acres: ~ 192 NMA
- Bonus: \$6,000 / NMA (\$1,152,000.00)
- NRI: All
- Depths: All
- CDC: 180 Days

Let me know if you have any questions.

Sam

From: Brown, Matthew D. (MRO) [<mailto:mbrown3@marathonoil.com>]
Sent: Tuesday, July 25, 2017 6:25 PM
To: Sam Pryor
Cc: Tate, Matthew S. (MRO); Chris Carleton
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Sam,

Can you submit a proposal containing the key terms (i.e. Term, Bonus, NRI to deliver, etc.) so that we can review with the asset team? The proposal can be a simple bullet point list. Of course any proposal submitted would be non-binding until execution of a final Agreement. Let me know if this path forward works for Matador.

From: Sam Pryor <spryor@matadorresources.com>
Date: July 25, 2017 at 17:37:34 CDT
To: Brown, Matthew D. (MRO) <mbrown3@marathonoil.com>
Cc: Tate, Matthew S. (MRO) <matthewstate@marathonoil.com>, Chris Carleton <ccarleton@matadorresources.com>
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Matt,

It was nice to put a face to a name. We do plan to pursue a term assignment route for the Pennzoil 32 prospect. My A&D attorneys are pretty swamped at the moment and I think it would be more timely for both of us if we could come to an understanding on terms and tailor an agreement to fit the terms.

I recall that you may be handing item off to another. Who would you prefer me to discuss terms with? Alternatively, I can prepare an e-mail with proposed terms to get the gears started.

Let me know what works best for your group.

Sam

From: Brown, Matthew D. (MRO) [<mailto:mbrown3@marathonoil.com>]
Sent: Tuesday, July 25, 2017 4:44 PM
To: Sam Pryor
Cc: Chris Carleton; Tate, Matthew S. (MRO)
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Sam,

It was good to meet you face-to-face in Santa Fe last week. I wanted to follow up with you on Matador's proposed Pennzoil Unit and Well Proposals. Is Matador still considering making a Term Assignment proposal for Marathon's interest in the Pennzoil Unit? Thanks in advance for the update.

Regards,

Matt Brown, CPL
Marathon Oil Corporation
Land - Permian
Ph# 713.296.3408 / Cell# 281.468.8833
5555 San Felipe St. / Houston, TX 77056

From: Sam Pryor [<mailto:spryor@matadorresources.com>]
Sent: Tuesday, July 11, 2017 6:25 PM
To: Brown, Matthew D. (MRO) <mbrown3@marathonoil.com>
Cc: Chris Carleton <ccarleton@matadorresources.com>; Tate, Matthew S. (MRO) <matthewstate@marathonoil.com>
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Thanks, Matt. I look forward to the call.

Sam

From: Brown, Matthew D. (MRO) [<mailto:mbrown3@marathonoil.com>]
Sent: Tuesday, July 11, 2017 6:23 PM
To: Sam Pryor
Cc: Chris Carleton; Tate, Matthew S. (MRO)
Subject: Re: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Sam,

Sorry I missed your call. I am traveling to Midland today but will call you tomorrow afternoon to discuss our options with respect to the Pennzoil proposals.

Matt Brown
mbrown3@marathonoil.com
(281) 468-8833

From: Sam Pryor <spryor@matadorresources.com>
Sent: Tuesday, July 11, 2017 4:20:16 PM
To: Brown, Matthew D. (MRO)
Cc: Chris Carleton; Tate, Matthew S. (MRO); Cassie Hahn; Neal, Lane E. (MRO)
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Matt,

I left a voicemail for you and wanted to respond to your note as well. We are open to either of these deal structures as a concept and would ask that you give me a call discuss in more detail at your convenience. If you prefer, I can put some additional thoughts together via e-mail later this week.

Sam

From: Brown, Matthew D. (MRO) [<mailto:mbrown3@marathonoil.com>]
Sent: Monday, July 10, 2017 7:48 AM
To: Sam Pryor
Cc: Chris Carleton; Tate, Matthew S. (MRO); Cassie Hahn; Neal, Lane E. (MRO)
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Thank you for the update Sam. Certainly executing a mutually agreeable acreage trade is our preference. However, in the event we are unable to execute an acreage trade would Matador be interested acquiring all or a portion of Marathon's interest via a Farmout or Term Assignment? Please advise.

Regards,

Matt Brown, CPL
Marathon Oil Corporation
Land – Permian
Ph# 713.296.3408 / Cell# 281.468.8833
5555 San Felipe St. / Houston, TX 77056

From: Sam Pryor [<mailto:spryor@matadorresources.com>]
Sent: Sunday, July 09, 2017 11:29 AM
To: Brown, Matthew D. (MRO) <mbrown3@marathonoil.com>
Cc: Chris Carleton <ccarleton@matadorresources.com>; Tate, Matthew S. (MRO) <matthewstate@marathonoil.com>; Cassie Hahn <CHahn@matadorresources.com>
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Matt,

We had an issue arise on my asset area's rig schedule last week. This asset area is running thin on desirable back up locations and we are being asked to bring the Pennzoil 32 prospect forward for a potential October spud date. If possible, let's push these trade discussions forward next week and see what we have to work with.

Please note that I will have to file for force pooling by the end of next week to get a hearing date scheduled that could allow enough time for the OCD to turn around an order prior to spud. We prefer to execute on a trade or come to another arrangement and appreciate your help on bringing it forward.

Please let me know when you are ready to discuss or if you have any questions.

Sam

From: Brown, Matthew D. (MRO) [<mailto:mbrown3@marathonoil.com>]
Sent: Friday, July 07, 2017 1:58 PM
To: Sam Pryor
Cc: Chris Carleton; Tate, Matthew S. (MRO); Cassie Hahn
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Thanks Sam.

Matt Brown, CPL
Marathon Oil Corporation
Land – Permian
Ph# 713.296.3408 / Cell# 281.468.8833
5555 San Felipe St. / Houston, TX 77056

From: Sam Pryor [<mailto:spryor@matadorresources.com>]
Sent: Friday, July 07, 2017 9:13 AM
To: Brown, Matthew D. (MRO) <mbrown3@marathonoil.com>
Cc: Chris Carleton <ccarleton@matadorresources.com>; Tate, Matthew S. (MRO) <matthewstate@marathonoil.com>; Cassie Hahn <CHahn@matadorresources.com>
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Matt,

I have put in a request to our Land Admin group for confirmation but our GIS map is showing that Matador owns 5.21 NMA in the N/2 NE/4 of Sec. 30 – 23S-28E, Eddy County.

Thanks,

Sam

From: Brown, Matthew D. (MRO) [mailto:mbrown3@marathonoil.com]
Sent: Friday, July 07, 2017 7:14 AM
To: Sam Pryor
Cc: Chris Carleton; Tate, Matthew S. (MRO)
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Sam,

Reference is made to the email below. Can you confirm Matador's ownership in the tract described in the email?

Thanks,

Matt Brown, CPL
Marathon Oil Corporation
Land - Permian
Ph# 713.296.3408 / Cell# 281.468.8833
5555 San Felipe St. / Houston, TX 77056

From: Brown, Matthew D. (MRO)
Sent: Thursday, June 29, 2017 3:11 PM
To: 'Sam Pryor' <spryor@matadorresources.com>
Cc: Chris Carleton <ccarleton@matadorresources.com>; Matthew S. Tate (MRO) (MATTHEWSTATE@MARATHONOIL.COM) <MATTHEWSTATE@MARATHONOIL.COM>
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Sam,

I am still in the process of trying to put together an accurate map of Matador's acreage so I can review potential acreage trades. Based on an initial version of a Matador acreage map it appears

Matador owns interest in the N/2 NE/4 of Sec. 30 – 23S-28E, Eddy County. Can you verify whether or not Matador owns any interest in this 80 acre tract?

Thanks,

Matt Brown, CPL
Marathon Oil Corporation
Land – Permian
Ph# 713.296.3408 / Cell# 281.468.8833
5555 San Felipe St. / Houston, TX 77056

From: Sam Pryor [mailto:spryor@matadorresources.com]
Sent: Friday, June 23, 2017 11:26 AM
To: Gorman, Jessica (MRO) <jgorman1@marathonoil.com>
Cc: Brown, Matthew D. (MRO) <mbrown3@marathonoil.com>; Chris Carleton <ccarleton@matadorresources.com>
Subject: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Beware of links/attachments.

Jessica,

Chris Carleton informed me that you have had difficulties contacting me. I am in receipt of your voicemail from Tuesday and your e-mail from Wednesday. I apologize for the delayed response as I have been in the field.

Matador may file for a force pooling hearing in the near future but my recent discussion with Matt Brown indicated that Marathon is preparing to propose an acreage trade to Matador. I wanted to allow a reasonable amount of time for a mutually agreeable trade to develop before pushing forward with a hearing.

With regards to the proposed OA, we have not revised the exhibits to the Pennzoil 32 OA due to the anticipation of an acreage trade. I am happy to revise the Exhibit "A" to reflect Marathon's interest in this proposed contract area and will provide to you next week.

I anticipate that you are following your internal process as it related to non-op well proposals but please let me know if Marathon now desires to participate in these Pennzoil 32 wells as opposed to trading out.

Best regards,

Sam

Sam Pryor

Senior Staff Landman

Matador Resources Company

One Lincoln Centre

5400 LBJ Freeway

Suite 1500

Dallas, Texas 75240

Phone: 972-371-5241

Fax: 972-371-5201

Cell: 214-435-5918

spyor@matadorresources.com



From: Gorman, Jessica (MRO) [<mailto:jgorman1@marathonoil.com>]
Sent: Wednesday, June 21, 2017 8:59 AM
To: Sam Pryor
Subject: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM
Importance: High

Morning Sam,

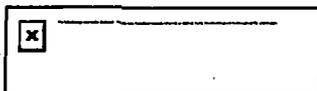
Does Matador plan to file a pooling or non-standard spacing unit application for the subject wells? Since Marathon has acquired Nadel and Gussman, Crown and Crump's working interest in the Permian could you provide at your convenience a revised Exhibit A and signature pages reflecting Marathon Oil Permian LLC as a working interest owner.

Also, the AFE proposals are showing 3 listed wells for Nadel and Gussman's working interest but I did not locate anything for Crown or Crump's working interest which is indicated in the Proposed JOA. So I was hoping to see if you have any documents or a DOTO showing the breakdown of the WI's?

I appreciate your help on all the my question and I look forward to hear from you.

Respectfully,

Jessica Gorman

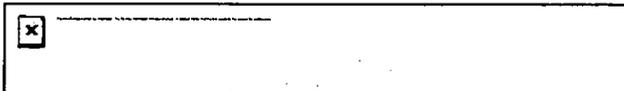


Land Technician – Permian

Telephone: 713-296-3024

5555 San Felipe St.

Houston, Texas 77056



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HOLLAND & HART



Jordan L. Kessler
Associate
Phone (505) 988-4421
Fax (505) 983-6043
JLKessler@hollandhart.com

August 11, 2017

VIA CERTIFIED MAIL
CERTIFIED RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

**Re: Application of Matador Production Company for compulsory pooling, Eddy
County, New Mexico.**
Pennzoil 32 Fed No. 201H Well

Ladies & Gentlemen:

This letter is to advise you that Matador Production Company has filed the enclosed application with the New Mexico Oil Conservation Division. This application will be set for hearing before a Division Examiner at 8:15 a.m. on August 31, 2017. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 19.15.4.13.B to file a Pre-hearing Statement four business days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

If you have any questions about this matter please contact Cassie Hahn, at (972) 371-5440 or chan@matadorresources.com.

Sincerely,

Jordan L. Kessler
ATTORNEY FOR
MATADOR PRODUCTION COMPANY

Holland & Hart

Phone (505) 988-4421 Fax (505) 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, New Mexico 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Arvada, Boulder, Canon City, Colorado Springs, Denver, Denver Tech Center, Billings, Boise, Cheyenne, Jackson Hole, Las Vegas, Reno, Salt Lake City, Santa Fe, Washington, DC

**Pennzoil Fed No. 131H, 132H, 201H – Pooled Party- Case No. 15794, Case No.
15795, Case No. 15796**

Marathon Oil Corporation
Attn: Matt Brown
5555 San Felipe St.
Houston, TX 77056

4345 228 0000 8377 5434

U.S. Postal Service CERTIFIED MAIL® RECEIPT

Domestic Mail Only
For delivery information, visit usps.com
Pennzoil Case No. 15794, 15795, 15796, 15797

OFFICE

- Certified Mail Fee \$
- Extra Services & Fees (check box, add fee if applicable)
- Return Receipt (hardcopy) \$
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 - Certified Mail Restricted Delivery \$
 - Adult Signature Required \$
 - Adult Signature Restricted Delivery \$



Marathon Oil Corporation
Attn: Matt Brown
5555 San Felipe St.
Houston, TX 77056

Postage
\$ Total
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Street
City

COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Marathon Oil Corporation
Attn: Matt Brown
5555 San Felipe St.
Houston, TX 77056

9590 9402 2942 7094 6385 69

2. Article Number (transfer from container label)

7017 1450 0000 8377 5434

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *[Signature]* Agent
 Addressee

B. Received by (Printed Name)

D. Kurima

C. Date of Delivery

8/13/17

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type

- Adult Signature
- Adult Signature Restricted Delivery
- Certified Mail®
- Certified Mail Restricted Delivery
- Collect on Delivery
- Collect on Delivery Restricted Delivery
- Priority Mail Express®
- Registered Mail™
- Registered Mail Restricted Delivery
- Return Receipt for Merchandise
- Signature Confirmation
- Signature Confirmation Restricted Delivery

Affidavit of Publication

State of New Mexico,
County of Eddy, ss.

Danny Fletcher, being first duly
sworn, on oath says:

That he is the Publisher of the
Carlsbad Current-Argus, a
newspaper published daily at the
City of Carlsbad, in said county of
Eddy, state of New Mexico and of
general paid circulation in said
county; that the same is a duly
qualified newspaper under the laws
of the State wherein legal notices
and advertisements may be
published; that the printed notice
attached hereto was published in the
regular and entire edition of said
newspaper and not in supplement
thereof on the date as follows, to wit:

August 16 2017

That the cost of publication is
\$148.84 and that payment thereof
has been made and will be
assessed as court costs.

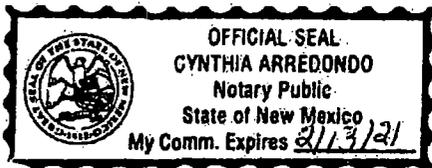
[Signature]

Subscribed and sworn to before me
this 18 day of AUGUST, 2017

[Signature]

My commission Expires 2/13/21

Notary Public



August 16, 2017

STATE OF NEW MEXICO
ENERGY, MINERALS
AND NATURAL
RESOURCES
DEPARTMENT
OIL CONSERVATION
DIVISION
SANTA FE, NEW MEXICO

The State of New Mexico through its Oil Conservation Division hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 A.M. on August 31, 2017, in the Oil Conservation Division Hearing Room at 1220 South St. Francis, Santa Fe, New Mexico, before an examiner duly appoint for the hearing. If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact: Florene Davidson at 505-476-3458 or through the New Mexico Relay Network, 1-800-659-1779 by August 21, 2017. Public documents including the agenda and minutes can be provided in various accessible forms. Please contact Florene Davidson if a summary or other type of accessible form is needed.

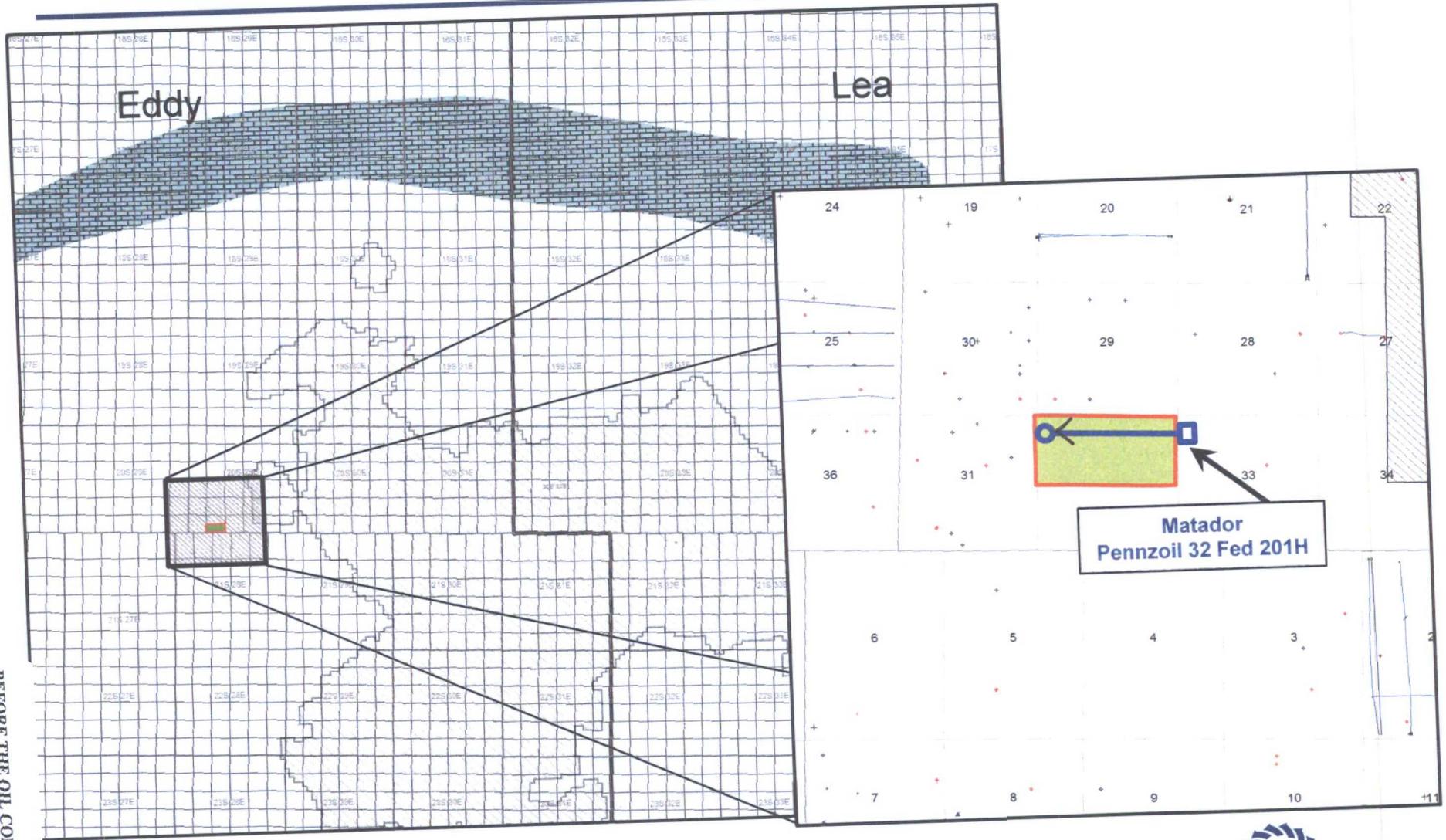
STATE OF
NEW MEXICO TO:
All named parties and persons having any right, title, interest or claim in the following cases and notice to the public.

Case No. 15796: Application of Matador Production Company for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all uncommitted mineral interests in the Wolfcamp formation underlying a 320-acre, more or less, spacing and proration unit comprised of the N/2 of Section 32, Township 20 South, Range 29 East, Eddy County, New Mexico. Said spacing and proration unit is to be dedicated to applicant's proposed Pennzoil 32 Fed No. 201H Well, which will be horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) of Section 33 to a non-standard bottom hole location in the NW/4 NW/4 (Unit D) of Section 32. The completed interval for this well is unorthodox because it does not comply with the 660-foot setbacks for gas wells pursuant to the statewide rules. Matador will apply administratively for approval of an unorthodox location. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Matador Production Company as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 11 miles northeast of Carlsbad, NM.

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

To: Marathon Oil Corporation.

Burton Flat; Wolfcamp, East Gas (Pool Code: 73480) Locator Map



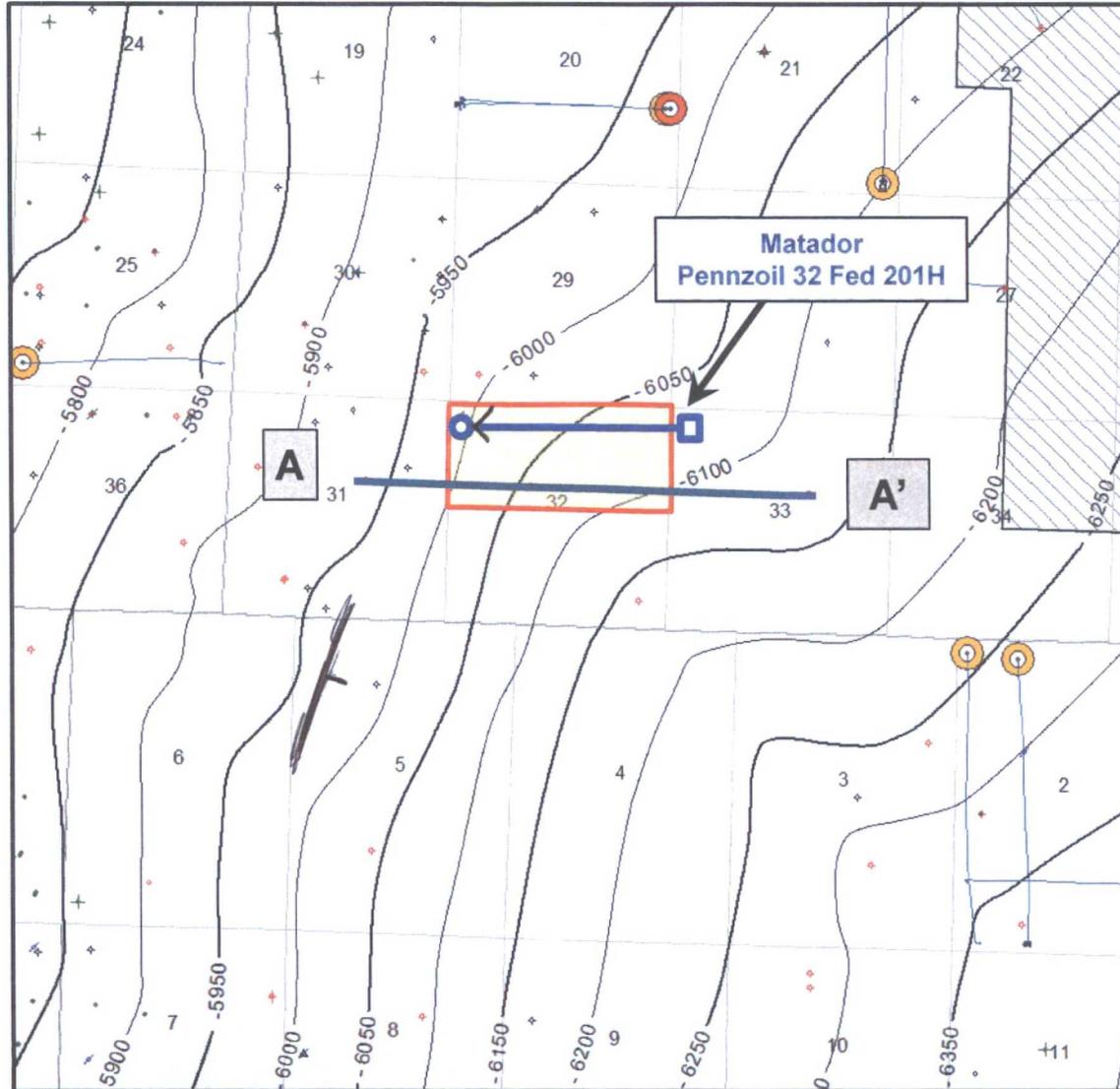
**Matador
Pennzoil 32 Fed 201H**



Pennzoil 32 Federal #201H

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 8
Submitted by: MATADOR PRODUCTION CO.
Hearing Date: August 31, 2017

Burton Flat; Wolfcamp, East Gas (Pool Code: 73480) Structure Map



Map Legend

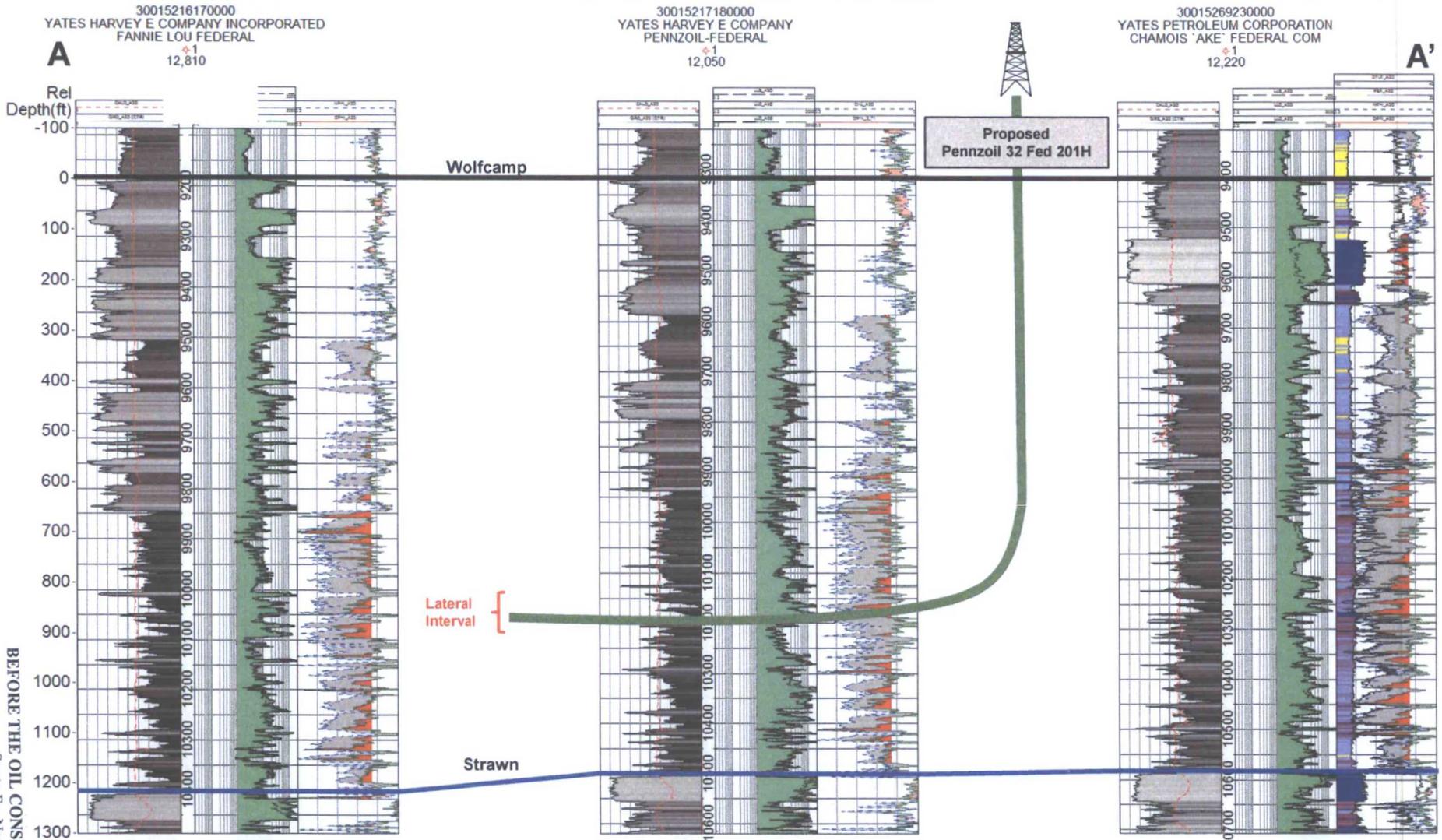
- BHL  Matador – Horizontal Location
- SHL  Project Area
-  2nd Bone Spring HZ Producer
-  3rd Bone Spring HZ Producer

C.I. = 50'

Pennzoil 32 Federal #201H



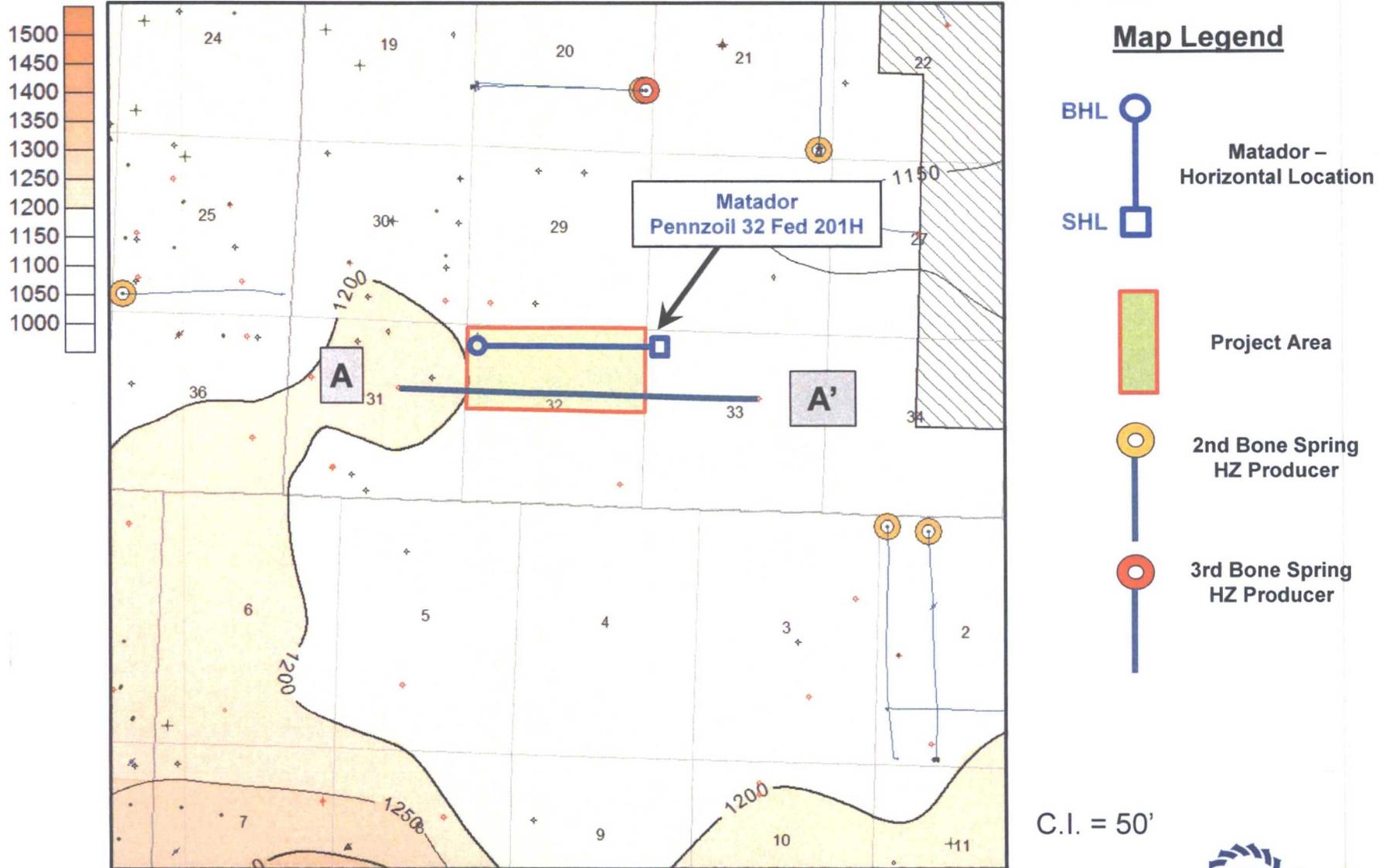
Burton Flat; Wolfcamp, East Gas (Pool Code: 73480) Stratigraphic Cross Section A - A'



Pennzoil 32 Federal #201H



Burton Flat; Wolfcamp, East Gas (Pool Code: 73480) Isopach Map



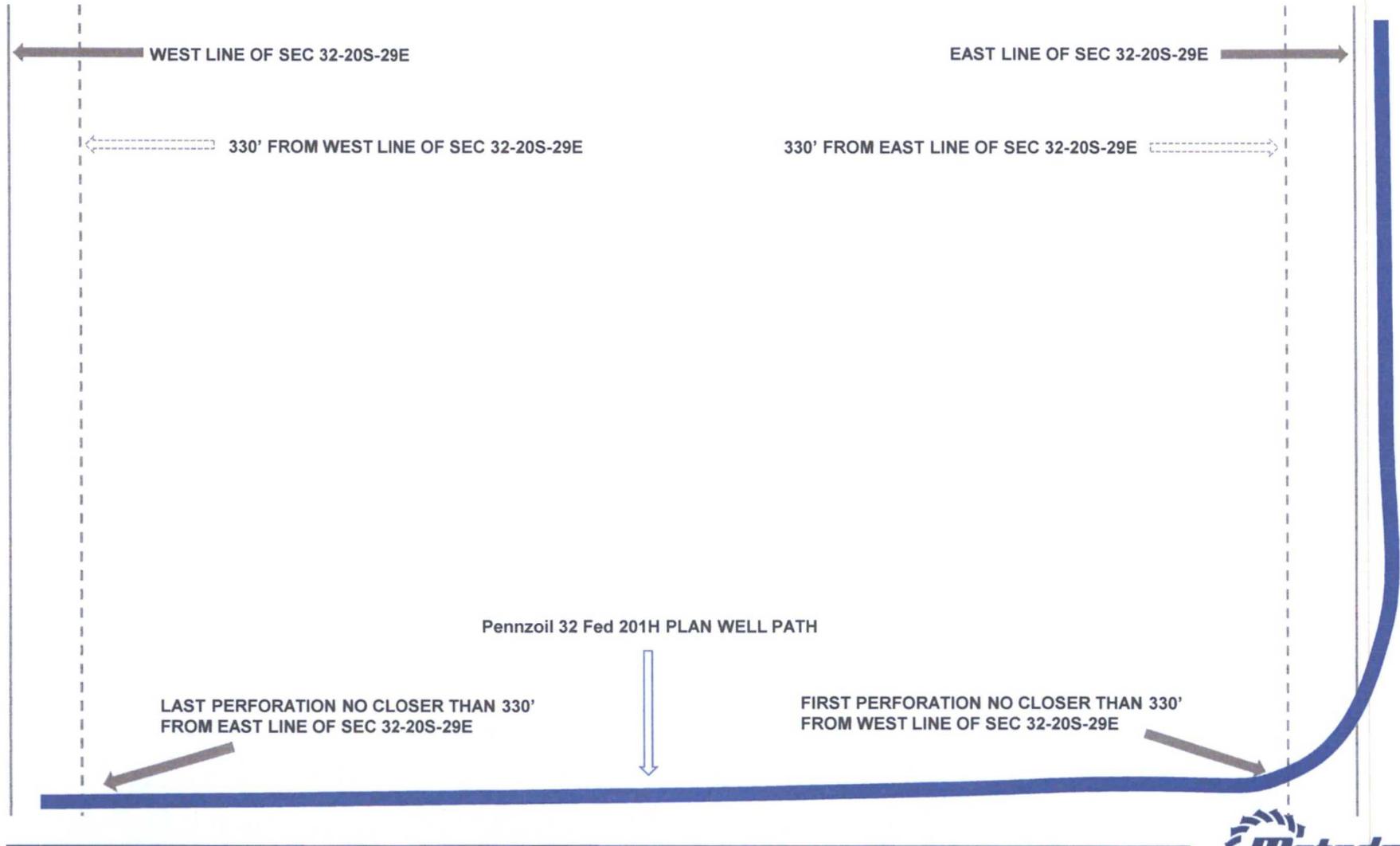
Pennzoil 32 Federal #201H



Burton Flat; Wolfcamp, East Gas (Pool Code: 73480) Pennzoil 32 Fed 201H Completion

Pennzoil 32 Fed 201H
SURFACE HOLE 420' FNL & 220' FWL OF SEC 33-20S-29E
BOTTOM HOLE 330' FNL & 240' FWL OF SEC 32-20S-29E

DIAGRAM NOT DRAWN TO SCALE



Pennzoil 32 Federal #201H



BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 12
Submitted by: MATADOR PRODUCTION CO.
Hearing Date: August 31, 2017