

# MRC Permian Company

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**Jeff Lierly, CPL**  
**Senior Landman**

October 28, 2015

VIA CERTIFIED RETURN RECEIPT MAIL

Nearburg Exploration Co., L.L.C.  
3300 N. A Street, Bld. 2, Suite 120  
Midland, Texas, 79705

Re: Eland State 32-18S-33E RN #123H Participation Proposal  
SHL: 154' FNL & 1859' FEL; BHL: 240' FSL & 1870' FEL  
Section 32, Township 18 South, Range 33 East  
Lea County, New Mexico

Nearburg Exploration Co., L.L.C.:

MRC Permian Company and its operating company Matador Production Company (collectively "MRC") propose the drilling of the Eland State 32-18S-33E RN #124H well (the "Well"), located in the W/2E/2 of Section 32, Township 18 South, Range 33 East, Lea County, New Mexico, to test the Bone Spring formation. The estimated cost of drilling, testing, completing, and equipping the Well is \$6,185,429, as itemized on the enclosed Authority for Expenditure ("AFE") dated October 27, 2015.

The Well will be drilled to a total vertical depth of 9,750' and a total measured depth of 14,850', producing a treatable lateral of approximately 4,604' within the Bone Spring formation to be completed with 12 stages.

MRC is proposing to drill the Well under the terms of the modified 1989 AAPL form of Operating Agreement ("OA") which was previously furnished for your review and approval. The Operating Agreement will cover all of Section 32, Township 18 South, Range 33 East, Lea County, New Mexico from the surface to the base of the Bone Spring formation ("Contract Area") pursuant to the following terms:

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

Please note that this well proposal will replace the Eland State 32-18S-33E RN #124H proposal as the Initial Test Well for the OA that will supersede two existing Operating Agreements currently in place, one of which governs the N½ of Section 32, and the other that governs the S½ of Section 32, for all future wells within the Contract Area as to the specified depths. By entering into the new OA that will blend the contractual interests in the existing Operating Agreements, MRC and all

NMOCD CASE NO. 15433  
Nearburg Producing Company  
Exhibit No. 6  
January 21, 2016

working interest parties will benefit from having one agreement govern operations for future horizontal development.

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.

Nearburg Exploration Co., L.L.C. will own approximately 33.333333% 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,



Jeff Lierly, CPL

Enclosures

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 Eland State 32-18S-33E RN #123H.

\_\_\_\_\_ Party hereby elects not to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Eland State 32-18S-33E RN #123H.

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

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

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

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

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., Santa 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.  
Santa 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

<sup>1</sup> API Number		<sup>2</sup> Pool Code		<sup>3</sup> Pool Name		
<sup>4</sup> Property Code		<sup>5</sup> Property Name ELAND STATE 32-18S-33E RN			<sup>6</sup> Well Number #123H	
<sup>7</sup> OGRID No.		<sup>8</sup> Operator Name MATADOR PRODUCTION COMPANY			<sup>9</sup> Elevation 3754'	

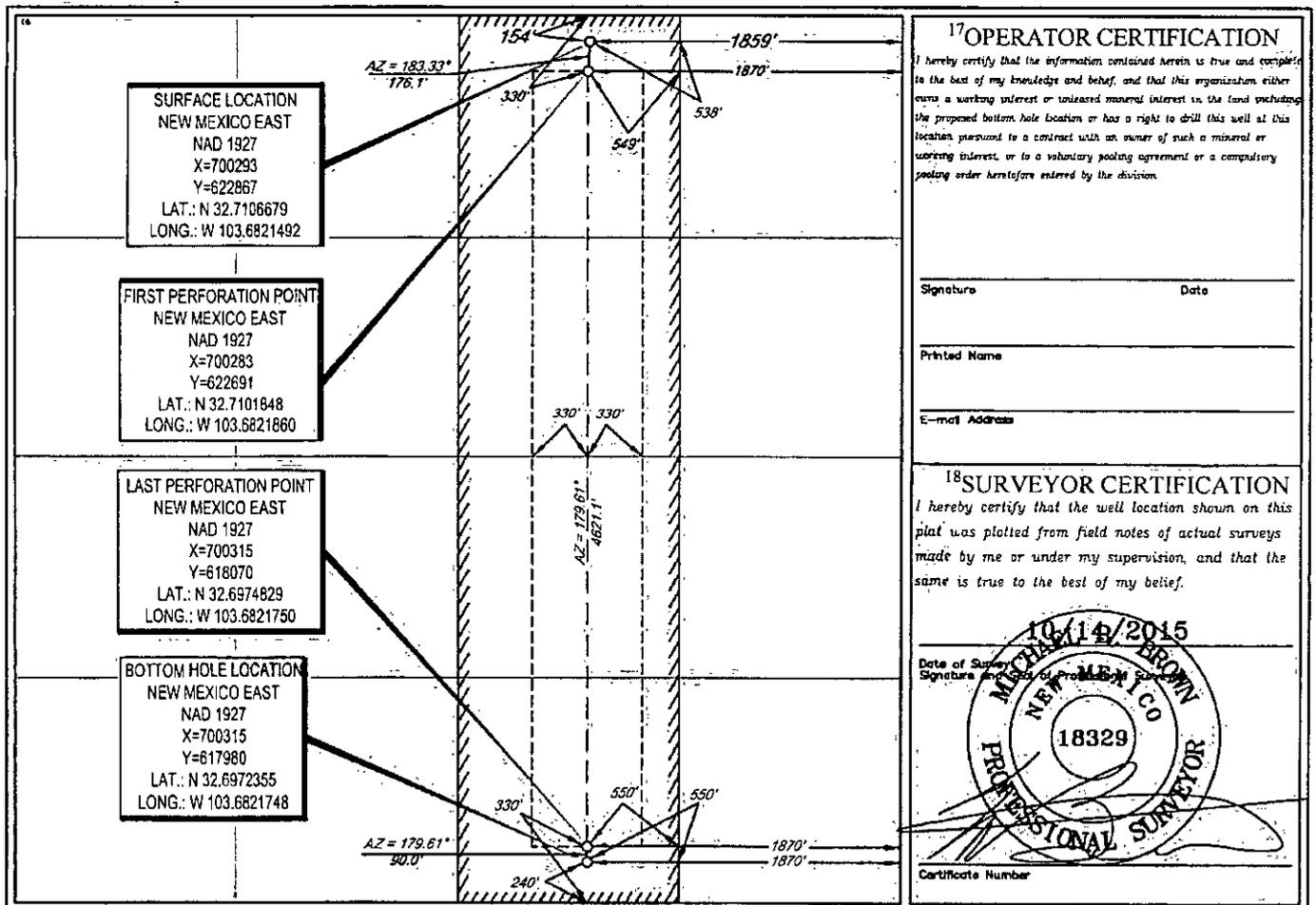
<sup>10</sup>Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	32	18-S	33-E	-	154'	NORTH	1859'	EAST	LEA

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	32	18-S	33-E	-	240'	SOUTH	1870'	EAST	LEA

<sup>11</sup> Dedicated Acres 160	<sup>12</sup> Joint or Infill	<sup>13</sup> Consolidation Code	<sup>14</sup> 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.



# MATADOR PRODUCTION COMPANY

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

## ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE

DATE:	Oct 27, 2015	AFE NO.:	0
WELL NAME:	Eland State 32-16S-33E RN #123H	FIELD:	Bone Spring
LOCATION:		MD/TVD:	14850/9750
COUNTY/STATE:	Lea	LATERAL LENGTH:	4,604
MRC Wt:	57.68%	DRILLING DAYS:	22.5
GEOLOGIC TARGET:	2nd BS	COMPLETION DAYS:	7
REMARKS:	Drill a horizontal well and complete with 12 stages, BS Gen 2 frac design.		

INTANGIBLE COSTS	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	TOTAL COSTS
01 Land / Legal / Regulatory	\$ 36,700	\$ -	\$ -	\$ 36,700
02 Location, Surveys & Damages	111,500	137,500	4,000	253,000
10 Drilling	817,500	-	-	817,500
16 Cementing & Float Equip	185,000	-	-	185,000
20 Logging / Formation Evaluation	-	6,000	-	6,000
21 Mud Logging	25,000	-	-	25,000
23 Mud Circulation System	44,080	-	-	44,080
24 Mud & Chemicals	50,000	18,000	-	68,000
25 Mud / Wastewater Disposal	155,000	-	-	155,000
26 Freight / Transportation	36,000	12,000	-	48,000
28 Rig Supervision / Engineering	87,200	45,750	18,000	160,950
31 Drill Bits	115,000	-	-	115,000
32 Fuel & Power	120,000	-	-	120,000
33 Water	27,500	305,200	-	332,700
34 Orig & Completion Overhead	13,500	12,000	-	25,500
38 Plugging & Abandonment	-	-	-	-
38 Directional Drilling, Surveys	178,000	-	-	178,000
40 Completion Unit, Swab, CTU	-	55,000	28,000	83,000
44 Perforating, Wireline, Slickline	-	55,500	20,000	75,500
45 High Pressure Pump Truck	-	30,000	-	30,000
46 Stimulation	-	1,140,000	-	1,140,000
47 Stimulation Flowback & Disp	-	41,500	-	41,500
48 Insurance	27,000	-	-	27,000
50 Labor	119,000	19,500	6,000	144,500
51 Rental - Surface Equipment	79,300	146,650	12,000	237,950
52 Rental - Downhole Equipment	25,000	26,500	-	51,500
53 Rental - Living Quarters	52,025	21,160	10,000	83,185
54 Contingency	231,431	207,226	9,800	448,457
<b>TOTAL INTANGIBLES &gt;</b>	<b>2,545,738</b>	<b>2,278,488</b>	<b>107,800</b>	<b>4,932,022</b>

TANGIBLE COSTS	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	TOTAL COSTS
41 Surface Casing	\$ 62,150	\$ -	\$ -	\$ 62,150
42 Intermediate Casing	155,200	-	-	155,200
43 Drilling Liner	-	-	-	-
44 Production Casing	372,628	-	-	372,628
45 Production Liner	-	-	-	-
46 Tubing	-	-	48,750	48,750
47 Wellhead	55,000	-	60,000	115,000
48 Packers, Liner Hangers	-	20,900	15,000	35,900
49 Tanks	-	-	-	-
50 Production Vessels	-	-	74,000	74,000
51 Flow Lines	-	-	50,000	50,000
52 Rod string	-	-	38,280	38,280
53 Artificial Lift Equipment	-	-	115,000	115,000
54 Compressor	-	-	-	-
55 Installation Costs	-	-	102,000	102,000
56 Surface Pumps	-	-	5,000	5,000
58 Non-controllable Surface	-	-	41,000	41,000
59 Non-controllable Downhole	-	-	-	-
61 Downhole Pumps	-	-	15,000	15,000
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	-	-	10,000	10,000
72 Instrumentation / Safety	-	-	-	-
<b>TOTAL TANGIBLES &gt;</b>	<b>644,978</b>	<b>20,900</b>	<b>688,530</b>	<b>1,252,408</b>
<b>TOTAL COSTS &gt;</b>	<b>3,190,713</b>	<b>2,300,388</b>	<b>894,330</b>	<b>6,185,429</b>

**PREPARED BY MATADOR PRODUCTION COMPANY:**

Drilling Engineer:	Patrick Walsh	Team Lead - WTX/NM	<b>KTS</b>
Completions Engineer:	Cliff Humphreys		KTS
Production Engineer:	Trent Goodwin		

**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		TG
President	VP & General Manager	
MVH		

**NON OPERATING PARTNER APPROVAL:**

Company Name:	Working Interest (%):	Tax ID:
Signed by:	Date:	
Title:	Approval:	Yes <input type="checkbox"/> No <input type="checkbox"/> (mark one)

The costs on this AFE are estimated only and may not be verified as actuals on any specific date or the total cost of the project. Taking into account approved under the AFE may be delayed up to 1 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, consulting, regulatory, insurance and other items under the terms of the applicable permit and regulatory requirements. Participants shall be bound by and shall be bound by the terms of the applicable permit and regulatory requirements. Participants shall be bound by and shall be bound by the terms of the applicable permit and regulatory requirements. Participants shall be bound by and shall be bound by the terms of the applicable permit and regulatory requirements.