

MRC Permian Company

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**Chris Carleton
Landman**

April 20, 2015

VIA CERTIFIED RETURN RECEIPT MAIL

Bank of America, N.A., Conquistador Council Boy Scouts, of America
2100 So. Utica Ave., Suite 150
Tulsa, Oklahoma 74114

**Re: Matador Production Company – Paul 25-24S-28E RB #221H
Participation Proposal
Section 25, Township 24-South, Range 28-East
Eddy County, New Mexico**

Bank of America, N.A., Conquistador Council Boy Scouts, of America:

MRC Permian Company (“MRC”) proposes the drilling of the Matador Production Company’s Paul 25-24S-28E RB #221H Well, located in Section 25, Township 24-South, Range 28-East, Eddy County, New Mexico, to the Wolfcamp formation.

MRC is requesting that you indicate below your election of whether to participate in the drilling and completion of this proposed well as set out herein, or agree to lease your minerals pursuant to the enclosed lease. Please indicate your election in the space provided below, sign and return one (1) copy of this letter to the undersigned.

In connection with the above, please note the following:

1. The estimated cost of drilling, testing, completing, and equipping the subject well is \$8,152,278 as itemized on the enclosed Authority for Expenditure (“AFE”) dated January 3, 2015.
2. The proposed surface location of the subject well is approximately 359’ FNL and 217’ FWL of Section 25, Township 24-South, Range 28-East, Eddy County, New Mexico. The proposed point of penetration of the subject well is approximately 380’ FNL and 330’ FWL. The proposed bottomhole location of the subject well is 380’ FNL and 240’ FEL; see the enclosed plat for more detail.



3. In this well, there is a targeted interval within the Wolfcamp formation. We will drill horizontally in the Wolfcamp "B" (~10,000' TVD) to a Total Measured Depth of approximately 14,500' resulting in a productive lateral of approximately 4,600' that will require 19 frac stages to be completed.
4. Bank of America, N.A., Conquistador Council Boy Scouts, of America will own an approximate 4.6875% working interest in the proposed well, subject to title verification.

If your election is to participate in the drilling and completion of the proposed well, please sign and return a copy of the enclosed AFE within 30 days of receipt of this notice. Please be aware that the enclosed AFE is only an estimate of costs to be incurred and in electing to participate in the proposed well, Bank of America, N.A., Conquistador Council Boy Scouts, of America shall be responsible for 4.6875% of all costs incurred.

Sincerely,

MRC PERMIAN COMPANY



Chris Carleton

Enclosure(s)

Please elect one of the following and return to sender:

_____ Bank of America, N.A., Conquistador Council Boy Scouts, of America hereby elects to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Matador Production Company Paul 25-24S-28E RB #221H Well, located in Eddy County, New Mexico.

_____ Bank of America, N.A., Conquistador Council Boy Scouts, of America hereby elects not to participate for its proportionate share of the costs detailed in the enclosed AFE for the Matador Production Company Paul 25-24S-28E RB #221H Well, located in Eddy County, New Mexico.

_____ Bank of America, N.A., Conquistador Council Boy Scouts, of America hereby elects to lease our minerals for \$1,500/acre, 25% royalty, and a 1 year term on the lease form enclosed.

Bank of America, N.A., Conquistador Council Boy Scouts, of America

By: _____

Title: _____

Date: _____

Oil & Gas Lease

Multi-State
rev. February 2013

THIS LEASE AGREEMENT (lease) is made on the ____ day of _____, _____ between The Conquistador Council Boys Scout Trust Fund, Bank of America, N.A., Trustee, P.O. Box 830308, Dallas, TX 75283 as Lessor, and MRC PERMIAN COMPANY, One Lincoln Centre, 5400 LBJ Freeway Suite 1500, Dallas, Texas 75240, as Lessee.

1. **Grant and Description.** In consideration of a cash bonus, which has been received, and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee a leasehold estate described as follows (Leasehold Estate):

N/2NE/4, NE/4NW/4 OF Section 25, Township 24 South, Range 28 East N.M.P.M. Eddy County, New Mexico

for the purpose of exploring for, developing, producing and marketing oil and gas, along with any other substances produced from oil and/or gas wells drilled by Lessee. Lessee shall at all times act as a reasonably prudent operator and shall conduct its operations in compliance with all applicable laws and regulations.

2. **Term of Lease.** This lease shall remain in force for a primary term of One (1) years from the date of its making as set out above, and as long thereafter as oil or gas are produced from the Leasehold Estate in paying quantities or this lease is otherwise maintained in effect pursuant to the provisions hereof. It shall be considered that production is not in paying quantities if Lessee's operating costs incurred directly on the Leasehold Estate, excluding any costs of drilling and reworking wells, exceed the revenues from the sale of oil and gas production during any consecutive period of 180 days. All of the rights, titles and interests of Lessee will terminate upon the expiration of this lease. Lessee shall have no right, power or authority to enter into agreements or impose legal burdens that outlast this lease.

3. **Royalty.** Whenever the term "Royalty Share" is used herein it shall mean Twenty Five percent (25%). Lessee shall pay Lessor the Royalty Share of the total production from the Leasehold Estate as follows:

- (a) **Oil.** The Royalty Share of the gross proceeds received by Lessee for all oil, which includes all liquid hydrocarbons, produced or recovered on the Leasehold Estate and sold by Lessee in an arms' length transaction.
- (b) **Gas.** The Royalty Share of the gross proceeds received by Lessee for all gas (including all gaseous hydrocarbons and marketable substances contained in such gas) produced or recovered from the Leasehold Estate and sold by Lessee in an arms' length transaction. If Lessee processes gas off the Leasehold Estate, or contracts with a third party to process gas off of the Leasehold Estate, Lessee shall accurately track the portion of the input to the processing facility that comes from the Leasehold Estate, and shall pay Lessor the Royalty Share of the proceeds received for an equivalent part of all gasoline, distillates, condensate, residue gas and other valuable substances produced from the plant (Plant Products). If Lessee owns any Plant Products after delivery from the plant, Lessor's Royalty Share shall be calculated on the gross proceeds received by Lessee from the sale of all such Plant Products in an arms' length transaction.
- (c) **Products.** All marketable substances produced or recovered in connection with the Leasehold Estate by Lessee, or any party contracting with Lessee, will be collectively referred to as "Products" and individually as a "Product". As to any Product that does not fall under the oil or gas royalty clauses above, Lessee shall pay Lessor the Royalty Share of the gross proceeds received by Lessee for such Product in an arms-length transaction. Included in Lessor's royalty for each Product is the Royalty Share of all value received by Lessee under any contract for the sale, swap, processing or other disposition of the Product, including, but not limited to, all contract settlements, advance payments, payments under take-or-pay provisions, and price buy-downs. Lessor shall have a lien and security interest, effective as of the date of production at the wellhead, on Lessor's proportionate share of all Products and the proceeds from the sale thereof to secure payment of its royalties.
- (d) **Right to Take in Kind.** Lessor shall have the recurring option to take its Royalty Share of any Product in kind in lieu of cash payment, and to reverse such election and resume receiving royalty payment in money, in either case by giving Lessee at least 60 days advance written notice. Such election may be made separately as to oil, gas or any other Product, and Lessor may elect to have the royalty production delivered at the wellhead, at the oil and gas separator, into a pipeline connected at the well, at the location where Lessee sells its production, or at another location if mutually acceptable to Lessor and Lessee. If Lessor elects to take royalty in kind, any necessary costs for separate metering or split stream delivery will be borne by Lessor. If Lessor elects to take gas royalty in kind, the parties shall enter into a gas balancing agreement using, at Lessor's election, either the most recent form used by Lessee in an arms-length industry transaction or the most recent form promulgated by the American Association of Professional Landmen. Lessee shall supply its most recent gas balancing agreement form to Lessor for evaluation purposes immediately upon receiving notice that Lessor intends to take gas royalty in kind. The inclusion of this option to permit Lessor to take its Royalty Share in kind shall not modify or limit Lessee's duty to pay royalties as provided herein or to market Products, except as to the Products actually taken in kind by Lessor.
- (e) **Royalty to be Free of Expenses.** Lessor's royalty shall not bear or be charged with, directly or indirectly, any cost or expense incurred by Lessee, including without limitation, for exploring, drilling, testing, completing, equipping, gas plant processing, storing, separating, dehydrating, transporting, compressing, treating, gathering, or otherwise rendering marketable or marketing Products, and no such deduction or reduction shall be made from the royalties payable to Lessor hereunder; provided, however, that Lessor's interest shall bear its proportionate share of severance taxes and other taxes assessed against its interest or its share of production. Any calculation of sales price or market value hereunder shall be increased to the extent necessary to remove all such non-tax costs as a charge against the Lessor's royalty.
- (f) **Non-Arms' Length Transactions.** An arms' length transaction is a sale to an entity that is not affiliated with Lessee. As to any Product sold in a non-arms' length transaction, Lessor shall receive the Royalty Share of the market value of such Product which shall be calculated by using the highest price, plus premium, if any, then paid or offered for similar substances in the general area, adjusted if necessary to remove all non-tax costs as required above.
- (g) **Litigation Recoveries.** Lessee shall make a sufficient claim in any litigation or administrative proceeding against a third party for damage to the Leasehold Estate, or the minerals therein, to cover Lessor's Royalty Share, and shall pay to Lessor the Royalty Share of the proceeds received by Lessee whether by settlement, judgment or otherwise.
- (h) **Shut-in Royalty.** If Lessee completes a well capable of producing oil and/or gas in paying quantities but such well is shut-in as of the expiration of the primary term, and if Lessee makes the payment described below in the correct amount and within the time specified, it shall be considered that the well is a Commercial Well for a cumulative period not to exceed two years for all such wells. At such time as the cumulative period after the primary term during which wells have been shut-in on the Leasehold Estate exceeds two years, no shut-in well shall thereafter be considered a Commercial Well unless and until it actually begins and continues producing oil and/or gas in paying quantities. On or before 90 days from the date the well is shut-in, Lessee shall pay Lessor, as royalty, One Dollars (\$1.00) per acre for the first year, or part of a year, that each such well is shut in and on or before the anniversary of the first payment, One Dollars (\$1.00) per acre for the next year, or part of a year, that the well is shut in. Failure to make such payments in a correct and timely manner shall render the shut-in well ineffective to maintain this lease, and it shall not be deemed that the well in question is a Commercial Well.

4. Delay Rentals. THIS IS A PAID-UP OIL & GAS LEASE; AND NO DELAY RENTALS ARE DUE HEREUNDER.

5. Time for Payment. Within 120 days following the first sale of oil or gas produced from the Leasehold Estate, settlement shall be made by Lessee for royalties due hereunder (initial royalty payment) with respect to such oil or gas, and such royalties shall be paid monthly thereafter without the necessity of Lessor executing a division or transfer order. If a division or transfer order is circulated by Lessee, such division order will be a simple statement of interest containing no warranty or indemnity clauses and containing no clauses modifying in any way the terms of this lease. The insertion of any such clause will be of no force and effect so far as this lease and the rights and obligations of the parties hereto are concerned, and in any event, Lessor shall be under no obligation to execute any division or transfer order, and Lessor's execution thereof, if done, shall be considered a mere accommodation. If the initial royalty payment is not timely made, this lease shall terminate as of 7 a.m. the first day of the month following the expiration of said 120-day period. After the said initial royalty payment, with respect to oil or gas produced during any month, if royalty is not paid hereunder on or before the last day of the second succeeding month, this lease shall terminate at midnight of such last day. Time is of the essence of all payment provisions of this lease. Lessee represents that with each payment, Lessee will provide Lessor with sufficient information for Lessor to monitor and calculate the total payment due Lessor at that time. If such information is not so provided or is incorrect or incomplete, Lessee extends for four years, or the longest period allowed by law if less, the applicable time period for any defense based upon the statute of limitations, laches or any other delay in bringing suit, with respect to any matter which would reasonably have been revealed by such information, even if Lessor had access to relevant information from other sources, it being intended that Lessor may rely upon Lessee to keep it fully and truthfully informed without the necessity of obtaining information from other sources.

6. Operations. The following provisions shall apply to Lessee's operations on the Leasehold Estate, and for purposes of this lease, certain terms shall mean precisely as follows:

- "Commercial Well" shall mean a well producing oil and/or gas in paying quantities.
 - "Capable Drilling Rig" shall mean a drilling rig constructed and equipped so as to be able to drill to the total depth of a permitted well planned as a Commercial Well in a reasonably expeditious manner. Expressly excluded from this meaning is a drilling rig used for preliminary operations, such as setting surface casing, drilling a "rat hole," or similar near surface activities, but which is not used to drill the well to its total depth - for purposes of this lease such a rig is considered to be a non-capable rig, not a Capable Drilling Rig.
 - "Actual Drilling" shall be considered to have commenced on the calendar day that the drill bit attached to a Capable Drilling Rig first penetrates the ground at its wellbore's surface location. This meaning is intended to be different than that sometimes accorded lease provisions such as "commencement of a well," "commencement of operations," "drilling operations," "operations for drilling" and the like when such have been interpreted to include activities prior to the penetration of the ground by a Capable Drilling Rig; such preliminary activities, including but not limited to surveying, staking, dirt moving, road building, site preparation, rig assembly and preliminary shallow drilling with a non-capable rig, expressly do not constitute Actual Drilling for purposes of this lease.
 - "Horizontal Well" shall mean any well in which the horizontal component of the gross completion interval in the reservoir exceeds one hundred feet.
 - "Vertical Well" means a well that is not a Horizontal Well.
 - "Commission" shall mean the state or federal governmental authority with jurisdiction over well spacing, density, and unit size and shape for the field in which the well in question is located.
 - "Regulatory Unit" shall mean a unit of the standard size and shape as designated by the Commission.
 - "Production Unit" shall mean the area and depths of this lease allocated to a Commercial Well and as to which this lease must be separately maintained as is more fully set out below.
 - "Continuous Program Well" shall mean each well planned as a Commercial Well the Actual Drilling of which is commenced by Lessee on the Leasehold Estate during the period beginning 180 days immediately prior to the expiration of the primary term and continuing so long as Lessee commences Actual Drilling of further wells with no more than 180 consecutive days elapsing between the commencement of the Actual Drilling of one well and the commencement of the Actual Drilling of the next well.
 - "Continuous Drilling Program" means the period of time during which Lessee is timely commencing Actual Drilling of Continuous Program Wells and ending on the calendar day upon which more than 180 consecutive days have elapsed since the commencement of Actual Drilling of the most recent Continuous Program Well without the commencement by Lessee of Actual Drilling of a further Continuous Program Well; provided, however, if Lessee commences Actual Drilling of a subsequent well in the Continuous Drilling Program sooner than 180 days after the commencement of Actual Drilling on the immediately preceding well, Lessee shall be given credit for the unused days up to a maximum of 90 days per well, and Lessee may accumulate these unused days and apply them to delay the time in which Actual Drilling of one or more subsequent Continuous Drilling Program Wells must be commenced, it being intended that the average time period between commencement of Actual Drilling of Continuous Program Wells shall not exceed 180 days but that Lessee shall have the flexibility set out above if Actual Drilling of one or more Continuous Program Wells is commenced early.
 - "Recompleting" shall mean the actual presence of a rig and workers at a Commercial Well's location, and the rig's active, continuous use by the workers in an attempt to open one or more new zones for production of oil and/or gas in addition to the zones or zones from which the Commercial Well has been producing.
 - "Reworking" shall mean the actual presence of a rig and workers at a well location and the rig's active, continuous use by the workers in an attempt to repair a well that has had a serious mechanical failure or to restore production from a well that has stopped producing in paying quantities.
 - "Refracing" shall mean, at any time after the lapse of one year from the date upon which the Capable Drilling Rig was released after the completion of a Commercial Well, the actual presence at the well's location of workers and a slurry blender, high pressure and volume pumping equipment, a monitoring unit, and fluid tanks and the active, continuous use thereof by the workers in an attempt to increase the well's rate of production through hydraulic fracturing of the producing formation.
- (a) Development and Protection from Drainage. Lessee shall act as a reasonably prudent operator in developing and further exploring the Leasehold Estate and in protecting the Leasehold from drainage by wells located off the Leasehold Estate. Lessee shall have an absolute obligation to protect the Leasehold Estate from drainage by wells located off of the Leasehold Estate which Lessee operates or in which Lessee has any ownership or contractual interest.

- (b) Production Units. Production Unit sizes shall differ as between oil wells and gas wells. For purposes of this provision, a well shall be considered to be an oil well or a gas well according to its classification by the governmental authority having jurisdiction, or, if such governmental authority makes no such classification, the determination as to whether a well is an oil well or a gas well shall be made according to the parameters then in use for such determination by the Railroad Commission of Texas or any successor agency. A Production Unit shall be in as nearly the shape of a square or rectangle as is reasonably practicable, and (1) for a gas well that is a vertical well, the Production Unit shall not exceed 320 acres plus 10% tolerance, (2) for a gas well that is a horizontal well, the Production Unit shall not exceed 640 acres plus 10% tolerance, (3) for an oil well that is a vertical well, the Production Unit shall not exceed 40 acres plus 10% tolerance, and (4) for an oil well that is a horizontal well, the Production Unit shall not exceed 160 acres plus 10% tolerance if less than 5000 feet of its wellbore extends horizontally in the producing formation; provided, however, in all cases and regardless of the type of well, if the applicable law or the rules or regulations of the governmental authority having jurisdiction provide for a unit that contains less acreage than that set out above for a well's Production Unit, the Production Unit shall not exceed the size provided by the applicable law, rule or regulation, it being intended that a Production Unit shall contain the smaller of the acreage set out above or of the acreage provided by applicable law, rule or regulation. At the later of (1) the expiration of the primary term if this lease is then being maintained by Lessee, as provided elsewhere herein, by some means other than an in-progress Continuous Drilling Program or (2) upon the end of Lessee's Continuous Drilling Program, if such is in progress at the time of the expiration of the primary term, this lease shall automatically divide into the separate Production Units, and each such Production Unit shall be treated for all purposes as being covered by a separate lease containing all of the terms and provisions set out herein to the same effect as if a separate document had been executed covering and solely describing each individual Production Unit. Each Production Unit shall include all depths from the surface to 100 feet below the base of the deepest producing formation in a Commercial Well on the Production Unit as of the time this lease divides into Production Units, and this lease shall then automatically terminate as to all depths below that level. Subject to the shut-in gas royalty provision as set out above, as to each Production Unit maintained by Lessee, if production of oil and gas should cease from the Production Unit, this lease will not terminate as to such Production Unit so long as Lessee commences Actual Drilling of a new well or the Recompleting, Reworking or Refracting of an existing well on the Production Unit or before the expiration of 60 days from date of the cessation of production and proceeds with such operations with no cessation of more than 60 consecutive days until commercial production of oil and/or gas is restored. Within 90 days from the date of completion of a Commercial Well, Lessee shall file for record in the county where the well is located a written designation of the Production Unit for the Commercial Well, and a copy of the designation showing recording information shall be promptly furnished to Lessor.
- (c) Lease Maintenance by Continuous Drilling Program. At the expiration of the primary term, this lease shall automatically terminate as to all lands and depths of the Leasehold Estate not then included in a Production Unit containing a Commercial Well; provided, however, Lessee may temporarily suspend automatic termination of this lease at the expiration of the primary term by conducting a Continuous Drilling Program as defined above, and this lease will remain in force as to all the lands and depths covered hereby so long as the Continuous Drilling Program is conducted by Lessee. Upon the cessation of the Continuous Drilling Program, this lease shall terminate as to all lands and depths covered hereby which are not then included in the Production Unit of a Commercial Well.
- (d) Review of Production Units. At any time after the tenth anniversary date of this lease, if a Production Unit contains more acreage than is necessary to meet regulatory allowable and spacing requirements, or if a Production Unit contains depths below the deepest formation then producing in a Commercial Well located thereon, upon request from Lessor, Lessee shall commence and diligently pursue either a Continuous Drilling Program on the Production Unit or Recompleting, Reworking or Refracting operations. If Lessee fails to commence a Continuous Drilling Program, Recompleting, Reworking or Refracting within 90 days of the request from Lessor, or if upon completion of the Continuous Drilling Program, Recompleting, Reworking or Refracting, unnecessary acreage or unproductive deep depths are still contained in the Production Unit, Lessee shall release this lease as to the acreage not necessary to obtain a sufficient allowable for the prevailing rate of production or meet minimum well spacing requirements and/or as to all depths below the stratigraphic equivalent of the deepest formation from which a Commercial Well on the Production Unit is then producing. After the tenth anniversary of the expiration of the primary term, Lessor's right to make such requests for release of unneeded acreage and depths shall be recurring and may be exercised as often as Lessor considers advisable.
7. Pooling. If acting fairly and in good faith, notwithstanding anything in this lease to the contrary, Lessee may include acreage from the Leasehold Estate in a pooled unit that also contains acreage, including other leases and lands from outside the Leasehold Estate. Such pooled unit shall conform in all respects to, and be treated as, a Production Unit, except that not all of its acreage will be from the Leasehold Estate. Lessee shall execute and record a written unit designation describing all tracts and leases included in the pooled unit, and containing a surveyor's plat of the pooled unit, in the records of the county in which the land is located. A copy of the pooled unit designation showing recording information shall be promptly furnished to Lessor. Actual Drilling, Recompleting, Reworking, Refracting and production of Products on any part of the pooled unit shall be treated as if on or from the portion of the Leasehold Estate Included in such unit. For royalty purposes, a pro rata portion of the Products produced from the pooled unit shall be allocated on a net mineral acreage basis to each tract in the unit, and such allocation shall be treated as though it is the actual production from each tract in the pooled unit. Any pooled unit formed by Lessee shall include all of the Leasehold Estate unless Lessee has received prior written permission from Lessor to include less than all of the Leasehold Estate in the pooled unit, and any pooled unit formed in violation of this provision shall be void as to the Leasehold Estate unless expressly ratified in writing by Lessor, and operations on or production from such unit will maintain this lease in force only as to the part of the Leasehold Estate included in such unit. Subject to Paragraph 6(c) above, operations on or production from any part of such unit shall maintain this lease in force only as to the Leasehold Estate contained within the unit at the expiration of the primary term.
8. Surface Use Provisions. If Lessor also owns the surface over all or any part of the Leasehold Estate, Lessor and Lessee have entered into separate Oil and Gas Surface Use Covenants of even date herewith which shall govern the rights, duties and obligations of Lessor and Lessee in connection with the surface.
9. Lessee's Personnel; Indemnity. All persons present on or near the Leasehold Estate in connection with Lessee's operations thereon shall be referred to as "Lessee's personnel" and shall be Lessee's responsibility. PRESENCE ON OR NEAR THE LEASEHOLD ESTATE SHALL BE AT THE SOLE RISK OF LESSEE AND LESSEE'S PERSONNEL. LESSEE AND LESSEE'S PERSONNEL ASSUME THE RISK OF DAMAGE, INJURY OR LOSS TO THEIR PERSONS OR PROPERTY FROM COLLISIONS BETWEEN VEHICLES, COLLISIONS BETWEEN LIVESTOCK AND VEHICLES, ACCIDENTS CAUSED BY THE CONDITION OF ROADS USED IN CONNECTION WITH LESSEE'S OPERATIONS HEREUNDER, EITHER ACROSS THE LEASEHOLD ESTATE OR ACROSS OTHER PROPERTY OWNED BY LESSOR AND USED FOR ACCESS TO THE LEASEHOLD ESTATE, OR FROM ANY OTHER CAUSE. LESSEE WILL PROTECT, INDEMNIFY, HOLD HARMLESS AND DEFEND LESSOR AGAINST ANY CLAIM, DEMAND, COST, LIABILITY, LOSS OR DAMAGE SUFFERED BY LESSOR, INCLUDING ENVIRONMENTAL REMEDIATION, REASONABLE ATTORNEYS FEES, EXPERT WITNESS FEES, LITIGATION EXPENSES AND COURT COSTS ARISING OUT OF OR ASSOCIATED IN ANY WAY WITH ANY ACTIVITY CONDUCTED BY LESSEE OR LESSEE'S PERSONNEL ON OR NEAR THE LEASEHOLD ESTATE ("LESSEE'S CONDUCT"), AND LESSEE'S OBLIGATION TO INDEMNIFY LESSOR FOR CLAIMS ARISING FROM LESSEE'S CONDUCT SHALL APPLY WITHOUT REGARD TO FAULT ON THE PART OF EITHER AND SHALL SPECIFICALLY INCLUDE INDEMNIFICATION OF LESSOR AGAINST LIABILITY TO THIRD PERSONS ARISING FROM LESSOR'S NEGLIGENCE IF SUCH LIABILITY IS RELATED TO LESSEE'S CONDUCT. Lessee's above indemnity obligations will continue in effect, and be enforceable by Lessor, even after this lease terminates.

10. **Information.** Lessee shall advise Lessor in writing as to the location of each well drilled upon the Leasehold Estate, or on lands pooled therewith, on or before 14 days after commencement of operations, and shall advise Lessor in writing as to the date of completion or abandonment of each well drilled within 60 days after such completion or abandonment. Immediately following this instrument being recorded in the county records where the Leasehold Estate is located, Lessee will provide Lessor with a copy of this fully recorded instrument as it appears in said records. Upon written request by Lessor, Lessee shall within 30 days furnish to Lessor one copy of all well logs and reports of tests conducted by or for Lessee in connection with the Leasehold Estate including without limitation all seismic surveys, all well tests, and all soil, water and other environmental tests, and of all title and ownership information obtained or developed by Lessee concerning the Leasehold Estate including, but not limited to, a copy of any title opinion or report, any landman's takeoff or runsheet, and any abstract of title, covering all or any part of the Leasehold Estate, but only to the extent that it covers lands within the surface boundaries of the Leasehold Estate, and Lessor shall keep all such information described in this sentence confidential until the expiration of two years after the primary term of this lease.

11. **Mandatory Releases by Lessee.** At any time that this lease terminates as to any acreage or depth, Lessee shall promptly execute and furnish to Lessor a release thereof in recordable form which contains a legally adequate description of the lands and/or depths being released.

12. **Force Majeure.** When Lessee's operations are delayed by an event of force majeure, being a non-economic event beyond Lessee's control, if Lessee shall furnish Lessor a reasonable written description of the problem encountered within 60 days after its commencement, and Lessee shall thereafter use its best efforts to overcome the problem, this lease shall remain in force during the continuance of such delay, and Lessee shall have 90 days after the reasonable removal of such force majeure within which to resume operations; provided, however, this paragraph shall not extend this lease or relieve Lessee for liability for any breach thereof for a period in excess of 180 days, and Lessee's obligation to pay sums due hereunder shall not be affected by an event of force majeure.

13. **Ownership Changes.** No assignment of this lease, or interest therein, may be made without written approval of Lessor, any assignment made without such approval shall be absolutely void as of the time made, and the purported assignor shall remain liable to Lessor on all the covenants and conditions of this lease. Lessor shall not unreasonably withhold approval of an assignment of this lease, it being the Lessor's intent that the Leasehold Estate shall be held and developed by financially sound Lessees of good reputation and technical capability. Subject to the preceding condition, the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns of Lessor and Lessee, but no change or division in ownership of the minerals, rentals, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No such change or division in the ownership of the minerals, rentals or royalties shall be binding upon Lessee until Lessee shall have been furnished with the instrument or instruments, or copies thereof, evidencing such change or division. If an assignment is made and approved as to a segregated portion of the Leasehold Estate, liability for breach of any obligation hereunder shall rest exclusively with the leasehold owner who commits such breach.

14. **Bonus Non-Refundable; No Warranty of Title or Covenant of Seizen; Lesser Interest; Non-Executive Owners.** Lessee understands that refund of the bonus paid to Lessor for the execution of this lease would impose a significant hardship on Lessor, and for this reason payment of the bonus is final and it is not refundable or otherwise subject to recovery by Lessee under any circumstance. Lessor makes no warranty of title and any and all express or implied covenants of ownership, good title, seizen or the like are expressly excluded from this lease, it being understood and agreed that Lessee has researched the title to and condition of the Leasehold Estate, and all other relevant circumstances connected with Lessee's intended uses, to its satisfaction and that Lessor is relying upon Lessee's representations as to title in executing this lease. If Lessor owns less than the full mineral estate in all or any part of the Leasehold Estate, royalties on that part of the Leasehold Estate shall be reduced to the proportion that Lessor's interest bears to the full interest. Lessee expressly agrees to determine if this lease covers non-executive mineral interests, and, if it does, to determine the identity of the current owners thereof and to make all payments due to such owners directly to each. Lessee will indemnify Lessor and hold Lessor harmless for any failure of Lessee to make full and timely payment to any non-executive mineral interest owner and shall have no right to reimbursement from Lessor if Lessee pays funds due to non-executive owners to Lessor.

15. **Enforcement Expenses.** If Lessor files a legal action to enforce any express or implied obligation under the terms of this lease and receives a favorable judgment from a court of competent jurisdiction, then Lessee shall reimburse Lessor for all costs of such legal proceeding including reasonable attorney's fees, expert witness fees, litigation expenses and court costs.

16. **No Community Lease.** If the mineral and/or royalty interests covered by this lease are different as between any two or more tracts within the Leasehold Estate, the execution of this lease shall not be construed to create a community lease nor in any way to effect the pooling or cross conveyance of interests in any such two or more tracts. Instead, it is Lessor's intent that oil and gas royalties and other lease benefits shall accrue to the owners of the particular tract of land on which is located the well or wells from which oil or gas production is taken, without apportionment to the owners of any other tract or tracts covered hereby, unless the pooling authority granted to Lessee under this lease has been exercised, it being intended that ownership of royalties shall accrue to the tract on which the well is located.

17. **Parties in Interest.** Lessee represents that he/she is not an officer, director, or employee of Bank of America Corporation, Bank of America, N.A., or any of its affiliates and/or subsidiaries, nor is Lessee acting on behalf of any such officer, director, or employee.

18. **Notices.** All notices and other communications given in connection with this lease shall be in writing and shall be deemed to have been properly given and received on the date when personally delivered, or shall be deemed to have been properly given on the date of actual receipt if delivered by certified mail, fax or courier. The following addresses are hereby designated for the receipt of notices:

LESSOR: The Conquistador Council Boys Scout Trust Fund P.O. Box 830308 Dallas, TX 75283-0308	LESSEE: MRC Permian Company 5400 LBJ Freeway, Suite 1500 Dallas, TX 75240
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Executed on the dates indicated below but effective for all purposes as of the date first above written.

Lessor: The Conquistador Council Boys Scout Trust Fund Bank of America, N.A., By: _____ Name: Melissa A. Rickman Title: Vice President	Lessee: MRC Permian Company By: _____ Name: Craig N. Adams Title: Executive Vice President – Land and Legal
--	--

Lease: _____	Address: 5400 LBJ Freeway, Suite 1500 Dallas, TX 75240
Address: P.O. Box 830308 Dallas, TX 75283-0308	

STATE OF _____ §
COUNTY OF _____ §

Before me, the undersigned, a Notary Public in and for said County and State, on this day personally appeared _____ of Bank of America, N.A., known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said Bank in the capacity therein stated.

Given under my hand and seal of office this the ____ day of _____, 20__.

Notary Public in and for the State of _____

STATE OF _____ §
COUNTY OF _____ §

Before me, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Craig N. Adams, Executive Vice President – Land and Legal of MRC Permian Company, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said Corporation in the capacity therein stated.

Given under my hand and seal of office this the ____ day of _____, 2015.

Notary Public in and for the State of _____

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- 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:
*Bank of America, Conquistador
 Council Boy Scouts of America
 2100 S. Utica Ave., Suite 150
 Tulsa, OK 74114*

COMPLETE THIS SECTION ON DELIVERY

A. Signature
[Signature] Agent Addressee

B. Received by (Printed Name) _____ C. Date of Delivery
 _____ *4-21*

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

3. Service Type
 Certified Mail® Priority Mail Express™
 Registered Return Receipt for Merchandise
 Insured Mail Collect on Delivery

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number
 (Transfer from service label) **7014 2120 0004 4004 8913**

PS Form 3811, July 2013 Domestic Return Receipt

UNITED STATES POSTAL SERVICE



First-Class Mail
 Postage & Fees Paid
 USPS
 Permit No. G-10

• Sender: Please print your name, address, and ZIP+4® in this box•

MRC Permian Company
 One Lincoln Centre
 5400 LBJ Freeway, Suite 1500
 Dallas, Texas 75240

Paul #221 H

Sara (cc)



**U.S. Postal Service
 CERTIFIED MAIL® RECEIPT
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For delivery information, visit our website at www.usps.com.
OFFICIAL USE

Postage	\$	4-21-15 Postmark Here <i>Paul #221 H</i>
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent to *BOA, Con. Council Boy Scouts of America*
 Street & Apt. No. or PO Box No. *2100 S. Utica Ave., Suite 150*
 City, State, ZIP+4 *Tulsa, OK 74114*

7014 2120 0004 4004 8913

MRC Permian Company

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240
Voice 972.371.5430 • Fax 972-371-5201
ccarleton@matadorresources.com

Chris Carleton
Landman

September 2, 2015

VIA CERTIFIED RETURN RECEIPT MAIL

Chi Energy, Inc.
P.O. Box 1799
Midland, Texas 79702

**Re: Matador Production Company – Paul 25-24S-28E RB #221H (the “Well”)
Participation Proposal
Section 25, Township 24-South, Range 28-East
Eddy County, New Mexico**

Chi Energy, Inc:

MRC Permian Company (“MRC”) proposes the drilling of the Matador Production Company’s Paul 25-24S-28E RB #221H well, located in Section 25, Township 24-South, Range 28-East, Eddy County, New Mexico, to the Wolfcamp formation.

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 to the undersigned.

In connection with the above, please note the following:

The estimated cost of drilling, testing, completing, and equipping the subject well is \$8,152,278 as itemized on the enclosed Authority for Expenditure (“AFE”) dated January 3, 2015.

The proposed surface location of the subject well is approximately 359’ FNL and 217’ FWL of Section 25, Township 24-South, Range 28-East, Eddy County, New Mexico. The proposed point of penetration of the subject well is approximately 380’ FNL and 330’ FWL. The proposed bottom hole location of the subject well is 380’ FNL and 240’ FEL; see the enclosed plat for more detail.


The Well will have a targeted interval within the Wolfcamp formation. We will drill horizontally in the Wolfcamp “B” (~10,000’ TVD) to a Total Measured Depth of approximately 14,500’ resulting in a productive lateral of approximately 4,600’ that will require 19 frac stages to be completed.

Chi Energy, Inc. will own an approximate 28.1250% working interest in the proposed 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. Additionally, if your election is to participate, please accept this letter as an invoice notice and request for payment. Please remit payment for your proportionate share of costs in the amount of \$2,292,828.19 to Matador Production Company on or before thirty (30) days after receipt of this estimate and invoice. Please be aware that the enclosed AFE is only an estimate of costs to be incurred and by electing to participate in the Well, Chi Energy, Inc. shall be responsible for 28.1250% of all costs incurred.

Please contact if you have any questions.

Sincerely,


Chris Carleton *by Smith*

Enclosure(s)

Please elect one of the following and return to sender:

_____ Chi Energy, Inc. hereby elects to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Matador Production Company's Paul 25-24S-28E RB #221H well, located in Eddy County, New Mexico.

_____ Chi Energy, Inc. hereby elects not to participate for its proportionate share of the costs detailed in the enclosed AFE for the Matador Production Company Paul 25-24S-28E RB #221H well, located in Eddy County, New Mexico.

_____ I / We are interested in selling our interest in this unit, please contact us to discuss.

Chi Energy, Inc.

By: _____

Title: _____

Date: _____

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: <u>January 3, 2015</u>	AFE NO.: <u>300014-014-001</u>
WELL NAME: <u>Paul 25-24-28 #221H</u>	FIELD: <u>Q</u>
LOCATION: _____	MDTV/D: <u>145007/10000</u>
COUNTY/STATE: <u>Eddy</u>	LATERAL LENGTH: <u>4,600</u>
MRC Wt: <u>32.81%</u>	DRILLING DAYS: <u>31</u>
GEOLOGIC TARGET: <u>Wolfcamp</u>	COMPLETION DAYS: <u>10</u>
REMARKS: <u>Drill a horizontal well and complete with 19 stages Wolfcamp Gen 1 design</u>	

	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	TOTAL COSTS
INTANGIBLE COSTS				
01 Land / Legal / Regulatory	\$ 31,700			\$ 31,700
02 Location, Surveys & Damages	145,000	13,900	4,000	162,000
10 Drilling	1,013,000			1,013,000
16 Cementing & Float Equip	208,000			208,000
20 Logging / Formation Evaluation	-	5,500		5,500
21 Mud Logging	19,300			19,300
23 Mud Circulation System	104,225			104,225
24 Mud & Chemicals	106,000	36,000		142,000
25 Mud / Wastewater Disposal	145,000			145,000
26 Freight / Transportation	36,000	16,500		52,500
28 Rig Supervision / Engineering	129,500	64,250	18,000	211,750
31 Drill Bits	97,500			97,500
32 Fuel & Power	182,700			182,700
33 Water	27,500	333,000		360,500
34 Drig & Completion Overhead	14,500	15,000		29,500
36 Plugging & Abandonment				
38 Directional Drilling, Surveys	192,000			192,000
40 Completion Unit, Swab, CTU		110,000	28,000	138,000
44 Perforating, Wireline, Sackline		135,000	20,000	155,000
45 High Pressure Pump Truck		68,000		68,000
46 Stimulation		2,090,000		2,090,000
47 Stimulation Flowback & Disp		45,500		45,500
48 Insurance	26,100			26,100
50 Labor	127,500	17,000	6,000	150,500
51 Rental - Surface Equipment	114,700	254,525	12,000	381,225
52 Rental - Downhole Equipment	40,000	43,000		83,000
53 Rental - Living Quarters	95,475	31,950	10,000	111,425
54 Contingency	282,983	327,923	9,900	620,703
TOTAL INTANGIBLES >	3,112,780	3,607,148	107,800	6,827,728
TANGIBLE COSTS				
41 Surface Casing	\$ 24,875			\$ 24,875
42 Intermediate Casing	75,500			75,500
43 Drilling Liner	304,000			304,000
44 Production Casing	401,875			401,875
45 Production Liner				
46 Tubing			50,000	50,000
47 Wellhead	50,000		60,000	110,000
48 Packers, Liner Hangers		73,800	12,000	85,800
49 Tanks				
50 Production Vessels			74,000	74,000
51 Flow Lines				
52 Rod string				
53 Artificial Lift Equipment			30,000	30,000
54 Compressor				
55 Installation Costs			82,000	82,000
56 Surface Pumps			5,000	5,000
58 Non-controllable Surface			66,000	66,000
59 Non-controllable Downhole				
61 Downhole Pumps				
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				
72 Instrumentation / Safety				
TOTAL TANGIBLES >	859,250	73,800	391,500	1,324,550
TOTAL COSTS >	3,972,030	3,680,948	499,300	8,152,278

PREPARED BY MATADOR PRODUCTION COMPANY:

Drilling Engineer: <u>Aaron Byrd</u>	Team Lead - WTX/NM: <u><i>[Signature]</i></u>	
Completions Engineer: <u>Chris Colwell</u>		
Production Engineer: <u>Casey McCa</u>		

MATADOR RESOURCES COMPANY APPROVAL:

Executive VP, COO/CFO: <u>DEL</u>	VP - Res Engineering: <u>BMP</u>	VP - Drilling: <u>BG</u>
Executive VP, Legal: <u>CA</u>	Exec Dir - Exploration: <u>DFH</u>	VP - Production: <u>WFM</u>
President: <u>MVH</u>	VP & General Manager: <u>RCL</u>	

NON OPERATING PARTNER APPROVAL:

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

The above is our AFE and represents our estimate of the cost of the well and completion. It is not a contract. It is subject to change without notice. It is not a guarantee of performance. It is not a commitment to spend. It is not a contract. It is subject to change without notice. It is not a guarantee of performance. It is not a commitment to spend. It is not a contract. It is subject to change without notice. It is not a guarantee of performance. It is not a commitment to spend.

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete Item 4 if Restricted Delivery is desired.
- 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:

Chi Energy, Inc.
PO Box 1799
Midland, Texas 79702

COMPLETE THIS SECTION ON DELIVERY

A. Signature *x [Signature]* Agent
 Addressee

B. Received by (Printed Name) *Dianna Bell* C. Date of Delivery *9-9-15*

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

3. Service Type
 Certified Mail® Priority Mail Express™
 Registered Return Receipt for Merchandise
 Insured Mail Collect on Delivery

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number

(Transfer from service label)

7014 2120 0003 8662 1249

PS Form 3811, July 2013

Domestic Return Receipt

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• Sender: Please print your name, address, and ZIP+4® in this box•

MRC Permian Company
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, Texas 75240

RECEIVED
SEP 14 2015

Sara/cc (Paul # 2214)



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Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Post	

*Paul
2214 H
Postmark
Here
9-3-15*

Sort To Chi Energy, Inc.
Street & No. PO Box 1799
or PO Box Midland, Texas 79702
City, State.

PS Form 3800, July 2014

See Reverse for Instructions

7014 2120 0003 8662 1249