MRC Permian Company

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240
Voice 972.371.5430 • Fax 214.866.4930
ccarleton@matadorresources.com

Chris Carleton Landman

August 29, 2016

VIA CERTIFIED RETURN RECEIPT MAIL

Concho Oil & Gas, LLC
Attn: Land Manager - Outside Operated Properties
Concho
600 West Illinois
Midland, Texas 79701

Re:

Matador Production Company - Zach McCormick Fed Com #226H (the "Well")

Participation Proposal

Section 18, Township 24 South, Range 29 East

Eddy County, New Mexico

Concho Oil & Gas, LLC:

MRC Permian Company ("MRC") proposes the drilling of Matador Production Company's Zach McCormick Fed Com #226H well, located in Section 18, Township 24 South, Range 29 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 Well is \$6,585,281 as itemized on the enclosed Authority for Expenditure ("AFE") dated August 19, 2016.

The proposed surface location of the Well is approximately 2414' FNL and 311' FEL of Section 13, Township 24 South, Range 28 East, Eddy County, New Mexico. The proposed bottom hole location of the Well is approximately 2311' FNL and 240' FEL of Section 18, Township 24 South, Range 29 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 (~10,800' TVD) to a Total Measured Depth of approximately 15,600' resulting in a productive lateral of approximately 4,500'.

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.

Concho Oil & Gas, LLC will own an approximate 0.02506344 working interest in the Well, subject to title verification.

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.

MRC is proposing to drill the Well under the terms of the modified 1989 AAPL form of Operating Agreement, which is being mailed separately for your review and approval. The Operating Agreement dated August 29, 2016, by and between Matador Production Company, as operator and MRC Permian Company et al as Non-Operators covers the N/2 of Section 18, Township 24 South, Range 29 East, Eddy County, New Mexico and has the following general provisions:

- 100/300/300 Non-consenting penalty
- \$7,000/\$700 Drilling and Producing rate
- Matador Production Company named as Operator

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.

Enclosure(s)

Please elect one of the following and return to sender.

Concho Oil & Gas, LLC hereby elects to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Matador Production Company's Zach McCormick Fed Com #226H well, located in Eddy County, New Mexico.

Concho Oil & Gas, LLC hereby elects not to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Matador Production Company's Zach McCormick Fed Com #226H well, located in Eddy County, New Mexico.

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

Concho Oil & Gas, LLC

By:

Title:

MATADOR PRODUCTION COMPANY

CME LINCOLN CENTRE - 6400 LBJ FREEWAY - SUITE 1500 - DALLAS, TEXAS 78240 Phone (972) 371-5200 - Fax (972) 371-5201

		EBTIMATE OF COSTS AND	AUTHORIZATION FOR E	DOPENDITURE		
DATE:	August 19, 2016			AFE NO.:	-	0
WELL NAME:	Zach McCormick Fed	Com #226H		FIELD:	_	0
LOCATION:	Section 18-245-29E			MD/TVD:	_	15600710800
COUNTY/STATE: MRC WI:	Eddy			LATERAL LENGTH:	_	ebout 4500*
GEOLOGIC TARGET:	Malana					
320LOGIC TARGET: Wolfcamp REMARKS: Drill and complete a horizontal Wolfcamp well with 22 stages						
		DRILLING	COMPLETION	PRODUCTION	FACILITY	TOTAL
INTANGIBLE C	OST8	COSTS 141,700 .	COSTS1	COSTS	COSTS	COSTS 3
Location, Surveys & Demag	ta '	65,500	13,000	4,800	25,000	107,500
Orilling		527,000				527,000
Comenting & Float Equip Logging / Formation Evaluation	·	210,000	4,500		 .	210,000
Mud Logging	4011	18,000	4,000			18,000
Mud Circulation System		53,865	·			53,865
Mud & Chemicals Mud / Wastewater Disposal		111,000	20,000			131,000
Preight / Transportston		38,000	18,500		21,000	73,500
Rig Supervision / Engineeri:	9	- 79,200	50,400	10,600	27,000	167,400
Drill Elts Fuel & Power		105,000		. ———		105,000
Water ',		60,000	329,500	·	15,000	394,500
Drig & Completion Overtises	1	- 9,000	16,000			25,000
Plugging & Aberidonment Directional Ortiling, Surveys		197,500				197,500
Completion Unit, Swab, CTU		187,300	- 30,000	30,000		60,000
Perforating, Wireline, Slickib	ne .	•	87,500	20,000		107,500
High Pressure Pump Truck Stimulation			1,186,000		- _	1,165,000
Stimutation Flowback & Olsy	•		60,500			60,500
lustriance		27,360		٦,		27,360
Labor, Rentel - Surface Equipment		121,000 77,850	17,000	6,000 12,000	15,000	144,000 263,325
Rental - Downhole Equipmen	nt .	50,000	40,000	12,000	10,000	100,000
Rental - Living Quarters	-	46,700	27,080	10,000	10,000	63,780
Contingency		- 210,118	207,748	9,260		438,143
	TOTAL INTANGERLES		2,285,201 COMPLETION	102,080 PRODUCTION	123,000 FACILITY	4,920,573 TOTAL
TANGIBLE CO	ISTS	DRILLING COSTS	COSTS	COSTS	COSTS	COSTS
Surface Casing		26,606	1	•	1	\$ 26,606
Intermediate Casing Drilling Liner		290,800	***	·		80,676 290,800
Production Casing		227,125				227,125
Production Liner			<u> </u>			\$ 1 °
Tubing				50,000 35,000		80,000
Wellhead Packers, Liner Hangers		70,000	- 37,900	12,000	 .	105,000
Tanks					60,000	60,000
Production Vessels				76,000	38,000	112,000
Flow Lines . Rod etring		-				
Artificial Lift Equipment				30,000		30,000
Compressor						
Installation Costs Surface Pumps				67,000 5,000	160,000	227,000
Non-controllable Surface				76,500	50,000	126,000
Non-controllable Downhole	•		· <u> </u>			
Downhole Pumpe . Measurement & Meter Install	Hen	- · · · ·	· .	12,500	105,000	117,500
Gas Conditioning / Dehydrati						
Interconnecting Facility Pipe	lg .				- bd 600	1 •
Gathering / Bulk Lines Valves, Dumps, Controllers					89,600	89,800
Tank / Fecility Containment					-	
Flere Stack						
Electrical / Grounding Communications / SCADA		•			15,000	15,000
Instrumentation / Safety		5 4 2 4 5			52,500	52,000
	TOTAL TANGIBLES >		37,800	383,500	567,800	1,884,708
J	TOTAL COSTS >	3,105,500	2,323,001	468,580	690,600	8,585,251
EPARED BY MATADOR PRODUCTION COMPANY:						
	PART HOR WORLD		, ~~			
Orithing Engineer.	Aden Lengo	Team Lead - WTX/	84 <u>~1 仁</u>			
Completions Engineer: Production Engineer:	Chris Calvert		WIE			
riumani ci qu'est.	John Romanu					 _
TADOR RESOURCES COM	ÍDANY APPROVAL -					
Contractor					,	-
		VP - Res Engineers			VP - Onling	
DEL Sure Ph. Cont.			BAR IS Suckation		ag .	
Executive VP, Legal	CA	Exec Dir - Explorati	on		VP - Producti	m
President	•	VP & General Manag				1170
· ·	MEVH	the Armen season	RCL			
OPERATING PARTNER A	PPROVAL:					
Company Name:		*	Working Interest (%):		Ties (· ·
· various result.	·				, 22 ,	
. Signed by:	<u> </u>		Caste:			•
Title:			Approval:	Yes		No (mark one) '
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