

MRC Delaware Resources, LLC

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240

Voice 972.371.5242 • Fax 972-371-5201

jlirly@matadorresources.com

Jeff Lierly, CPL
Senior Landman

April 18, 2016

VIA CERTIFIED RETURN RECEIPT MAIL

Tracking # 7015 1730 0001 9530 2974

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

Re: Matador Production Company – Eland State 32-18-33 RN #123H
Participation Proposal – Order No. R-14140
W/2E/2 of Section 32, Township 18 South, Range 33 East, N.M.P.M.
Lea County, New Mexico

Dear Working Interest Owner:

MRC Delaware Resources, LLC and its operating company, Matador Production Company (collectively “Matador”), hereby propose the Eland State 32-18-33 RN #123 H well (the “Well”) to test the Bone Spring formation, pursuant to Order No. R-14140 issued by the State of New Mexico Energy, Minerals and Natural Resources Department Oil Conservation Division on March 30, 2016 (the “Order”). The Order established a non-standard 160-acre oil spacing and proration unit and project area (the “Unit”) for the Bone Spring formation [Corbin; Bone Spring, South Pool (Pool code 13160)] comprising the W/2E/2 of Section 32, Township 18 South, Range 33 East, N.M.P.M., Lea County, New Mexico, pooling all uncommitted interest owners within the Unit. Additionally, the Order authorized Matador to withhold the following costs and charges from production from the well attributable pooled working interest owners:

- the proportionate share of reasonable well costs
- as a charge for the risk involved in drilling the well, 200% of the above costs
- \$7,000.00 per month drilling overhead rates and \$700.00 per month producing overhead rates, adjusted annually pursuant to Section III.1.A.3 of the COPAS form titled “Accounting Procedure-Joint Operations”

As a pooled working interest owner subject to the Order, you are entitled to a 30 day election period whereby you may choose to participate in the Well by paying your proportionate share of the estimated well costs outlined on the enclosed AFE. Alternatively, if you choose not to participate in the Well or fail to pay your proportionate share of the costs outlined on the AFE, you will remain a pooled working interest owner subject to the aforementioned charges and penalties. Matador respectfully requests you indicate your election in the space provided below, sign and return one (1) copy of this letter to the undersigned.

**BEFORE THE OIL CONSERVATION
DIVISION**

Santa Fe, New Mexico

Exhibit No. 3

Submitted by: **MATADOR PRODUCTION**

Hearing Date: August 4, 2016

If you have any questions, feel free to contact me at (972) 371-5242 or jlierly@matadorresources.com.

Sincerely,

MRC Delaware Resources, LLC
Matador Production Company



Jeff Lierly, CPL

Enclosure(s)

Please elect one of the following and return to sender:

____ Nearburg Exploration Co., L.L.C. hereby elects to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Eland State 32-18-33 RN #123H well, located in Lea County, New Mexico.

____ Nearburg Exploration Co., L.L.C. hereby elects not to participate for its proportionate share of the costs detailed in the enclosed AFE for the Eland State 32-18-33 RN #123H well, located in Lea County, New Mexico.

Nearburg Exploration Co., L.L.C.

By: _____

Title: _____

Date: _____

MATADOR PRODUCTION COMPANY

ONE LINCOLN CENTRE • 8400 LBJ FREEWAY • SUITE 1600 • DALLAS, TEXAS 75240

Phone (972) 371-6200 • Fax (972) 371-6201

ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE

DATE:	March 16, 2016	AFE NO.:	0
WELL NAME:	Eland State 32-18S-33E RN #123H	FIELD:	0
LOCATION:	Sec 32 W/2 E/2, T18S-R33E	MDTV/D:	14500/9886'
COUNTY/STATE:	Lea County, New Mexico	LATERAL LENGTH:	about 4500'
MRC W/:			
GEOLOGIC TARGET:	2nd Bone Spring		
REMARKS:	Drill and complete a horizontal 2nd Bone Spring well with 18 stages		

INTANGIBLE COSTS	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	FACILITY COSTS	TOTAL COSTS
Land / Legal / Regulatory	\$ 86,700				\$ 86,700
Location, Surveys & Damages	146,500	230,000	4,000	10,000	390,500
Drilling	547,000				547,000
Cementing & Float Equip	160,000				160,000
Logging / Formation Evaluation		3,850			3,850
Mud Logging	32,500				32,500
Mud Circulation System	43,800				43,800
Mud & Chemicals	50,000	12,000			62,000
Mud / Wastewater Disposal	130,000				130,000
Freight / Transportation	18,000	10,500			28,500
Rig Supervision / Engineering	81,600	43,800	3,000	15,000	143,400
Drill Bits	55,000				55,000
Fuel & Power	60,000				60,000
Water	42,500	368,000			410,500
Drig & Completion Overhead	12,000	6,500			18,500
Plugging & Abandonment					
Directional Drilling, Surveys	185,000				185,000
Completion Unit, Seab, CTU		60,000	12,000		72,000
Perforating, Wireline, Stickline		60,000			60,000
High Pressure Pump Truck		27,500	11,000		38,500
Stimulation		874,000			874,000
Stimulation Flowback & Disp		44,780	5,000		49,780
Insurance	26,100				26,100
Labor	114,000	9,000			123,000
Rental - Surface Equipment	76,800	98,315	15,000		189,115
Rental - Downhole Equipment	45,000	28,000		3,000	76,000
Rental - Living Quarters	47,600	22,940		1,000	71,540
Contingency	194,890	189,919	4,000	3,000	391,809
TOTAL INTANGIBLES >	2,148,790	2,089,104	84,000	32,000	4,318,894

TANGIBLE COSTS	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	FACILITY COSTS	TOTAL COSTS
Surface Casing	\$ 37,283				\$ 37,283
Intermediate Casing	106,500				106,500
Drilling Liner					
Production Casing	308,625				308,625
Production Liner					
Tubing			47,000		47,000
Wellhead	41,000		40,000		81,000
Packers, Liner Hangers		32,400			32,400
Tanks				60,000	60,000
Production Vessels			30,000	22,500	52,500
Flow Lines			10,000		10,000
Rod string					
Artificial Lift Equipment			82,000		82,000
Compressor					
Installation Costs			30,000	45,000	75,000
Surface Pumps					
Non-controllable Surface				40,000	40,000
Non-controllable Downhole					
Downhole Pumps					
Measurement & Meter Installation			7,000	13,500	20,500
Gas Conditioning / Dehydration					
Interconnecting Facility Piping					
Gathering / Bulk Lines				10,000	10,000
Valves, Dumps, Controllers					
Tank / Facility Containment				15,000	15,000
Flare Stack				10,000	10,000
Electrical / Grounding				50,000	50,000
Communications / SCADA					
Instrumentation / Safety			10,000	25,000	35,000
TOTAL TANGIBLES >	481,408	32,400	238,000	291,000	1,042,808
TOTAL COSTS >	2,630,198	2,121,504	290,000	323,000	5,364,702

PREPARED BY MATADOR PRODUCTION COMPANY:

Drilling Engineer:	Patrick Walsh	Team Lead - WTX/NM	JTE
Completions Engineer:	Ben Peterson		JTG
Production Engineer:	Trent Goodwin		

MATADOR RESOURCES COMPANY APPROVAL:

Executive VP, COO/CFO	DEI	VP - Res Engineering	BaR	VP - Drilling	BC
Executive VP, Legal	CA	Exec Dir - Exploration	NLF	VP - Production	TWJ
President	MVH	VP & General Manager	ROL		

NON OPERATING PARTNER APPROVAL:

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

This estimate and AFE are submitted only and may not be completed or changed on any specific term in the field work of the project. This estimate is prepared under the AFE and may be changed up to a year after the well has been completed. In submitting the AFE, the Participant agrees to pay its pro rata share of all costs incurred, including, but not limited to, drilling, completion, production, and other costs, and to pay its pro rata share of all costs incurred, including, but not limited to, drilling, completion, production, and other costs, and to pay its pro rata share of all costs incurred, including, but not limited to, drilling, completion, production, and other costs.