Matador Production Company

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240
Voice 972.371.5202 • Fax 214.866.4802
kperkins@matadorresources.com

Kyle Perkins
Operations and Regulatory Counsel

October 8, 2020

Kathleen Murphy
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: **Itemized Schedule of Estimated Costs**
Case No. 20678
Order No. R-21219

Dear Ms. Murphy:

Pursuant to Paragraph **22** of Order No. R-21219 Matador Production Company hereby submits the following itemized schedule of estimated costs for its **Jack Sleeper Com #111H** Well:

	Intangible	Tangible
Drilling	$2,187,930	$509,956
Completion	$3,885,710	$72,300
Production	$442,318	$802,421
Total Intangible	$6,515,958	
Total Tangible		$1,384,677
Total	$7,900,635	

Thank you, and please contact me with any questions.

Sincerely,

Kyle Perkins

cc:florene.davidson@state.nm.us

MATADOR PRODUCTION COMPANY

ONE LINCOLN CENTRE • 5400 LBJ FREEWAY • SUITE 1500 • DALLAS, TEXAS 75240
Phone (972) 371-5200 • Fax (972) 371-5201

ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE

DATE:	September 15, 2020	AFE NO.:	
WELL NAME:	Jack Sleeper Com 111H	FIELD:	
LOCATION:	Sections 9&16-23S-28E	MD/TVD:	17500'/7050'
COUNTY/STATE:	Eddy, NM	LATERAL LENGTH:	9,800
MRC WI:			
GEOLOGIC TARGET:	First Bone Spring Sand		
REMARKS:	Drill and complete a horizontal 2 mile long First Bone Spring sand target with about 53 frac stages		

INTANGIBLE COSTS	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	FACILITY COSTS	TOTAL COSTS
Land / Legal / Regulatory	$ 58,000	$	$ 50,000	$ 10,000	$ 118,000
Location, Surveys & Damages	123,333	13,000	25,000	25,000	186,333
Drilling	634,750				634,750
Cementing & Float Equip	180,000				180,000
Logging / Formation Evaluation	-	5,000	3,000		8,000
Flowback - Labor			20,000		20,000
Flowback - Surface Rentals			141,525		141,525
Flowback - Rental Living Quarters			-		-
Mud Logging	11,250				11,250
Mud Circulation System	45,975				45,975
Mud & Chemicals	65,000	49,000	3,000		117,000
Mud / Wastewater Disposal	105,000	-		1,000	106,000
Freight / Transportation	12,750	19,500		-	32,250
Rig Supervision / Engineering	104,000	118,400	10,000	18,000	250,400
Drill Bits	73,700				73,700
Fuel & Power	66,150	371,000		-	437,150
Water	35,000	475,500	2,000	-	512,500
Drlg & Completion Overhead	10,000	17,000		-	27,000
Plugging & Abandonment	-				-
Directional Drilling, Surveys	138,084				138,084
Completion Unit, Swab, CTU	-	130,000	9,000		139,000
Perforating, Wireline, Slickline	-	235,500	-		235,500
High Pressure Pump Truck	-	72,000	8,000	-	80,000
Stimulation	-	1,646,000			1,646,000
Stimulation Flowback & Disp	-	15,500	50,400		65,900
Insurance	31,522				31,522
Labor	125,500	63,500	10,000	5,000	204,000
Rental - Surface Equipment	85,385	319,980	10,000	5,000	420,365
Rental - Downhole Equipment	175,125	80,000	2,000	-	257,125
Rental - Living Quarters	43,680	51,220	-	-	94,900
Contingency	63,726	203,610	34,393	-	301,729
TOTAL INTANGIBLES >	2,187,930	3,885,710	378,318	64,000	6,515,958

TANGIBLE COSTS	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	FACILITY COSTS	TOTAL COSTS
Surface Casing	$ 13,739	$	$	$	$ 13,739
Intermediate Casing	84,185				84,185
Drilling Liner	-				-
Production Casing	354,032				354,032
Production Liner	-				-
Tubing	-		74,250		74,250
Wellhead	58,000		21,250		79,250
Packers, Liner Hangers	-	72,300	6,000		78,300
Tanks	-			42,617	42,617
Production Vessels	-			115,388	115,388
Flow Lines	[illegible]			100,000	100,000
Rod string	[illegible]				-
Artificial Lift Equipment	-		26,000		26,000
Compressor	-			20,000	20,000
Installation Costs	-		-	80,000	80,000
Surface Pumps	-		5,000	16,250	21,250
Non-controllable Surface	-		-	-	-
Non-controllable Downhole	-		-		-
Downhole Pumps	-		-		-
Measurement & Meter Installation	-		11,000	80,000	91,000
Gas Conditioning / Dehydration			-	-	-
Interconnecting Facility Piping			-	70,000	70,000
Gathering / Bulk Lines			-	-	-
Valves, Dumps, Controllers			2,000	-	2,000
Tank / Facility Containment			-	11,250	11,250
Flare Stack			-	8,750	8,750
Electrical / Grounding			2,000	50,000	52,000
Communications / SCADA			12,000	-	12,000
Instrumentation / Safety				48,667	48,667
TOTAL TANGIBLES >	509,956	72,300	159,500	642,921	1,384,677
TOTAL COSTS >	2,697,886	3,958,010	537,818	706,921	7,900,635

PREPARED BY MATADOR PRODUCTION COMPANY:

Drilling Engineer: Blake Hermes
Completions Engineer: Garrett Hunt
Production Engineer: Kenneth Dodson

Team Lead - WTX/NM WTE
WTE

MATADOR RESOURCES COMPANY APPROVAL:

Executive VP, COO/CFO ______ DEL
EVP CTO - Res Engineering ______ BMR
EVP COO- Drilling, Completion and Production ______ BG
Executive VP, Legal ______ CA
SVP Geoscience ______ NLF
President ______ MVH

NON OPERATING PARTNER APPROVAL:

Company Name: ______ Working Interest (%): ______ Tax ID: ______

Signed by: ______ Date: ______

Title: ______ Approval: ____ Yes ____ No (mark one)

The costs on this AFE are estimates only and may not be construed as ceilings on any specific item or the total cost of the project. Tubing installation 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 legal, curative, regulatory, brokerage and well costs under the terms of the applicable joint operating agreement, regulatory order or other agreement covering this well. Participants shall be covered by and billed proportionately for Operator's well control and general liability insurance unless participant provides Operator a certificate evidencing its own insurance in an amount acceptable to the Operator by the date of spud.

AFE - Version 3

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

IN THE MATTER OF APPLICATION FOR COMPULSORY POOLING SUBMITTED BY [MATADOR PRODUCTION COMPANY]

CASE NO. 20678
ORDER NO. R-21219

ORDER

The Director of the New Mexico Oil Conservation Division ("OCD"), having heard this matter through a Hearing Examiner on [August 8, 2019], and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

FINDINGS OF FACT

1. [Matador Production Company] ("Operator") submitted an application ("Application") to compulsory pool the uncommitted oil and gas interests within the spacing unit ("Unit") described in Exhibit A. The Unit is expected to be a standard horizontal spacing unit. 19.15.16.15(B) NMAC. Operator seeks to be designated the operator of the Unit.

2. Operator will dedicate the well(s) described in Exhibit A ("Well(s)") to the Unit.

3. Operator proposes the supervision and risk charges for the Well(s) described in Exhibit A.

4. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.

5. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

CONCLUSIONS OF LAW

6. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.

7. Operator is the owner of an oil and gas working interest within the Unit.

8. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.

9. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.

10. Operator has the right to drill the Well(s) to a common source of supply at the depth(s) and location(s) in the Unit described in Exhibit A.

11. The Unit contains separately owned uncommitted interests in oil and gas minerals.

12. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.

13. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.

14. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

ORDER

15. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.

16. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.

17. Operator is designated as operator of the Unit and the Well(s).

18. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location in accordance with 19.15.16.15(C) NMAC.

19. The Operator shall commence drilling the Well(s) within one year after the date of this Order, and complete each Well no later than one (1) year after the commencement of drilling the Well.

20. This Order shall terminate automatically if Operator fails to comply with Paragraph 19 unless Operator obtains an extension by an amendment of this Order for good cause shown.

21. The infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC shall be applicable.

22. Operator shall submit to each owner of an uncommitted working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs").

23. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled

Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."

24. No later than one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.

25. No later than sixty (60) days after the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, whichever is later, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.

26. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."

27. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.

28. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.

29. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.

30. Operator shall distribute a proportionate share of the costs and charges withheld pursuant to paragraph 29 to each Pooled Working Interest that paid its share of the Estimated Well Costs.

31. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to OCD and each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.

32. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.

33. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 *et seq.*, and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 *et seq.*

34. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.

35. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

ADRIENNE SANDOVAL
DIRECTOR
AES/jag

Date: 4/02/2020

CASE NO. 20678
ORDER NO. R-21219

Exhibit "A"

Applicant: Matador Production Company
Operator: Matador Production Company (OGRID 228937)

Spacing Unit: Horizontal Oil
Building Blocks: quarter-quarter sections
Spacing Unit Size: 320 acres, more or less
Orientation of Unit: North to Southth

Spacing Unit Description:
W/2W/2 of Section 9 and W/2W/2 of Section 16,
Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico

Pooling this Vertical Extent: Bone Spring Formation
Depth Severance? (Yes/No): No

Pool: Culebra Bluff; Bone Spring, South (Pool code 15011)
Pool Spacing Unit Size: Quarter-Quarter Sections
Governing Well Setbacks: Horizontal Oil Well Rules
Pool Rules: Latest Horizontal Rules Apply

Proximity Tracts: None Included

Monthly charge for supervision: While drilling: $8000, While producing: $800
As the charge for risk, 200 percent of reasonable well costs

Proposed Wells:

Jack SleeperCom. Well No. 111H, API No. 30-015-46379
SHL: 227 feet from the South line and 235 feet from the West line
(Unit M) of Section 4, Township 23 South, Range 28 East, NMPM
BHL: 60 feet from the South line and 660 feet from the West line
(Unit M) of Section 16, Township 23 South, Range 28 East, NMPM

Completion Target: First Bone Spring Sand at approx 7050 feet TVD
Well Orientation: North to South
Completion Location expected to be: standard

Jack SleeperCom. Well No. 121H, API No. 30-015-46379
SHL: 197 feet from the South line and 236 feet from the West line
(Unit M) of Section 4, Township 23 South, Range 28 East, NMPM
BHL: 60 feet from the South line and 660 feet from the West line
(Unit M) of Section 16, Township 23 South, Range 28 East, NMPM

Completion Target: Second Bone Spring Sand at approx 8040 feet TVD

CASE NO. _20678_______
ORDER NO. __R-21219____

Well Orientation: North to South
Completion Location expected to be: standard