MRC Delaware Resources, LLC

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dalias, Texas 75240
Voice 972.371.5242 • Fax 214.866.4883
jlierty@matadorresources.com

Jeff Lierly, CPL Senior Landman

May 9, 2016

VIA CERTIFIED RETURN RECEIPT MAIL Dr. Robert B. Cahan and Bernice A. Cahan 4154 Garden Bar Rd. Lincoln, CA 95648

Re: Eland State Com 32-18S-33E RN #124H Participation Proposal Section 32: SHL: 465' FSL & 1,166' FEL; BHL: 240' FNL & 330' FEL 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 "MRC") propose the drilling of the Eland State Com 32-18S-33E RN #124H well (the "Well"), located in 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 \$5,122,252, as itemized on the enclosed Authority for Expenditure ("AFE") dated March 18, 2016.

The Well will be drilled to a total vertical depth of 9,379' and a total measured depth of 14,383', producing a treatable lateral of approximately 4,604' within the Bone Spring formation to be completed with 18 stages.

MRC is proposing to drill the Well under the terms of the modified 1989 AAPL form of Operating Agreement ("OA") which is enclosed herein for your review and approval. The Operating Agreement will cover the E/2 of Section 32, Township 18 South, Range 33 East, Lea County, New Mexico limited to 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 OA 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 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.

Dr. Robert B. Cahan and Bernice A. Cahan will own approximately 0.00015823 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

Dr. Robert B. Cahan and Bernice A. Cahan 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 #124H.	Con
Dr. Robert B. Cahan and Bernice A. Cahan 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 #124H.	Con

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

Working Interest Owner:

By:

Title:

Date:

Please elect one of the following and return to sender.

MATADOR PRODUCTION COMPANY

Phone (972) 371-	2440 - E 10541	

***		ESTIMATE OF COSTS			_	
DATE:	March 18, 2016				AFE NO.	0
WELL NAME:	Etand State 32-185-3	3E RN #124H			MELD:	Bone Spring
LOCATIONS	Sec. 32: E/2E/2, T18	S-R33E			ED/TVO:	14383/9379
COUNTY/STATE:	Los County, New Me.	xico			LATERAL LENGTH:	4,604
URC WI:	57 68%	-			DRILLING DAYS:	20
GEOLOGIC TARGET:	2nd BS				_	10
REMARKS:		and complete with 18 st	man BS Can I book	leeian.	COMPLETION DAYS:	- 'U
REMARKS;	Office Men	and compacts with 10 2	ages os dei i maco	esign.		
		ORILLING	COMPLETION	PRODUCTION		TOTAL
INTANGIBLE C	OSTB	COSTS	COSTS	COSTS	FACILITY COSTS	COSTS
Land / Legal / Regulatory		\$ 66,700		1		\$ 66,70
Location, Surveys & Dameg	13	142 900	10 000	4000	10,000	166,00
Drilling		547,000				547,00
Cementing & Float Equip		160 000				160.00
Legging / Formation Evaluation	lan .	32,500	3,850			3,85
Mud Logging		43 800				32,50
Mud Circulation Bystom Mud & Chamicain		50 000	12.000			43,80 82,00
Mixed / Wanterwater Disposal		130 000	- 12.000			130,00
Freight / Transportation		18,000	10,500			28.50
Rig Supervision / Engineerin	ia	81,600	43 800	3.000	15.000	143,40
Drill Bits	-	65.000				65.00
Fuel & Power		60,000				60,00
Water		42,500	368,000			410,50
Orig & Completion Overhead	1	12.000	€ 500			18,50
Plugging & Abendonment		185,000				105.00
Directional Deliling, Surveyor Completion Unit, Secul. CTU	1	100,000	50 000	12.000		185,00 72,00
Perforating, Wirelins, Blickle			60.000			72,00 50,00
High Pressure Pump Truck	_		27,500	11,000		38,50
Statutation		 	874,000	, .,		874,00
Stimutation Flowback & Disp	,		44,780	5,000		49,78
Ingurance		26,100				26, 10
Labor		114,000	9.000			123,00
Rental - Burface Equipment	_	76,600	98,315	15 000	3.000	188,91
Rental - Downhole Equipment Rental - Living Quarters	nt .	45,600	28,000		3,000	76 00 71 54
Contingency		194,440	187.919	4,000	3,000	389.35
	TOTAL INTANGIBLES		1,847,104	\$4,009	33,000	4,071,8
	1017	DRILLING	COMPLETION	PRODUCTION		TOTAL
TANKEENLE CO	žīž.	COSTS	BTROCO	COSTS	PACILITY COSTS	COSTS
Burface Casing		\$ 37,263	1	1	1	\$ 37,28
Interpoliste Caping		107,000				107,00
Orliging Lines			····			 :
Production Castro		306,625				308,62
Production Liner Tubing				46,000		46,00
Weithead		41,000		40,000		81,00
Peckers, Liner Hangers			32,400			32,40
Tenks					60,000	60,00
Production Vessels		·		30.000	22,500	52,50
Flow Lines				10,000	<u>-</u>	10,00
Rod atring				·		62,00
Artificial t /# Endoment				62 000		
Artificial Lift Equipment Compressor				62,000		62,00
Artificial Lift Equipment Compressor Installation Costs				30,000	45 000	
Compressor						
Compressor Installation Costs				30,000	45 000 40 000	75.00
Compressor Installation Costs Surface Pumps				30,000		75.00
Compressor Installation Costs Surface Pumps Non-costrollable Burface Non-costrollable Downhole Downhole Pumps				30,000	40,000	75.00 40.00
Compressor installation Costs Surface Pumps Non-controllable Surface Non-controllable Downhole Downhole Pumps Measurement & Meter Instal				30,600		75.00 40.00 20.50
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MRC Delaware Resources, LLC

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dalias, Texas 75240
Voice 972.371.5242 • Fax 214.866.4883

Ilierty@matadorresources.com

Jeff Lierly, CPL Senior Landman

May 9, 2016

VIA CERTIFIED RETURN RECEIPT MAIL Rohoel, Inc. 1600 Broadway, Ste. 580 Denver, CO 80202

Re: Eland State Com 32-18S-33E RN #124H Participation Proposal Section 32: SHL: 465' FSL & 1,166' FEL; BHL: 240' FNL & 330' FEL 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 "MRC") propose the drilling of the Eland State Com 32-18S-33E RN #124H well (the "Well"), located in 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 \$5,122,252, as itemized on the enclosed Authority for Expenditure ("AFE") dated March 18, 2016.

The Well will be drilled to a total vertical depth of 9,379' and a total measured depth of 14,383', producing a treatable lateral of approximately 4,604' within the Bone Spring formation to be completed with 18 stages.

MRC is proposing to drill the Well under the terms of the modified 1989 AAPL form of Operating Agreement ("OA") which is enclosed herein for your review and approval. The Operating Agreement will cover the E/2 of Section 32, Township 18 South, Range 33 East, Lea County, New Mexico limited to 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 OA 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 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.

Rohoel, Inc. will own approximately 0.00297949 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

Date:

Please elect one of the following and return to sender.
Rohoel, Inc. hereby elects to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Eland State Com 32-18S-33E RN #124H.
Rohoel, Inc. hereby elects not to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Eland State Com 32-18S-33E RN #124H.
I / We are interested in selling our interest in the Contract Area, please contact us to discuss.
Working Interest Owner:
Ву:
Title:

MATADOR PRODUCTION COMPANY

CINE LUNCOLIN CENTRE • 5400 LBJ FREEWAY • SUITE 1600 • DALLAS, TEXAS 76240 Phone (972) 371-6200 • Fox (972) 371-6201

					_	
	March 18, 2018				AFE NO.:	0
MELL MAME:	Eland State 32-183-33	E RN #124H			P181.0:	Bone Spring
LOCATION:	Sec. 32: E/2E/2, T169	-R33E			MD/TVD:	1438379378
COUNTY/STATE:	Lea County, New Mext				LATERAL LENGTH:	4.604
	57 68%				DRELLING DAYS:	20
	2nd BS				COMPLETION DAYS:	10
			DC O + :		COMPLETE BATTE	10
ALMARKS:	Drill a horizontal well a	nd complete with 16 st	iges, BS Gen 1 frac des	- <u> </u>		
		DRILLING	COMPLETION	PRODUCTION		TOTAL
INTANGELLE CO	3575	COSTS	COSTS	COSTS	FACILITY COSTS	COSTS
and / Legal / Regulatory		66,700	1 2	*	1	8 66.
ocation, Surveya & Damage	. '	142,000	10 000	4,000	10,000	166.0
2r11.bng	•	547,000				547.0
Comenting & Floot Equip		160,000				160.0
ogging / Pormation Evaluati	en		3,850			3,0
Bud Logging		32,500				32.0
ilud Circulation Bystam		43,800				43,6
Bud & Chamicals		50,000	12,000			82,0
Mud / Wastewater Cisposal		130,000			·	130,0
reight / Transportation		18.000	10,500			28,5
Rig Supervision / Engineering	4	81,600	43,800	3,000	15,000	143,4
Orill Bate		65.000				65.0
Fuel & Power		60.000				410.5
Mater		42,500	358,000			18,3
Orig & Completion Overhead		12,000	6,500			10,3
Flugging & Abendonment		- ar one				185.0
Directional Orbling, Surveya Completion Unit, Swab, CTU		183,000	60,000	12,000		72,0
Compression was, Swab, CTU Perforating, Wireline, Blickin			60,000	12,000		50,0 50,0
High Pressure Puse Truck	-		27,500	11,000		38.5
rigin erressoure erosap i rocs. Etimotation			874,000	11,000		874.0
Kimutation Flowback & Disc	•		44,780	5,000		49,
astrance	•	26,100				26,
Labor		114 000	9,000			123,0
Rental - Burtace Equipment		75 500	98,315	15 000		188,
Rental - Countrole Equipmen	rt .	45 000	28,000		3,000	78,0
Rental - Living Quarters		47 600	22,940		1,000	71,
Contingency		194 440	187,919	4,000	3,000	363,
	TOTAL INTANGEBLES	2,138,640	1,847,194	64,000	32,000	4,071
		DRULLING	COMPLETION	PRODUCTION	•	TOTAL
TANGERLE CO	STB	COSTS	COSTS	COSTS	PACILITY COSTS	COSTS
Burface Casing		37,283	3	1	1	8 37,
ntermediate Castry		107,000				107,0
Drilling Liner						
Production Casing		306 625				306 (
Production Liner						48,6
fubling				46 000		81.5
NeiDread		41 000	- Am 400	40.000		32,
Péckers, Liner Hangers Tanks		<u>`</u>	32 400		90 000	<u> </u>
ranus Production Vesesia				30 000	22.500	52,5
Flow Lines				10,000		10,0
Rod string						
Artificial Lift Equipment				62,000		62,0
Compressor						
nstaliation Costs				30,000	45,000	75.0
Surface Pumps						
ion-controllighte Burface					40,000	40,0
ion-controllable Downhole						
Sounhale Pumps						
Mousurement & Motor install				7,000	13.600	20,
Gas Conditioning Dehydrat						
nterconnecting Facility Pipis	ng)			·		
Cathering / Bulk Lines						
					10,000	
Valves, Dumps, Controllers						
Valves, Dumps, Controllers Tank / Pacility Containment					15,000	15,6
Valves, Durnps, Controllers Tank / Pacility Containment Flare Stack					15,000	15,0
Valves, Durnps, Controllers Tank / Pacility Contehrment Flare Stack Sinctrical / Grounding		=			15,000	15,0
Valves, Öurnps, Controllers Tank / Pacility Containment Flare Stack Electrical / Grounding Communications / SCADA					15,000 10,000 50,000	10.0 15.0 10.0 50.0
Valves, Öurnps, Controllers Tank / Pacility Containment Flare Stack Electrical / Grounding Communications / SCADA	TOTAL TANNES SR	441 904	33 400	10,000	15,000 10,000 50,000 25,000	15.4 10.4 50.4 35.4
Valves, Öurnps, Controllers Tank / Pacility Containment Flare Stack Electrical / Grounding Communications / SCADA	TOTAL TANGIBLES		32,400 1,679,804	10,000	15,000 10,000 50,000 25,000 291,000	15.4 10,4 50,4
Valves, Durnps, Controllers Tank / Pacility Containment Flare Stack Electrical / Grounding Communications / SCADA	TOTAL TANGIBLES : TOTAL COSTS >		32,400 1,879,604	10,000	15,000 10,000 50,000 25,000	15,1 10,0 50,0 35,0
Valves, Durnps, Controllers Tank / Pacifity Containment Flare Black Riectrical / Grounding Communications / SCADA instrumentation / Rafety	TOTAL COSTS >	2,630,749		10,000	15,000 10,000 50,000 25,000 291,000	15,1 10,0 50,0 35,0
Valves, Durnys, Controllers Tank / Pacility Conteinment. Plare Stack Bactrical / Grounding Communications / SCADA (natrumentation: / Safety PARED BY MATADOR PR	TOTAL COSTS >	2,630,746 IY:	1,879,604	10,000	15,000 10,000 50,000 25,000 291,000	15,1 10,0 50,0 35,0
Valves, Dumps, Controllers Tank / Pacility Conteinment Place Stack Electrical / Grounding Communications / SCADA (natrumentation / Safety PARED BY MATADOR PR Drilling Engineer:	TOTAL COSTS > RODUCTION COMPAN Printly We sh	2,630,749	1,879,804 1,879,804	10,000	15,000 10,000 50,000 25,000 291,000	15,1 10,0 50,0 35,0
Valves, Dumps, Controllers Tank / Facility Containment Rare Stack Electrical / Grounding Communications / SCADA restrumentation / Safety PARED BY MATADOR PR Drilling Engineer: Competions Engineer:	TOTAL COSTS > RODUCTION COMPAN Payork We sh Bon Peterson	2,630,746 IY:	1,879,604	10,000	15,000 10,000 50,000 25,000 291,000	15,1 10,0 50,0 35,0
Valves, Controllers Flank / Pacility Containment Pare Black Stack / Grounding Communical / Grounding Communications / GCADA naturmentation / Gaferty PARED BY MATADOR PR Drilling Engineer	TOTAL COSTS > RODUCTION COMPAN Printly We sh	2,630,746 IY:	1,879,804 1,879,804	10,000	15,000 10,000 50,000 25,000 291,000	15,1 10,0 50,0 35,0
/ahrea, Controllers Famin / Pacility Containment Here Stack Sectional / Grounding Communications / SCADA natrumentation / Ballety PARED BY MATADOR PF Drilling Engineer: Completions Engineer:	TOTAL COSTS > KODUCTION COMPAN Patrick Will sh Bon Petanson Trent Goothen	2,630,746 IY:	1,879,804 1,879,804	10,000	15,000 10,000 50,000 25,000 291,000	15,1 10,0 50,0 35,0
Valves, Durntps, Controllers Tank / Pacility Containment. Plare Stack Electrical / Grounding Communications / SCADA Instrumentation / Safety PARED BY MATADOR PR Drilling Engineer: Completions Engineer: Production Engineer	TOTAL COSTS > KODUCTION COMPAN Patrick Will sh Bon Petanson Trent Goothen	2,630,746 IY:	1,879,804 1,879,804	10,000	15,000 10,000 50,000 25,000 291,000	15,1 10,0 50,0 35,0
Valves, Dumps, Controllers Tank / Facility Containment. Rare Stack Electrical / Grounding Communications / SCADA restrumentsSon / Safety PARED BY MATADOR PR Driling Engineer: Completions Engineer: Production Engineer:	TOTAL COSTS IN RODUCTION COMPAN PATTICK Will sh Son Patarson Trent Goodwin IPANY APPROVAL:	2,630,749 IV: Téam Lead - WTX	1,875,604 NM	10,000	15,000 10,000 50,000 27,000 291,000 322,000	15.1 10.1 50.1 35.1 1,060 6,122
Valves, Durntps, Controllers Tank / Pacility Containment. Plare Stack Electrical / Grounding Communications / SCADA Instrumentation / Safety PARED BY MATADOR PR Drilling Engineer: Completions Engineer: Production Engineer	TOTAL COSTS > RODUCTION COMPAN Prices We sh Sen Pasanson Trivit Goodwin EPANY APPROVAL:	2,630,746 IY:	1,679,604	10,000	15,000 10,000 50,000 25,000 291,000	15.0 10.0 50.0 35.0 1,060, 6,122
Valves, Dumps, Controllers Tank / Pacility Containment. Place Bitack Electrical / Grounding Communications / SCADA Instrumentation / Safety PARED BY MATADOR PR Drilling Engineer: Completions Engineer: Production Engineer: ADOR RESOURCES COM Executive VF, COO/CFO	TOTAL COSTS IN RODUCTION COMPAN PATTICK Will sh Son Patarson Trent Goodwin IPANY APPROVAL:	VP - Res Engineer	1,879,804 NAM	10,000	15,000 10,000 50,000 25,000 27,000 281,000 323,000	15.0 10.0 50.0 35,1 1,060, 6,122
Valves, Dumps, Controllers Tank / Facility Containment. Rare Stack Electrical / Grounding Communications / SCADA restrumentsSon / Safety PARED BY MATADOR PR Driling Engineer: Completions Engineer: Production Engineer:	TOTAL COSTS N RODUCTION COMPAN Percek We sh Sen Paramon Trent Goodhen EPANY APPROVAL:	2,630,749 IV: Téam Lead - WTX	1,879,604 NSM	10,000	15,000 10,000 50,000 27,000 291,000 322,000	15.1 10.7 50.7 35.1 1,089 6.122
Valves, Durngs, Controllers Tank / Facility Containment. Plare Stack Recrusal / Grounding Communications / SCADA Instrumentation / Gafety PARED BY MATADOR PR Driting Engineer: Competions Engineer: Competions Engineer: ADOR RESOURCES COM Executive VP, COO/CFO Executive VP, Legal	TOTAL COSTS > RODUCTION COMPAN Prices We sh Sen Pasanson Trivit Goodwin EPANY APPROVAL:	Y: Team Lead - WTX/ VP - Rea Engineer Exact Dir - Explorat	1,679,604 NBM	10,000	15,000 10,000 50,000 25,000 27,000 281,000 323,000	15: 10: 50: 35: 1,060 6,122
Valves, Dumps, Controllers Tank / Pacility Containment. Place Bitack Electrical / Grounding Communications / SCADA Instrumentation / Safety PARED BY MATADOR PR Drilling Engineer: Completions Engineer: Production Engineer: ADOR RESOURCES COM Executive VF, COO/CFO	TOTAL COSTS > RODUCTION COMPAN Praterick Will sith Bon Petatrison Trivin Gloodwin EPANY APPROVAL: DEL CA	VP - Res Engineer	1,679,604 NAM	10,000	15,000 10,000 50,000 25,000 27,000 281,000 323,000	15: 10: 50: 50: 35: 1.050 6.122
Valves, Durngs, Controllers Tank / Facility Containment. Plare Stack Recrusal / Grounding Communications / SCADA Instrumentation / Gafety PARED BY MATADOR PR Driting Engineer: Competions Engineer: Competions Engineer: ADOR RESOURCES COM Executive VP, COO/CFO Executive VP, Legal	TOTAL COSTS N RODUCTION COMPAN Percek We sh Sen Paramon Trent Goodhen EPANY APPROVAL:	Y: Team Lead - WTX/ VP - Rea Engineer Exact Dir - Explorat	1,679,604 NBM	10,000	15,000 10,000 50,000 25,000 27,000 281,000 323,000	15.1 10.7 50.7 35.1 1,089 6.122
Valves, Dumps, Controllers Tank / Pacifity Containment. Plare Stack Blactrical / Grounding Communications / SCADA natrumentation / Safety PARED BY MATADOR PR Driting Engineer: Compistions Engineer: Production Engineer: Production Engineer: ADOR RESOURCES COM Executive VP, COO/CFO Executive VP, Legal	TOTAL COSTS N RODUCTION COMPAN Percek Will sh Sen Patarson Trent Goodhen EPANY APPROVAL: DEL CA MYH	Y: Team Lead - WTX/ VP - Rea Engineer Exact Dir - Explorat	1,679,604 NAM	10,000	15,000 10,000 50,000 25,000 27,000 281,000 323,000	15.1 10.7 50.7 35.1 1,089 6.122
Valves, Durntps, Controllers Tank / Facility Containment. Flare Stock Stactrical / Grounding Communications / SCADA natirumentations / StADA natirumentations / Safety PARED BY MATADOR PR Duriting Engineer: Completions Engineer: Production Engineer: ADOR RESOURCES COM Executive VP, COO/CFO Executive VP, Legal President	TOTAL COSTS N RODUCTION COMPAN Percek Will sh Sen Patarson Trent Goodhen EPANY APPROVAL: DEL CA MYH	Y: Team Lead - WTX/ VP - Rea Engineer Exact Dir - Explorat	1,879,604 NSM	10,000	15,000 10,000 50,000 25,000 27,000 281,000 323,000 VP - Drit	15,0 10,0 50,0 35,1 1,090, 6,122
Valves, Dumps, Controllers Tank / Pacifity Containment. Plare Stack Blactrical / Grounding Communications / SCADA natrumentation / Safety PARED BY MATADOR PR Driting Engineer: Compistions Engineer: Production Engineer: Production Engineer: ADOR RESOURCES COM Executive VP, COO/CFO Executive VP, Legal	TOTAL COSTS N RODUCTION COMPAN Percek Will sh Sen Patarson Trent Goodhen EPANY APPROVAL: DEL CA MYH	Y: Team Lead - WTX/ VP - Rea Engineer Exact Dir - Explorat	1,679,604 NAM	10,000	15,000 10,000 50,000 25,000 27,000 281,000 323,000	15. 10. 10. 50. 35. 1,066 6,122
Valves, Dumps, Controllers Tank / Pacility Containment. Plare Stack Electrical / Grounding Communications / SCADA Instrumentation / Safety PARED BY MATADOR PR Drilling Engineer: Completions Engineer: Production Engineer: ADOR RESOURCES CON Executive VP, COOVCFO Executive VP, Legal President OPERATING PARTNER / Company Name:	TOTAL COSTS N RODUCTION COMPAN Percek Will sh Sen Patarson Trent Goodhen EPANY APPROVAL: DEL CA MYH	Y: Team Lead - WTX/ VP - Rea Engineer Exact Dir - Explorat	1,679,604 NM TITO JTG SARK Holon NL F RCL Working Interest (%).	10,000	15,000 10,000 50,000 25,000 27,000 281,000 323,000 VP - Drit	15,0 10,0 50,0 35,1 1,090, 6,122
Valves, Durnge, Controllers Tank / Pacility Containment. Flare Steek Rectrical / Grounding Communications / 8CADA Instrumentations / 8cADA Instrumentations / 8afety PAREO BY MATADOR PR During Engineer: Completions Engineer: Production Engineer: ADOR RESOURCES COM Executive VP, COD/CFO Executive VP, Legal President	TOTAL COSTS N RODUCTION COMPAN Percek Will sh Sen Patarson Trent Goodhen EPANY APPROVAL: DEL CA MYH	Y: Team Lead - WTX/ VP - Rea Engineer Exact Dir - Explorat	1,879,604 NSM	10,000	15,000 10,000 50,000 25,000 27,000 281,000 323,000 VP - Drit	15,0 10,0 50,0 35,1 1,090, 6,122
Valves, Dumps, Controllers Tank / Pacility Containment. Plare Stack Electrical / Grounding Communications / SCADA Instrumentation / Safety PARED BY MATADOR PR Drilling Engineer: Completions Engineer: Production Engineer: ADOR RESOURCES CON Executive VP, COOVCFO Executive VP, Legal President OPERATING PARTNER / Company Name:	TOTAL COSTS N RODUCTION COMPAN Percek Will sh Sen Patarson Trent Goodhen EPANY APPROVAL: DEL CA MYH	Y: Team Lead - WTX/ VP - Rea Engineer Exact Dir - Explorat	1,679,604 NM TITO JTG SARK Holon NL F RCL Working Interest (%).	10,000	15,000 10,000 50,000 25,000 27,000 281,000 323,000 VP - Drit	15,0 10,0 50,0 35,1 1,090, 6,122

MRC Delaware Resources, LLC

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

Voice 972.371.5242 • Fax 214.866.4883

ilierly@matadorresources.com

Jeff Lierty, CPL Senior Landman

May 9, 2016

VIA CERTIFIED RETURN RECEIPT MAIL
Sybil Blackman Carney
1030 W. Bay Avenue
Newport Beach, CA 92661

Re: Eland State Com 32-18S-33E RN #124H Participation Proposal Section 32: SHL: 465' FSL & 1,166' FEL; BHL: 240' FNL & 330' FEL 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 "MRC") propose the drilling of the Eland State Com 32-18S-33E RN #124H well (the "Well"), located in 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 \$5,122,252, as itemized on the enclosed Authority for Expenditure ("AFE") dated March 18, 2016.

The Well will be drilled to a total vertical depth of 9,379' and a total measured depth of 14,383', producing a treatable lateral of approximately 4,604' within the Bone Spring formation to be completed with 18 stages.

MRC is proposing to drill the Well under the terms of the modified 1989 AAPL form of Operating Agreement ("OA") which is enclosed herein for your review and approval. The Operating Agreement will cover the E/2 of Section 32, Township 18 South, Range 33 East, Lea County, New Mexico limited to 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 OA 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 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.

Sybil Blackman Carney will own approximately 0.00118669 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.
Sybil Blackman Carney hereby elects to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Eland State Com 32-18S-33E RN #124H.
Sybil Blackman Carney hereby elects not to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Eland State Com 32-18S-33E RN #124H.
I / We are interested in selling our interest in the Contract Area, please contact us to discuss.
Working Interest Owner:
Ву:
Title:
Date:

MATADOR PRODUCTION COMPANY

ONE LINCOLN CENTRE - \$400 LBJ FREEWAY - SUITE 1500 - DALLAS, TEXAS 78340 Phone (EZZ) 571-5200 - Fex (EZZ) 571-5201

			Z) 871-8200 • Fax (972) 3			
		ESTEMATE OF COSTS	AND AUTHORIZATION	FOR EXPENDITURE	=	
DATE:	March 18, 2016				AFE NO.:	0
WELL HAME:	Eland State 32-18S-33				FIELD:	Bone Spring
LOCATIONS	Sec. 32: E/2E/2, T185				HIDTYD;	14383'/9379'
COUNTY/STATE:	Lea County, New Mex	ico			LATERAL LENGTH:	4,604
erc wi:	57 68%				DRILLING DAYS:	20
GEOLOGIC TARGET:	2nd BS				COMPLETION DAYS:	10
REMARKS:	Drill a horizontal well a	and complete with 18 s	tages, BS Gen 1 frac d	esign		
		DRILLING	COMPLETION	PRODUCTION		TOTAL
Land / Lagal / Regulatory	08118	COSTS	COSTS .	COSTS	FACILITY COSTS	COSTS
Location, Surveys & Dareag		142,000	10 000	4,000	10,000	8 66,700 166,000
Orling		547,000	10 000		10,000	547,000
Comenting & Float Equip		180,000				160,000
Logging / Formation Evaluation	Ban		3,850			3,850
Mud Logging Mud Circulation System		32,500 43,800				32,500 43,800
Bud & Chemicals		50 000	12,000			62,000
Mud / Wastewater Disposal		130,000				130,000
Freight / Transportation		15,000	10,500			28,500
Rig Supervision / Engineers Orbi Site	9	65,000	43,800	3,000	15.000	143,400
Fuel & Power		60,000				60,000
Vigter		42.500	368,000			410.500
Drig & Completion Overhead	1	12.000	6,500			18,500
Flugging & Abandonment Directional Drilling, Surveys		185 000				185,000
Completion Unit, Sept. CTL		- 18500	60,000	12,000		72,000
Perforating, Wireline, SDckit			60,000			60,000
High Pressure Pump Truck			27,500	11.000		38,500
Stimutation			874,000			874,000
Stimulation Flowback & Disp		28 100	44,780	5,000		49 780 25,100
lasurance Labor		28 100	9,000			123,000
Rental - Surface Equipment		75 600	98,315	15,000		188,915
Rental - Downhole Equipme	m	45,000	28,000		3,000	76,000
Rental - Living Quarters		47,600	22,940		1,000	71,540
Contingency		194,440	167,919	4,000	3,000	359.359
	TOTAL INTANGIBLES	2,138,646 DRILLING	· 1,847,104 COMPLETION	54,000 PRODUCTION	12,000	4,071,944 TOTAL
TANGEBLE CO	19TS	COSTS	COSTS	COSTS	FACILITY COSTS	COSTS
Burtace Casing		37,283	4	1	1	\$ 37,283
Intermediate Casing		107 000				107,000
Ortiling Liner						
Production Casing Production Liner		306 625				306 625
Tutolog				48,000		45,000
Vivilitead		41 000		42,000		81 000
Pecturs, Liner Hangers			32,400			32,400
Tarika					60,000	60,000
Production Vessels Flow Lines				30,000	22,500	52,500
Rod string						10,000
Artificial Lift Equipment				82,000		62,000
Comprission Installation Costs		<u> </u>		30,000	45,000	75,000
Surface Pumps				30,000	49,000	75,000
Non-controlishin Surface		•		•	40,900	40,000
Non-controllable Doemhole						
Downhole Pumps						
Measurement & Mater Install		` _		7,000	13,500	20.500
Gas Conditioning / Dehydrai Interconnecting Facility Pipi					—— :	
Osthering / Bulk Lines	•				10,000	10,000
Valves, Dumps, Controllers						
Tank / Facility Containment					19,000	15,000
Flore Stack Electrical / Grounding					10,000 50,000	10,000 50,000
Communications / SCADA						
Instrumentation / Safety				10,000	25,000	35,000
	TOTAL TANGEBLES >		32,400	235,000	291,600	1,050,308
	TOTAL COSTS >	2,630,748	1,679,504	289,000	323,000	6,122 <i>.2</i> 52
REPARED BY MATADOR PY	RODUCTION COMPAN	ry:				
Onling Engineer.	Pasiek Walsh	Team Lead - WTX	OTTMAN			
Completions Engineer	Ben Feterson		πg			
Production Engineer:	Trent Goodvan					Ť
ATADOR RESOURCES COL	EPANY APPROVAL:			·		
Executive VP, COO/CFO		VP - Res Engines			VP - Dni	
	ŒL		BMR			BG
Executive VP, Legal	Ca	Exec Dir - Explore			VP - Produc	
B	بدن	um a man har	NLF			TWG
President	MVH	VP & General Man	RCL RCL			
	mer.	<u>_</u>	RUL			
N OPERATING PARTNER	APPROVAL:		 _			
	- 1 100 2700			 		
Company Name.			Working Interest (%).		Tex	ID
Signed by			-			
orgined by			Date: _			
Title			Approval.	Υc		No (mark one)
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Nadel & Gussman Capitan 15 East 5th St, # 3200 Tuisa, OK 74103	If YES, enter delivery address t	pelow: 💋 No
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PS Form 3811, April 2015 PSN 7530-02-000-9053

Domestic Return Receipt

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
■ 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 maliplece, or on the front if space permits. 1. Article Addressed to: DY PURAL & BOYNICE CANADAM GAY Rd. LINCULN CA 95649	A. Signature X
	3. Service Type Certified Mail* Priority Mail Express** Registered Return Receipt for Merchandise Insured Mail Collect on Delivery 4. Restricted Delivery? (Extra Fee)
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PS Form 3811, July 2013 Domestic	c Return Receipt

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 Complete items 1, 2, and 3. 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. 	A dignature Agent Agent Addressee B. Received by (Printed Name) C. Date of Delivery 5/10/100
1. Article Addressed to: PUNDEL, INC. 1600 BNOAdway, Ste. 500 DENVEY, CO 80202	D. Is delivery address different from item 1? - ☐ Yes If YES, enter delivery address below:
N 9590 9401 0012 5205 5084 23	3. Service Type Collect on Delivery 3. Service Type Collect on Delivery Certified Mail® Certified Mail®
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MRC Delaware Resources, LLC One Uncoln Centre 5400 LBJ Freeway, Suite 1500 Dallas, TX 75240 Attn: Cassie Hahn

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NAME David Serrano 1ST NOTICE TIATIL 2ND NOTICE

CERTIFIED MAIL® RECEIPT Domestic Mail Only 8 8661 Postage Certifled Fee E000 Postmerk Rotum Receipt Fea (Endoncoment Receired) Restricted Delivery Fee (Endorsement Required) 2120 Total Postage & Fore \$ 7074

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BETURN TO BENDER

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