

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

**IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:**

**APPLICATION OF MATADOR PRODUCTION  
COMPANY FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.**

**Case No. 20324**

**VERIFIED STATEMENT OF TREY GOODWIN**

Trey Goodwin, being duly sworn upon his oath, deposes and states:

1. I am a landman for MRC Energy Company, an affiliate of Matador Production Company ("Matador"), and I have personal knowledge of the matters stated herein. I previously testified before the Division, and was qualified as an expert petroleum landman.

2. The following information is submitted in support of the compulsory pooling application filed herein:

(a) A Midland Map Co. plat outlining the unit being pooled is attached hereto as Attachment A. Applicant seeks an order pooling all mineral interests in the Wolfcamp formation underlying the N/2 of Section 35 and the N/2 of Section 36, Township 22 South, Range 27 East, NMPM, to form a 640 acre horizontal spacing unit. The unit will be dedicated to:

(i) the K Grevey State Com. Well No. 35H, a horizontal well with a first take point in the NE/4NE/4 of Section 36 and a final take point in the NW/4NW/4 of Section 35; and

(ii) the K Grevey State Com. Well No. 202H, a horizontal well with a first take point in the SE/4NE/4 of Section 36 and a final take point in the SW/4NW/4 of Section 35.

The well unit is comprised of state and fee lands. There are no depth severances in the Wolfcamp formation.

(c) Draft plats describing the horizontal well paths are attached hereto as Attachment B.

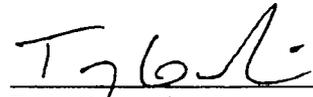


- (d) The wells will comply with setback requirement in the special pool rules for the Purple Sage Wolfcamp (Gas) pool.
- (e) The working interest owner being pooled and its approximate working interest in the wells are set forth in Attachment C. As noted in Exhibit C, the approximate working interest for the working interest owner being pool may change based on the results of ongoing title due diligence.
- (f) A copy of the proposal letters sent to the uncommitted working interest owner are attached hereto as Attachment D. In addition to the letter we have had multiple conversations with WPX regarding our proposed development plans.
- (g) Matador has made a good faith effort to obtain the voluntary joinder of the interest owner in the proposed wells. If Matador reaches voluntary agreement with the working interest owner we will notify the Division, and they will not be subject to pooling.
- (h) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against any non-consenting working interest owncr.
- (i) Copies of the Authority for Expenditure for the each well are included in Attachment D. The drilling and completion costs set forth therein are fair and reasonable, and are comparable to those of other horizontal wells of this depth drilled in this area of Eddy County.
- (j) Overhead charges of \$8,000/month for a drilling well, and \$800/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Applicant also requests that the order contain a provision adjusting the rates pursuant to the COPAS accounting procedure.
- (k) Applicant requests that it be designated operator of the well.

VERIFICATION

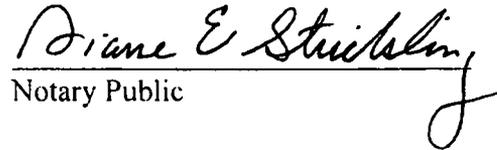
STATE OF TEXAS                    )  
  ) ss.  
COUNTY OF DALLAS                )

Trey Goodwin, being duly sworn upon his oath, deposes and states that: He is authorized to make this verification on behalf of Matador Production Company; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.

  
\_\_\_\_\_  
Trey Goodwin

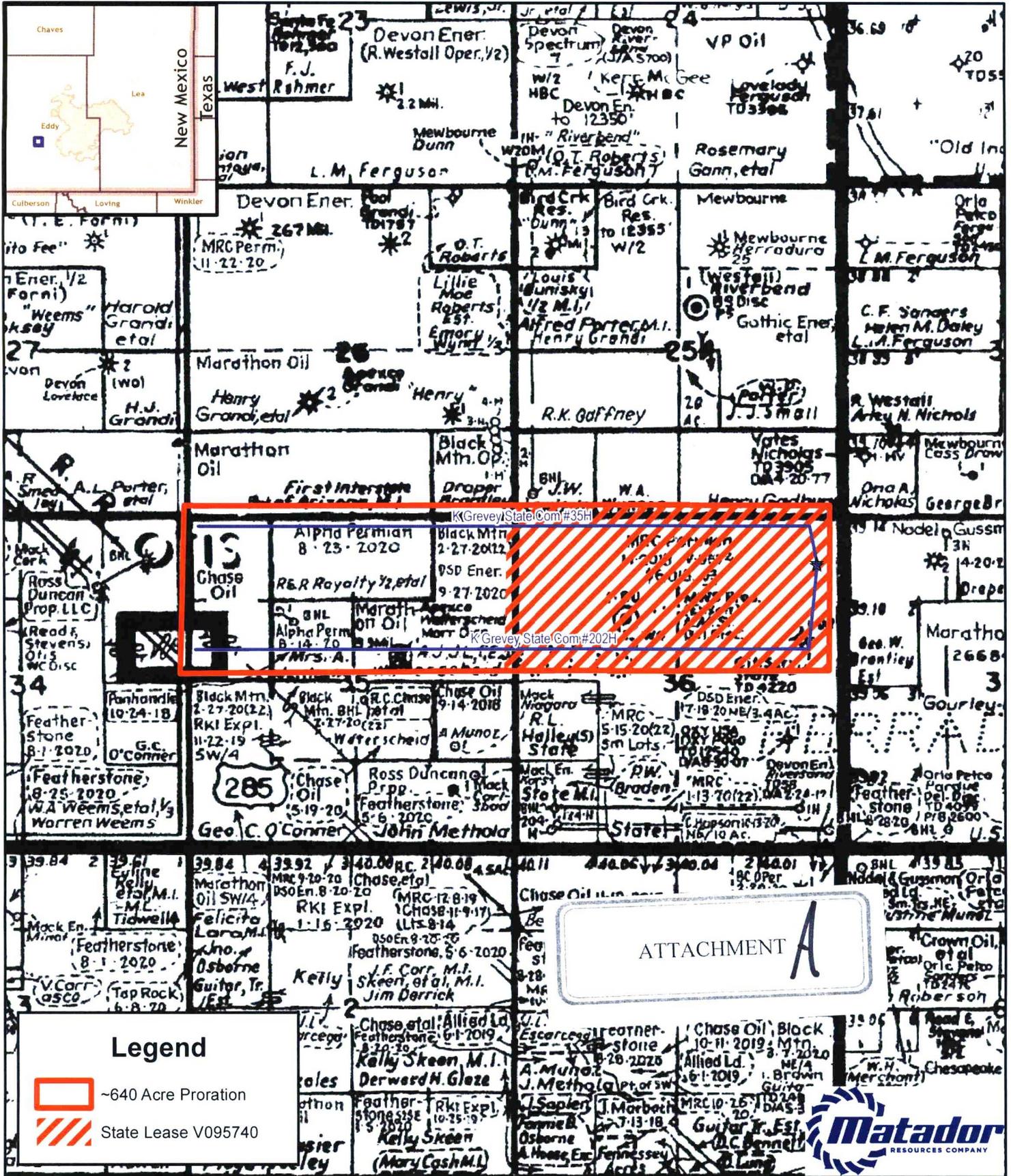
SUBSCRIBED AND SWORN TO before me this 3rd day of April, 2019.

My Commission Expires: 3/28/2022

  
\_\_\_\_\_  
Notary Public



# 36/35-22S-27E



ATTACHMENT A

## Legend

-  ~640 Acre Proration
-  State Lease V095740

1:30,000  
1 inch = 2,500 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: April 1, 2019  
Coordinate System: WGS 1984 Web Mercator Auxiliary Sphere  
Projection: Mercator Auxiliary Sphere; Datum: WGS 1984; Units: Meter  
Sources: IHS; ESRI



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: (505) 748-1283 Fax: (505) 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 <b>98220</b>		<sup>3</sup> Pool Name <b>PURPLE SAGE; WOLFCAMP (GAS)</b>	
<sup>4</sup> Property Code		<sup>5</sup> Property Name <b>K GREVEY STATE COM</b>			<sup>6</sup> Well Number <b>35H</b>
<sup>7</sup> OGRID No. <b>228937</b>		<sup>8</sup> Operator Name <b>MATADOR PRODUCTION COMPANY</b>			<sup>9</sup> Elevation

<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>36</b>	<b>22-S</b>	<b>27-E</b>	-----	<b>923'</b>	<b>NORTH</b>	<b>200'</b>	<b>EAST</b>	<b>EDDY</b>

<sup>11</sup> Bottom Hole Location If Different From Surface									
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
	<b>35</b>	<b>22-S</b>	<b>27-E</b>	-----	<b>330'</b>	<b>NORTH</b>	<b>240'</b>	<b>WEST</b>	<b>EDDY</b>

<sup>12</sup> Dedicated Acres <b>640</b>	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
---	-------------------------------	----------------------------------	-------------------------

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.

**<sup>17</sup> OPERATOR 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.

Signature \_\_\_\_\_ Date \_\_\_\_\_

Printed Name \_\_\_\_\_

E-mail Address \_\_\_\_\_

**<sup>18</sup> SURVEYOR 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 and correct to the best of my belief.

Date of Survey \_\_\_\_\_

Professional Surveyor: \_\_\_\_\_

ATTACHMENT **B**

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  
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 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  
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**OIL CONSERVATION DIVISION**  
 1220 South St. Francis Dr.  
 Santa Fe, NM 87505

Form C-102  
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 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 <b>98220</b>		<sup>3</sup> Pool Name <b>PURPLE SAGE; WOLFCAMP (GAS)</b>	
<sup>4</sup> Property Code		<sup>5</sup> Property Name <b>K GREVEY STATE COM</b>			<sup>6</sup> Well Number <b>202H</b>
<sup>7</sup> OGRID No. <b>228937</b>		<sup>8</sup> Operator Name <b>MATADOR PRODUCTION COMPANY</b>			<sup>9</sup> Elevation

<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>36</b>	<b>22-S</b>	<b>27-E</b>	-----	<b>953'</b>	<b>NORTH</b>	<b>204'</b>	<b>EAST</b>	<b>EDDY</b>

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
	<b>35</b>	<b>22-S</b>	<b>27-E</b>	-----	<b>2310'</b>	<b>NORTH</b>	<b>240'</b>	<b>WEST</b>	<b>EDDY</b>

<sup>12</sup> Dedicated Acres <b>640</b>	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
---	-------------------------------	----------------------------------	-------------------------

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.

	<p><b><sup>17</sup> OPERATOR CERTIFICATION</b></p> <p><i>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.</i></p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p> <p>E-mail Address _____</p>
	<p><b><sup>18</sup> SURVEYOR CERTIFICATION</b></p> <p><i>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 and correct to the best of my belief.</i></p> <p>Date of Survey _____</p> <p>Signature and Seal of Professional Surveyor: _____</p>
	<p>Certificate Number _____</p>

## Summary of Interests

<b>MRC Permian Company:</b>		<b>62.8125%</b>
<b>Compulsory Pool:</b>		<b>26.5625%</b>
<b>Interest Owner:</b>	<b>Description:</b>	<b>Interest:</b>
WPX Energy Permian, LLC	Working Interest Owner	26.5625%*

\* The working interest noted for WPX Energy Permian, LLC is approximate and subject to change based on the results of ongoing title due diligence.



## MRC Permian Company

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240  
Voice 972.629.2163 • Cell 469-371-2344  
[rhelbing@matadorresources.com](mailto:rhelbing@matadorresources.com)

Robert Helbing  
Landman

December 19, 2018

VIA CERTIFIED RETURN RECEIPT MAIL

WPX Energy Permian, LLC  
3500 One Williams Center, MD 35  
Tulsa, OK 74172

Re: Matador Production Company - K Grevey State Com #35H (the "Well")  
Participation Proposal  
Sections 36&35, Township 22 South, Range 27 East  
Eddy County, New Mexico

WPX Energy Permian, LLC:

MRC Permian Company ("MRC") proposes the drilling of Matador Production Company's K Grevey State Com #35H well, located in Sections 36&35, Township 22 South, Range 27 East, Eddy County, New Mexico, in the Wolfcamp formation.

In connection with the above, please note the following:

The estimated cost of drilling, testing, completing, and equipping the Well is \$10,909,148.00 as found on the enclosed AFE dated December 6, 2018.

The proposed surface location of the Well will be a legal location in the NE/4NE/4 of Section 36, Township 22 South, Range 27 East, Eddy County, New Mexico. The proposed bottom hole location of the subject well will be a legal location in the NW/4NW/4 of Section 35, Township 22 South, Range 27 East, Eddy County, New Mexico.

The Well will have a targeted interval within the Wolfcamp formation. We plan to drill the Well horizontally in the Wolfcamp (~9,350' TVD) to a Total Measured Depth of approximately 19,400' resulting in a productive lateral of approximately 9,700'.

MRC reserves the right to modify the locations and drilling plans described above in order to address topography, cultural or environmental concerns, among other reasons. MRC will advise you of any such modifications.

WPX Energy Permian, LLC will own and approximate 26.5625% working interest in the Well, subject to title verification.

ATTACHMENT

D

MRC is proposing to drill the Well under the terms of the modified 1989 AAPL form of Operating Agreement which is enclosed for your review and approval. The enclosed Operating Agreement dated December 12, 2018, by and between Matador Production Company, as operator and MRC Permian Company et al as Non-Operators covers the N/2 of Sections 36 & 35, Township 22 South, Range 27 East, Eddy County, New Mexico and has the following general provisions:

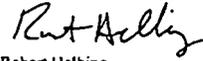
- 100/300/300 Non-consenting penalty
- \$8,000/\$800 Drilling and Producing rate
- Matador Production Company named as Operator

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.

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.

Thank you for your consideration of this proposal. Please contact me if you have any questions.

Sincerely,



Robert Helbing

Enclosure(s)

Please elect one of the following and return to sender.

\_\_\_\_\_ WPX Energy Permian, L.L.C. hereby elects to participate for its proportionate share of the costs detailed in the enclosed AFE associated with Matador Production Company's K Grevey State Com #35H well, located in Sections 36&35, Township 22 South, Range 27 East, Eddy County, New Mexico.

\_\_\_\_\_ WPX Energy Permian, L.L.C. hereby elects not to participate for its proportionate share of the costs detailed in the enclosed AFE associated with Matador Production Company's K Grevey State Com #35H well, located in Sections 36&35, Township 22 South, Range 27 East, Eddy County, New Mexico.

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

WPX Energy Permian, L.L.C.

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

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

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

**MATADOR PRODUCTION COMPANY**  
 ONE LINCOLN CENTRE • 6400 LBJ FREEWAY • SUITE 1800 • DALLAS, TEXAS 75240  
 Phone (972) 371-6200 • Fax (972) 371-6204

**ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE**

DATE:	December 6, 2018	AFE NO.:	
WELL NAME:	K Grevey State Com #35H	FIELD:	Purple Sage
LOCATION:	Section 36&35-22S-27E	MD/TVD:	18,400 MD / 8350' TVD
COUNTY/STATE:	Eddy, NM	LATERAL LENGTH:	ABOUT 9700 R
MRC NO.:			
GEOLOGIC TARGET:	Wolfcamp		
REMARKS:	Drill and complete a 2 mile long horizontal upper Wolfcamp Gen 3 design with 47 frac stages		

	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	FACILITY COSTS	TOTAL COSTS
<b>INTANGIBLE COSTS</b>					
Land / Legal / Regulatory	\$ 17,700				\$ 17,700
Location, Surveys & Damages	101,000	13,000	4,000	10,000	138,700
Drilling	835,000				835,000
Cementing & Float Equip	219,500				219,500
Logging / Formation Evaluation		8,500			8,500
Mud Logging	31,500				31,500
Mud Circulation System	69,325				69,325
Mud & Chemicals	157,000	65,000			222,000
Mud / Wastewater Disposal	173,000				173,000
Freight / Transportation	15,000	19,000			34,000
Rig Supervision / Engineering	171,800	83,760	5,400	18,000	288,760
Drill Bits	116,500				116,500
Fuel & Power	143,000				143,000
Water	50,000	550,000			700,000
Drig & Completion Overhead	12,500	31,000			43,500
Plugging & Abandonment					
Directional Drilling, Surveys	295,000				295,000
Completion Unit, Seals, CTU		130,000	0,000		130,000
Perforating, Wireline, Silicate		508,500			508,500
High Pressure Pump Truck		116,000			116,000
Simulation		3,810,000			3,810,000
Simulation Flowback & Disp		291,600	60,000		351,600
Insurance	34,300				34,300
Labor	108,500	71,000	10,000		189,500
Rental - Surface Equipment	76,300	374,830	43,000	5,000	499,130
Rental - Downhole Equipment	110,000	84,000		10,000	204,000
Rental - Living Quarters	65,700	30,168	2,500		98,368
Contingency	233,384	220,423	7,060	3,010	463,877
<b>TOTAL INTANGIBLES &gt;</b>	<b>3,150,711</b>	<b>6,028,342</b>	<b>167,399</b>	<b>48,010</b>	<b>9,404,655</b>
<b>TANGIBLE COSTS</b>					
Surface Casing	\$ 33,200				\$ 33,200
Intermediate Casing	87,200				87,200
Drilling Line	319,125				319,125
Production Casing	363,870				363,870
Production Liner					
Tubing			57,000		57,000
Wellhead	80,000		20,000		100,000
Packers, Liner Hangers		97,800	10,000		107,800
Tanks				40,000	40,000
Production Vessels			57,000	29,750	86,750
Flow Lines			60,000		60,000
Rod string					
Artificial Lift Equipment		20,000			20,000
Compressor				10,000	10,000
Installation Costs				60,000	60,000
Surface Pumps			5,000	6,500	11,500
Non-controllable Surface					
Non-controllable Downhole					
Downhole Pumps					
Measurement & Meter Installation			12,500	30,000	42,500
Gas Conditioning / Dehydration					
Interconnecting Facility Piping				40,000	40,000
Gathering / Bulk Lines					
Valves, Dumps, Controllers				4,000	4,000
Tank / Facility Containment				13,200	13,200
Flare Stack				11,350	11,350
Electrical / Grounding				8,600	8,600
Communications / SCADA			10,000	15,500	25,500
Instrumentation / Safety					
<b>TOTAL TANGIBLES &gt;</b>	<b>883,386</b>	<b>87,800</b>	<b>281,800</b>	<b>124,800</b>	<b>1,388,085</b>
<b>TOTAL COSTS &gt;</b>	<b>4,034,108</b>	<b>6,122,942</b>	<b>449,499</b>	<b>172,810</b>	<b>10,800,145</b>

**PREPARED BY MATADOR PRODUCTION COMPANY:**

Drilling Engineer:	Stan Herms	Team Lead - WTL/NM:	<u>WTE</u>
Completion Engineer:	Wayne Abel		WTE
Production Engineer:	Bar Pearson		

**MATADOR RESOURCES COMPANY APPROVAL:**

Executive VP, COO/CFO:	DEL	VP - Res Engineering:	SOB	VP - Drilling:	BU
Executive VP, Legal:	CA	Exec Dir - Exploration:	SLP	VP - Production:	
President:	MM				

**NON OPERATING PARTNER APPROVAL:**

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

We hereby authorize the signatory to execute and deliver on behalf of the signatory all documents and instruments necessary to carry out the operations of the well, including but not limited to, the execution of this AFE. The signatory shall be deemed to have authorized the signatory to execute and deliver on behalf of the signatory all documents and instruments necessary to carry out the operations of the well, including but not limited to, the execution of this AFE. The signatory shall be deemed to have authorized the signatory to execute and deliver on behalf of the signatory all documents and instruments necessary to carry out the operations of the well, including but not limited to, the execution of this AFE.

## MRC Permian Company

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240  
Voice 972.629.2163 • Cell 469-371-2344  
[rhelbing@matadorresources.com](mailto:rhelbing@matadorresources.com)

Robert Helbing  
Landman

December 19, 2018

VIA CERTIFIED RETURN RECEIPT MAIL

WPX Energy Permian, LLC  
3500 One Williams Center, MD 35  
Tulsa, OK 74172

Re: Matador Production Company – K Grevey State Com #202H (the "Well")  
Participation Proposal  
Sections 36&35, Township 22 South, Range 27 East  
Eddy County, New Mexico

WPX Energy Permian, LLC:

MRC Permian Company ("MRC") proposes the drilling of Matador Production Company's K Grevey State Com #202H well, located in Sections 36&35, Township 22 South, Range 27 East, Eddy County, New Mexico, to the Wolfcamp formation.

In connection with the above, please note the following:

The estimated cost of drilling, testing, completing, and equipping the Well is \$10,909,148.00 as found on the enclosed AFF dated December 6, 2018.

The proposed surface location of the Well will be a legal location in the SE/4NE/4 of Section 36, Township 22 South, Range 27 East, Eddy County, New Mexico. The proposed bottom hole location of the subject well will be a legal location in the SW/4NW/4 of Section 35, Township 22 South, Range 27 East, Eddy County, New Mexico.

The Well will have a targeted interval within the Wolfcamp formation. We plan to drill the Well horizontally in the Wolfcamp (~9,350' TVD) to a Total Measured Depth of approximately 19,400' resulting in a productive lateral of approximately 9,700'.

MRC reserves the right to modify the locations and drilling plans described above in order to address topography, cultural or environmental concerns, among other reasons. MRC will advise you of any such modifications.

WPX Energy Permian, LLC, will own an approximate 26.5625% working interest in the Well, subject to title verification.

MRC is proposing to drill the Well under the terms of the modified 1989 AAPL form of Operating Agreement which is enclosed for your review and approval. The enclosed Operating Agreement dated December 12, 2018, by and between Matador Production Company, as operator and MRC Permian Company et al as Non-Operators covers the N/2 of Sections 36&35, Township 22 South, Range 27 East, Eddy County, New Mexico and has the following general provisions:

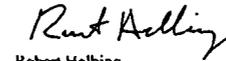
- 100/300/300 Non-consenting penalty
- \$8,000/\$800 Drilling and Producing rate
- Matador Production Company named as Operator

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.

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.

Thank you for your consideration of this proposal. Please contact me if you have any questions.

Sincerely,



Robert Helbing

Enclosure(s)

Please elect one of the following and return to sender.

\_\_\_\_\_ WPX Energy Permian, LLC, hereby elects to participate for its proportionate share of the costs detailed in the enclosed AFE associated with Matador Production Company's K Grevey State Com #202H well, located in Sections 36&35, Township 22 South, Range 27 East, Eddy County, New Mexico.

\_\_\_\_\_ WPX Energy Permian, LLC, hereby elects not to participate for its proportionate share of the costs detailed in the enclosed AFE associated with Matador Production Company's K Grevey State Com #202H well, located in Sections 36&35, Township 22 South, Range 27 East, Eddy County, New Mexico.

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

WPX Energy Permian, LLC.

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

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

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

**MATADOR PRODUCTION COMPANY**  
 ONE LINCOLN CENTRE - 8400 LB J FREEWAY - SUITE 1800 - DALLAS, TEXAS 75240  
 Phone (972) 371-8200 • Fax (972) 371-4201

**ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE**

<b>DATE:</b>	December 8, 2016	<b>AFE NO.:</b>	
<b>WELL NAME:</b>	K Grevey State Com #202H	<b>FIELD:</b>	Purple Sage
<b>LOCATION:</b>	Section 36&35-22S-27E	<b>NOPTVD:</b>	19,400 MD / 9,350 TVD
<b>COUNTY/STATE:</b>	Eddy, NM	<b>LATERAL LENGTH:</b>	about 9700 R
<b>MRC WI:</b>			
<b>GEOLOGIC TARGET:</b>	Workcamp		
<b>REMARKS:</b>	Drill and complete a 2 mile long horizontal under Workcamp Gen 3 design with 47 frac stages		

	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	FACILITY COSTS	TOTAL COSTS
<b>INTANGIBLE COSTS</b>					
Land / Legal / Regulatory	\$ 81,700				\$ 81,700
Location, Surveys & Damages	157,000	13,000	4,000	10,000	284,700
Drilling	179,000				298,000
Cementing & Float Equip	276,500				572,500
Logging / Formation Evaluation		8,500			8,500
Mud Logging	37,500				37,500
Mud Circulation System	65,325				65,325
Mud & Chemicals	757,000	65,000			822,000
Mud / Wastewater Disposal	113,000				113,000
Freight / Transportation	15,000	13,500			28,500
Rig Supervision / Engineering	171,600	83,760	5,400	18,700	379,460
Drill Bits	118,500				118,500
Fuel & Power	145,000				145,000
Water	50,000	650,000			700,000
Dry / Completion Overhead	15,300	31,000			46,300
Plugging & Abandonment					
Directional Drilling, Surveys	295,000				295,000
Completion Unit, Swab, CTU		130,000	9,000		139,000
Perforating, Wireline, Slickline		309,500			309,500
High Pressure Pump Truck		118,000			118,000
Stimulation		3,610,000			3,610,000
Simulation Flowback & Disp		297,500	50,000		347,500
Insurance	34,200				34,200
Labor	158,500	71,000	19,300		248,800
Rental - Surface Equipment	78,000	374,800	45,000	5,000	502,800
Rental - Downhole Equipment	110,000	84,000	10,000		204,000
Rental - Living Quarters	85,000	30,000			115,000
Contingency	273,200	230,400	7,500	3,000	514,100
<b>TOTAL INTANGIBLES &gt;</b>	<b>3,180,711</b>	<b>8,035,349</b>	<b>187,800</b>	<b>48,000</b>	<b>8,451,800</b>
<b>TANGIBLE COSTS</b>					
Surface Casing	\$ 37,200				\$ 37,200
Intermediate Casing	87,200				87,200
Drilling Liner	319,125				319,125
Production Casing	385,579				385,579
Production Liner					
Tubing			57,500		57,500
Wellhead	50,000		20,000		70,000
Packers, Liner Hangers		37,500	10,000		47,500
Tanks				48,000	48,000
Production Vessels				29,750	29,750
Flow Lines			60,000		60,000
Rod string					
Artificial Lift Equipment			30,000		30,000
Compressor				10,000	10,000
Installation Costs				60,000	60,000
Surface Pumps			5,000	6,000	11,000
Non-controllable Surface					
Non-controllable Downhole					
Downhole Pumps					
Measurement & Meter Installation			12,500	30,000	42,500
Gas Conditioning / Dehydration					
Interconnecting Facility Piping				40,000	40,000
Gathering / Bulk Lines					
Valves, Dumps, Controllers				4,000	4,000
Tank / Facility Containment				13,200	13,200
Flare Stack				11,500	11,500
Electrical / Grounding				8,600	8,600
Communications / SCADA					
Instrumentation / Safety			10,000	10,500	20,500
<b>TOTAL TANGIBLES &gt;</b>	<b>885,385</b>	<b>87,800</b>	<b>251,800</b>	<b>274,800</b>	<b>1,499,785</b>
<b>TOTAL COSTS &gt;</b>	<b>4,066,106</b>	<b>8,123,149</b>	<b>439,600</b>	<b>322,800</b>	<b>12,951,655</b>

**PREPARED BY MATADOR PRODUCTION COMPANY:**

Drilling Engineer:	State Number:	Team Lead: WTP/MS
Completion Engineer:	Wade W	
Production Engineer:	Ben F	

**MATADOR RESOURCES COMPANY APPROVAL:**

Executive VP - ODD/GPO	VP - Res Engineering	VP - Drilling
Executive VP - Legal	Exec Dir - Exploration	VP - Production
President		

**NON OPERATING PARTNER APPROVAL:**

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