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Aubrey Dunn
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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March 26, 2018

MRC Permian Company
ATTN: Mr. Jonathan Filbert
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, TX 75240

R-5232

Re: Preliminary Approval of Unit Expansion
Northeast Kemnitz Unit
Lea County, New Mexico

Dear Mr. Filbert:

We have received the unexecuted copy of the unit agreement addendum that you have submitted for the proposed Northeast Kemnitz Unit expansion area, Lea County, New Mexico. This agreement addendum meets the general requirements for preliminary approval as to form and content, and preliminary approval is hereby granted as of this date.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short-term leases until final approval and an effective date have been given. Any requested lease extensions will need to be addressed in a separate transaction.

As specified in the unit agreement addendum, MRC Permian Company has agreed, as of the effective date of the addendum, to drill 3 obligation wells on the expansion acreage:

- Well #1 to be spud no later than July 1, 2018;
- Well #2 to be spud no later than March 1, 2019; and
- Well #3 to be spud no later than November 1, 2019.

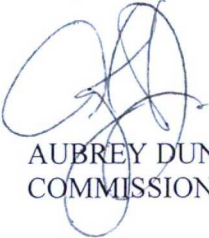
When submitting your agreement for final approval, please include the following:

1. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. Pursuant to Rule 19.2.100.51, a statement of facts showing that:
 - a. The agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy.
 - b. Under the proposed unit operation, the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas in place under its lands in the proposed unit area.

- c. Each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the unit area.
- d. The unit agreement is in other respects for the best interest of the Trust.
- 3. All ratifications and joinders from the Lessees of Record and Working Interest Owners. We require one set, all with original signatures acknowledged by a notary.
- 4. Approval order from the New Mexico Oil Conservation Division. State Land Office approval is conditioned upon approval by the New Mexico Oil Conservation Division.
- 5. One copy of the Unit Operating Agreement (if applicable).
- 6. A \$500 total filing fee. The filing fee is \$100 for each section or partial section included in the unit, whether state or privately owned.

If you have any questions or if we may be of further assistance, please contact Units Manager Marilyn Gruebel at 505.827.5791.

Respectfully,



AUBREY DUNN
COMMISSIONER OF PUBLIC LANDS

AD/mg

cc: NMOCD, Attn: Mr. Daniel Sanchez
RMD, Attn: Mr. Roddy Martinez
OGMD and Units Reader Files