

**BEFORE THE OIL CONSERVATION DIVISION
EXAMINER HEARING JULY 20, 2017**

CASE No. 15747 AND 15748

STEBBINS 19 FEDERAL No. 133H WELL

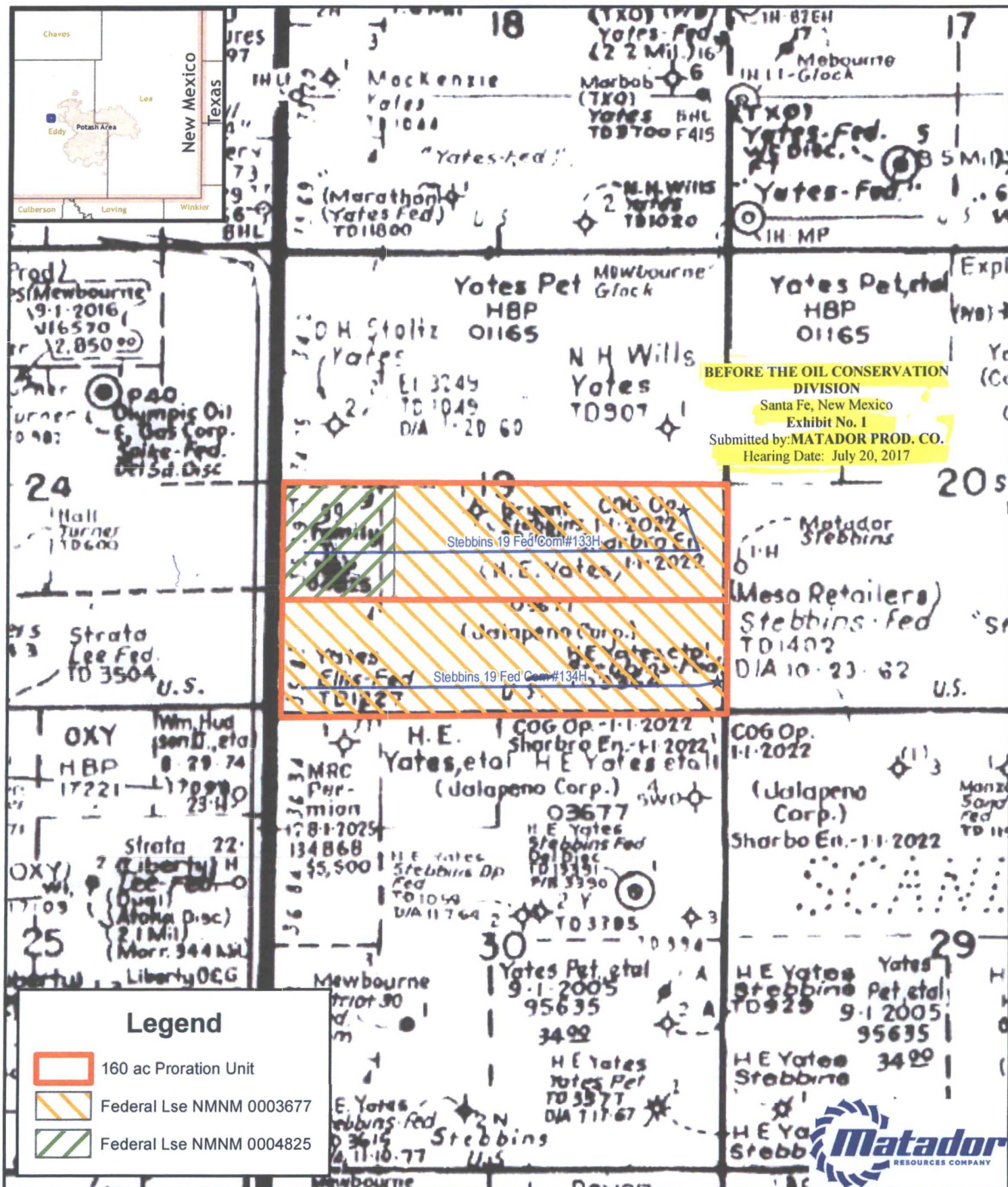
~AND~

STEBBINS 19 FED COM. No. 134H WELL

EDDY COUNTY, NEW MEXICO



19-20S-29E



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 usability of the information.

1:18,000

1 inch = 1,500 feet

Southeast New Mexico

Date: June 30, 2017
Coordinate System: NAD 1927 StatePlane New Mexico East FIPS 3001
Projection: Transverse Mercator; Datum: North American 1927; Units: Foot US
Sources: IHS; ESRI;

0 750 1,500 3,000 4,500 6,000 Feet

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 NM OIL CONSERVATION
OIL CONSERVATION DIVISION
1220 South St. Francis Dr. MAY 15 2017
Santa Fe, NM 87505

FORM C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

☐ AMENDED REPORT

RECEIVED
WELL LOCATION AND ACREAGE DEDICATION PLAT *3rd Bone Spring sand

| | | | |
|--------------------------------|--|---------------------------|---|
| 30-015- | API Number 44174 | Pool Code 52805 | Well Name RUSSELL: BONE SPRING* |
| Property Code 317746 | STEBBINS 19 FED COM | | Well Number #133H |
| OGRID No. 228937 | Operator Name MATADOR PRODUCTION COMPANY | | Elevation 3247' |

¹⁰Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| I | 19 | 20-S | 29-E | - | 2347' | SOUTH | 520' | EAST | EDDY |

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| 3 | 19 | 20-S | 29-E | - | 1870' | SOUTH | 240' | WEST | EDDY |

| | | | |
|--|-------------------------------|--|-------------------------|
| ¹² Dedicated Acres 155.29 | ¹³ Joint or Infill | ¹⁴ Consolidation Code C | ¹⁵ 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>16</p> <p>BOTTOM HOLE LOCATION NEW MEXICO EAST NAD 1927 X=565380 Y=566327 LAT.: N 32.5567617 LONG.: W 104.1211350 NAD 1983 X=606560 Y=566388 LAT.: N 32.5568800 LONG.: W 104.1216399</p> | <p>LAST PERFORATION POINT NEW MEXICO EAST NAD 1927 X=565470 Y=566327 LAT.: N 32.5567613 LONG.: W 104.1208428 NAD 1983 X=606650 Y=566388 LAT.: N 32.5568796 LONG.: W 104.1213477</p> | <p>FIRST PERFORATION POINT NEW MEXICO EAST NAD 1927 X=569936 Y=566329 LAT.: N 32.5567422 LONG.: W 104.1083489 NAD 1983 X=611116 Y=566390 LAT.: N 32.5568606 LONG.: W 104.1088534</p> | <p>SURFACE LOCATION NEW MEXICO EAST NAD 1927 X=569744 Y=566806 LAT.: N 32.5580538 LONG.: W 104.1069666 NAD 1983 X=610924 Y=566867 LAT.: N 32.5581722 LONG.: W 104.1074711 ELEV = 3247'</p> | <p>17 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 unless 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.</p> <p><i>Brian Wood</i> 11-6-16 Signature Date BRIAN WOOD Printed Name brian@permitswest.com E-mail Address (505) 466-8120</p> <p>18 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 to the best of my belief.</p> <p>07/03/2016 Date of Survey Signature and Seal of Professional Surveyor <i>Michael B. Brown</i> MICHAEL B. BROWN NEW MEXICO 18329 PROFESSIONAL SURVEYOR Certificate Number</p> |
|---|--|---|---|--|

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 2
Submitted by: MATADOR PROD. CO.
Hearing Date: July 20, 2017

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 **OIL CONSERVATION**
Energy, Minerals & Natural Resources **ARTESIA DISTRICT**
Department **MAY 12 2017**
OIL CONSERVATION DIVISION
1220 South St. Francis Dr. **RECEIVED**
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 *3rd Bone Spring sand

| | |
|---|--|
| ¹ API Number 30-015- 44187 | ² Well Name 52805 RUSSELL BONE SPRING* |
| ⁴ Property Code 317744 | ⁵ Operator Name STEBBINS 19 FED |
| ⁶ OGRID No. 228937 | ⁷ Well Number #134H |
| ⁸ Operator Name MATADOR PRODUCTION COMPANY | |
| ⁹ Elevation 3242' | |

¹⁰Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| P | 19 | 20-S | 29-E | - | 390' | SOUTH | 130' | EAST | EDDY |

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| 4 | 19 | 20-S | 29-E | - | 330' | SOUTH | 240' | WEST | EDDY |

| | | | |
|---|-------------------------------|----------------------------------|-------------------------|
| ¹² Dedicated Acres 155.83 | ¹³ Joint or Infill | ¹⁴ Consolidation Code | ¹⁵ 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>BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Exhibit No. 3 Submitted by: MATADOR PROD. CO. Hearing Date: July 20, 2017</p> | | | | <p>17 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 undivided 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.</p> <p><i>Brian Wood</i> 8-29-16 Signature Date BRIAN WOOD</p> <p>Printed Name brian@permitswest.com E-mail Address (505) 466-8120</p> | |
| <p>18 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 to the best of my belief.</p> <p>04/07/2016 Date of Survey Signature and Seal of Professional Surveyor MICHAEL BROWN NEW MEXICO 18329 PROFESSIONAL SURVEYOR</p> <p>Certificate Number</p> | | | | <p>16</p> | |
| <p>BOTTOM HOLE LOCATION NEW MEXICO EAST NAD 1927 X=565384 Y=564787 LAT.: N 32.5525286 LONG.: W 104.1211960 NAD 1983 X=606544 Y=564848 LAT.: N 32.5526469 LONG.: W 104.1217008</p> | <p>LAST PERFORATION POINT NEW MEXICO EAST NAD 1927 X=565454 Y=564787 LAT.: N 32.5525282 LONG.: W 104.1209039 NAD 1983 X=606634 Y=564848 LAT.: N 32.5526465 LONG.: W 104.1214087</p> | <p>FIRST PERFORATION POINT NEW MEXICO EAST NAD 1927 X=569939 Y=564789 LAT.: N 32.5525090 LONG.: W 104.1063474 NAD 1983 X=611119 Y=564850 LAT.: N 32.5526275 LONG.: W 104.1068518</p> | <p>SURFACE LOCATION NEW MEXICO EAST NAD 1927 X=570139 Y=564849 LAT.: N 32.5526727 LONG.: W 104.1056989 NAD 1983 X=611319 Y=564910 LAT.: N 32.5527912 LONG.: W 104.1062033 ELEV = 3242'</p> | | |

Summary of Interests

| MRC Delaware Resources, LLC | | 55.117284% |
|--|------------------------------------|-------------------|
| Working Interest | | |
| Voluntary Joinder | | 17.862406% |
| Compulsory Pool Interest Total: | | 27.019770% |
| Interest Owner: | Description: | Interest: |
| Sharbro Energy, LLC | Uncommitted Working Interest Owner | 2.836425% |
| Trigg Oil & Gas Limited Partnership | Uncommitted Working Interest Owner | 22.725224% |
| | Uncommitted Working Interest Owner | |
| EOG Resources Assets LLC | | 0.945492% |
| Pamela J. Burke, as Trustee of the P.I.P. 1990 Trust | Uncommitted Working Interest Owner | 0.128146% |
| T. I. G. Properties | Uncommitted Working Interest Owner | 0.128146% |
| Pamela J. Burke, as Trustee of the Claire Ann Iverson Revocable Living Trust UTA dated November 22, 2005 | Uncommitted Working Interest Owner | 0.064072% |
| Pamela J. Burke, as Trustee of the Siegfried James Iverson, III Revocable Living Trust UTA dated November 18, 2005 | Uncommitted Working Interest Owner | 0.064072% |
| Marian Welch Pendergrass | Uncommitted Working Interest Owner | 0.014239% |
| Van S. Welch II | Uncommitted Working Interest Owner | 0.014239% |
| James Gray Welch | Uncommitted Working Interest Owner | 0.014239% |
| Robert Welch Gillespie | Uncommitted Working Interest Owner | 0.014239% |
| Erin L. Cofrin Revocable Trust | Uncommitted Working Interest Owner | 0.014239% |
| Van P. Welch, Jr. | Uncommitted Working Interest Owner | 0.014239% |

Stebbins 19 Fed Com #133H



Summary of Interests

| Interest Owner: | Description: | Interest: |
|--|------------------------------------|-----------|
| Phoebe Welch | Uncommitted Working Interest Owner | 0.014239% |
| Bryan W. Welch | Uncommitted Working Interest Owner | 0.004745% |
| Becky Panek | Uncommitted Working Interest Owner | 0.004745% |
| Stacy Welch Green | Uncommitted Working Interest Owner | 0.004745% |
| Saunders Thomas Welch | Uncommitted Working Interest Owner | 0.003559% |
| Michael Irwin Welch | Uncommitted Working Interest Owner | 0.003559% |
| Wendell Terry Welch | Uncommitted Working Interest Owner | 0.003559% |
| Phoebe J. Welch, Trustee of the Phoebe J. Welch Trust dated July 27, 2006 | Uncommitted Working Interest Owner | 0.003559% |

Summary of Interests

| | | |
|--|------------------------------------|-------------------|
| MRC Delaware Resources, LLC | | 71.327057% |
| Working Interest | | |
| Voluntary Joinder | | 23.115443% |
| Compulsory Pool Interest Total: | | 5.557500% |
| Interest Owner: | Description: | Interest: |
| Sharbro Energy, LLC | Uncommitted Working Interest Owner | 3.670635% |
| | Uncommitted Working Interest Owner | |
| EOG Resources Assets LLC | | 0.01223545% |
| Pamela J. Burke, as Trustee of the P.I.P. 1990 Trust | Uncommitted Working Interest Owner | 0.165830% |
| T. I. G. Properties | Uncommitted Working Interest Owner | 0.165831% |
| Pamela J. Burke, as Trustee of the Claire Ann Iverson Revocable Living Trust UTA dated November 22, 2005 | Uncommitted Working Interest Owner | 0.082915% |
| Pamela J. Burke, as Trustee of the Siegfried James Iverson, III Revocable Living Trust UTA dated November 18, 2005 | Uncommitted Working Interest Owner | 0.082915% |
| Marian Welch Pendergrass | Uncommitted Working Interest Owner | 0.018426% |
| Van S. Welch II | Uncommitted Working Interest Owner | 0.018426% |
| James Gray Welch | Uncommitted Working Interest Owner | 0.018426% |
| Robert Welch Gillespie | Uncommitted Working Interest Owner | 0.018426% |
| Erin L. Cofrin Revocable Trust | Uncommitted Working Interest Owner | 0.018426% |
| Van P. Welch, Jr. | Uncommitted Working Interest Owner | 0.018426% |
| Phoebe Welch | Uncommitted Working Interest Owner | 0.018426% |

BEFORE THE OIL CONSERVATION
 DIVISION
 Santa Fe, New Mexico
 Exhibit No. 5
 Submitted by: MATADOR PROD. CO.
 Hearing Date: July 20, 2017



Summary of Interests

| Interest Owner: | Description: | Interest: |
|---|------------------------------------|-----------|
| Bryan W. Welch | Uncommitted Working Interest Owner | 0.006141% |
| Becky Panek | Uncommitted Working Interest Owner | 0.006141% |
| Stacy Welch Green | Uncommitted Working Interest Owner | 0.006141% |
| Saunders Thomas Welch | Uncommitted Working Interest Owner | 0.004606% |
| Michael Irwin Welch | Uncommitted Working Interest Owner | 0.004606% |
| Wendell Terry Welch | Uncommitted Working Interest Owner | 0.004606% |
| Phoebe J. Welch, Trustee of the Phoebe J. Welch Trust dated July 27, 2006 | Uncommitted Working Interest Owner | 0.004606% |

MRC Delaware Resources, LLC

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240
Voice 972.371.5241 • Fax 214.866.4883
spyor@matadorresources.com

Sam Pryor
Senior Staff Landman

April 20, 2017

VIA CERTIFIED RETURN RECEIPT MAIL

Yates Energy Corporation
P.O. Box 2323
Roswell, NM 88202

Re: Stebbins 19 Fed Com #133H Participation Proposal
SHL: NE4SE4, BHL: NW4SW4 of Section 19, Township 20 South, Range 29 East
Eddy County, New Mexico

Yates Energy Corporation,

Please allow this well proposal to replace the previous proposal for the Stebbins 19 Fed Com #133H dated April 11, 2017. Matador identified an error in the previous proposal and is providing this new proposal for your review. We apologize for any inconvenience caused by our error and please feel free to contact me should you have any questions.

MRC Delaware Resources, LLC and its operating company Matador Production Company (collectively "MRC") propose the drilling of the Stebbins 19 Fed Com #133H well (the "Well"), located in the N2S2 of Section 19, Township 20 South, Range 29 East, Eddy County, New Mexico, to test the Bone Spring formation. The estimated cost of drilling, testing, completing, and equipping the Well is \$6,574,417 as itemized on the enclosed Authority for Expenditure ("AFE") dated March 27, 2017.

The Well will be drilled to a total vertical depth of 9,045' and a total measured depth of 13,234', producing a treatable lateral of approximately 4,453' within the Bone Spring formation.

MRC is proposing to drill the Well under the terms of a modified 1989 AAPL form of Operating Agreement ("OA") covering 320 acres, being the S2 of Section 19, Township 20 South, Range 29 East, Eddy County, New Mexico covering Limited to those formations from a depth of 6,000 feet beneath the surface down to the top of the Strawn formation found at approximately 10,376 feet on the Schlumberger Dual Laterolog Micro SFL Log for the Stebbins GQ Fed Com #1 Well, located 660 feet FNL and 1,980 feet FEL in Section 20, Township 20 South, Range 29 East, NMPM ("Contract Area") pursuant to the following terms:

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

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.

**BEFORE THE OIL CONSERVATION
DIVISION**
Santa Fe, New Mexico
Exhibit No. 6
Submitted by: **MATADOR PROD. CO.**
Hearing Date: July 20, 2017

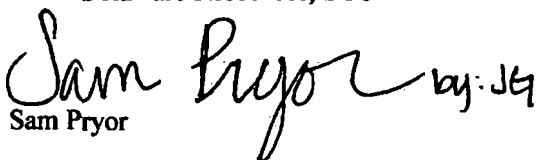
Yates Energy Corporation will own approximately 0.14756985% working interest in the Well, subject to title verification.

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,

MRC Delaware Resources, LLC


Sam Pryor

Enclosure(s)

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 Stebbins 19 Fed Com #133H.

_____ Party hereby elects not to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Stebbins 19 Fed Com #133H.

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

Yates Energy Corporation

By: _____

Title: _____

Date: _____

MATADOR PRODUCTION COMPANY

ONE LINCOLN CENTRE • 5400 LBJ FREEWAY • SUITE 1500 • DALLAS, TEXAS 75240

Phone (972) 371-5200 • Fax (972) 371-5201

ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE

| | | | |
|------------------|--|-----------------|------------------|
| DATE: | March 27, 2017 | AFE NO.: | |
| WELL NAME: | Stebbins 19 Fed Com #133H | FIELD: | Bone Spring |
| LOCATION: | N/2S/2 Sec. 19, T20S-R29E | MD/TVD: | 13,234' / 9,045' |
| COUNTY/STATE: | Eddy | LATERAL LENGTH: | 4,453' |
| MRC WI: | | | |
| GEOLOGIC TARGET: | 3rd Bone Spring | | |
| REMARKS: | Drill, complete, and equip a horizontal 3rd Bone Spring well with 15 stages. | | |

| | DRILLING COSTS | COMPLETION COSTS | PRODUCTION COSTS | FACILITY COSTS | TOTAL COSTS |
|------------------------------------|------------------|------------------|------------------|----------------|------------------|
| INTANGIBLE COSTS | | | | | |
| Land / Legal / Regulatory | \$ 51,700 | | | | \$ 51,700 |
| Location, Surveys & Damages | 151,500 | 13,000 | 5,000 | 58,000 | 227,500 |
| Drilling | 654,200 | | | | 654,200 |
| Cementing & Float Equip | 201,000 | | | | 201,000 |
| Logging / Formation Evaluation | | 8,000 | | | 8,000 |
| Mud Logging | 19,460 | | | | 19,460 |
| Mud Circulation System | 37,370 | | | | 37,370 |
| Mud & Chemicals | 51,800 | 20,000 | | | 71,800 |
| Mud / Wastewater Disposal | 155,000 | | | | 155,000 |
| Freight / Transportation | 15,000 | 12,000 | | | 27,000 |
| Rig Supervision / Engineering | 82,400 | 57,500 | 3,200 | 18,500 | 172,600 |
| Drill Bits | 72,000 | | | | 72,000 |
| Fuel & Power | 69,300 | | | | 69,300 |
| Water | 37,000 | 450,000 | | | 487,000 |
| Drig & Completion Overhead | 9,000 | 8,500 | | | 18,500 |
| Plugging & Abandonment | | | | | |
| Directional Drilling, Surveys | 180,000 | | | | 180,000 |
| Completion Unit, Swab, CTU | | 40,000 | 12,000 | | 52,000 |
| Perforating, Wireline, Stickleline | | 87,000 | | | 87,000 |
| High Pressure Pump Truck | | 42,000 | 10,500 | | 52,500 |
| Stimulation | | 1,710,000 | | | 1,710,000 |
| Stimulation Flowback & Disposal | | 180,500 | 4,500 | | 185,000 |
| Insurance | 24,943 | | | | 24,943 |
| Labor | 87,500 | 9,000 | 8,000 | | 102,500 |
| Rental - Surface Equipment | 40,050 | 103,055 | 1,000 | 3,500 | 148,005 |
| Rental - Downhole Equipment | 37,000 | 28,000 | | | 65,000 |
| Rental - Living Quarters | 44,570 | 25,570 | 1,000 | 1,300 | 72,440 |
| Contingency | 102,039 | 280,013 | 2,820 | 8,270 | 393,142 |
| TOTAL INTANGIBLES > | 2,142,822 | 3,080,138 | 48,020 | 90,970 | 5,359,949 |
| TANGIBLE COSTS | | | | | |
| Surface Casing | \$ 35,450 | | | | \$ 35,450 |
| Intermediate Casing | 43,515 | | | | 43,515 |
| Drilling Liner | 85,450 | | | | 85,450 |
| Production Casing | 234,778 | | | | 234,778 |
| Production Liner | | | | | |
| Tubing | | | 40,075 | | 40,075 |
| Wellhead | 41,000 | | 40,000 | | 81,000 |
| Packers, Liner Hangers | 8,000 | 25,200 | | | 33,200 |
| Tanks | | | | 120,000 | 120,000 |
| Production Vessels | | | 40,000 | 45,000 | 85,000 |
| Flow Lines | | | 48,000 | | 48,000 |
| Rod string | | | | | |
| Artificial Lift Equipment | | | 45,000 | | 45,000 |
| Compressor | | | | | |
| Installation Costs | | | 30,000 | 58,500 | 88,500 |
| Surface Pumps | | | 5,000 | | 5,000 |
| Non-controllable Surface | | | | 40,000 | 40,000 |
| Non-controllable Downhole | | | | | |
| Downhole Pumps | | | | | |
| Measurement & Meter Installation | | | 65,500 | 14,000 | 79,500 |
| Gas Conditioning / Dehydration | | | | | |
| Interconnecting Facility Piping | | | | | |
| Gathering / Bulk Lines | | | | 30,000 | 30,000 |
| Valves, Dumps, Controllers | | | | | |
| Tank / Facility Containment | | | | 30,000 | 30,000 |
| Flare Stack | | | | 20,000 | 20,000 |
| Electrical / Grounding | | | 30,000 | 7,000 | 37,000 |
| Communications / SCADA | | | | | |
| Instrumentation / Safety | | | 10,000 | 25,000 | 35,000 |
| TOTAL TANGIBLES > | 448,193 | 26,200 | 351,875 | 388,500 | 1,214,468 |
| TOTAL COSTS > | 2,591,015 | 3,106,338 | 397,895 | 480,470 | 6,574,417 |

PREPARED BY MATADOR PRODUCTION COMPANY:

Drilling Engineer: Patrick Walsh
 Completions Engineer: Matt Bell
 Production Engineer: Rakesh Patel

Team Lead - WTX/NM

[Signature]
 JTG

MATADOR RESOURCES COMPANY APPROVAL:

Executive VP, COO/CFO: DEL
 Executive VP, Legal: CA
 President: MVH

VP - Res Engineering: BMR
 Exec Dir - Exploration: NLF

VP - Drilling: BG
 VP - Production: TWG

NON OPERATING PARTNER APPROVAL:

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

This AFE is for informational purposes only and may not be construed as an offer or a contract. The AFE is subject to the terms and conditions of the AFE. The AFE is not a contract and does not constitute an offer or a contract. The AFE is not a contract and does not constitute an offer or a contract. The AFE is not a contract and does not constitute an offer or a contract.

MRC Delaware Resources, LLC

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240
Voice 972.371.5241 • Fax 214.866.4883
sprior@matadorresources.com

Sam Pryor
Senior Staff Landman

April 20, 2017

VIA CERTIFIED RETURN RECEIPT MAIL

Yates Energy Corporation
P.O. Box 2323
Roswell, NM 88202

Re: Stebbins 19 Fed Com #134H Participation Proposal
SHL: SE4SE4, BHL: SW4SW4 of Section 19, Township 20 South, Range 29 East
Eddy County, New Mexico

Yates Energy Corporation,

Please allow this well proposal to replace the previous proposal for the Stebbins 19 Fed Com #134H dated April 11, 2017. Matador identified an error in the previous proposal and is providing this new proposal for your review. We apologize for any inconvenience caused by our error and please feel free to contact me should you have any questions.

MRC Delaware Resources, LLC and its operating company Matador Production Company (collectively "MRC") propose the drilling of the Stebbins 19 Fed Com #134H well (the "Well"), located in the S2S2 of Section 19, Township 20 South, Range 29 East, Eddy County, New Mexico, to test the Bone Spring formation. The estimated cost of drilling, testing, completing, and equipping the Well is \$6,574,417 as itemized on the enclosed Authority for Expenditure ("AFE") dated March 27, 2017.

The Well will be drilled to a total vertical depth of 9,050' and a total measured depth of 13,632', producing a treatable lateral of approximately 4,463' within the Bone Spring formation.

MRC is proposing to drill the Well under the terms of a modified 1989 AAPL form of Operating Agreement ("OA") covering 320 acres, being the S2 of Section 19, Township 20 South, Range 29 East, Eddy County, New Mexico and limited to those formations from a depth of 6,000 feet beneath the surface down to the top of the Strawn formation found at approximately 10,376 feet on the Schlumberger Dual Laterolog Micro SFL Log for the Stebbins GQ Fed Com #1 Well, located 660 feet FNL and 1,980 feet FEL in Section 20, Township 20 South, Range 29 East, NMPM ("Contract Area") pursuant to the following terms:

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

**BEFORE THE OIL CONSERVATION
DIVISION**
Santa Fe, New Mexico
Exhibit No. 7
Submitted by: **MATADOR PROD. CO.**
Hearing Date: July 20, 2017

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.

Yates Energy Corporation will own approximately 0.14756985% 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,

MRC Delaware Resources, LLC


Sam Pryor

Enclosure(s)

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 Stebbins 19 Fed Com #134H

_____ Party hereby elects not to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Stebbins 19 Fed Com #134H

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

Yates Energy Corporation

By: _____

Title: _____

Date: _____

Phone (972) 371-5200 • Fax (972) 371-5201

ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE

| INTANGIBLE COSTS | DRILLING COSTS | COMPLETION COSTS | PRODUCTION COSTS | FACILITY COSTS | TOTAL COSTS |
|---------------------------------|------------------|------------------|------------------|----------------|------------------|
| Land / Legal / Regulatory | \$ 51,700 | \$ - | \$ - | \$ - | \$ 51,700 |
| Location, Surveys & Damages | 151,500 | 13,000 | 5,000 | 58,000 | 227,500 |
| Drilling | 654,200 | - | - | - | 654,200 |
| Cementing & Float Equip | 201,000 | - | - | - | 201,000 |
| Logging / Formation Evaluation | - | 6,000 | - | - | 6,000 |
| Mud Logging | 19,450 | - | - | - | 19,450 |
| Mud Circulation System | 37,370 | - | - | - | 37,370 |
| Mud & Chemicals | 51,600 | 20,000 | - | - | 71,600 |
| Mud / Wastewater Disposal | 155,000 | - | - | - | 155,000 |
| Freight / Transportation | 18,000 | 12,000 | - | - | 27,000 |
| Rtg Supervision / Engineering | 92,400 | 57,500 | 3,200 | 18,500 | 172,600 |
| Drill Bits | 72,000 | - | - | - | 72,000 |
| Fuel & Power | 69,300 | - | - | - | 69,300 |
| Water | 37,000 | 450,000 | - | - | 487,000 |
| Drig & Completion Overhead | 9,000 | 6,500 | - | - | 15,500 |
| Plugging & Abandonment | - | - | - | - | - |
| Directional Drilling, Surveys | 190,000 | - | - | - | 190,000 |
| Completion Unit, Swab, CTU | - | 40,000 | 12,000 | - | 52,000 |
| Perforating, Wireline, Silcline | - | 97,000 | - | - | 97,000 |
| High Pressure Pump Truck | - | 42,000 | 10,500 | - | 52,500 |
| Stimulation | - | 1,710,000 | - | - | 1,710,000 |
| Stimulation Flowback & Disp | - | 180,500 | 4,500 | - | 185,000 |
| Insurance | 24,943 | - | - | - | 24,943 |
| Labor | 87,500 | 8,000 | 6,000 | - | 102,500 |
| Rental - Surface Equipment | 40,050 | 103,055 | 1,000 | 3,500 | 148,005 |
| Rental - Downhole Equipment | 37,000 | 28,000 | - | - | 65,000 |
| Rental - Living Quarters | 44,570 | 25,570 | 1,000 | 1,300 | 72,440 |
| Contingency | 102,039 | 260,013 | 2,520 | 8,270 | 393,142 |
| TOTAL INTANGIBLES > | 2,142,822 | 3,080,138 | 48,020 | 90,570 | 5,359,549 |

| | TOTAL INTANGIBLES > | DRILLING COSTS | COMPLETION COSTS | PRODUCTION COSTS | FACILITY COSTS | TOTAL COSTS |
|----------------------------------|---------------------|----------------|------------------|------------------|----------------|-------------|
| TANGIBLE COSTS | | | | | | |
| Surface Casing | \$ | 35,450 | \$ | \$ | \$ | 35,450 |
| Intermediate Casing | | 43,515 | | | | 43,515 |
| Drilling Liner | | 85,450 | | | | 85,450 |
| Production Casing | | 234,778 | | | | 234,778 |
| Production Liner | | - | | | | - |
| Tubing | | - | | 40,075 | | 40,075 |
| Wellhead | | 41,000 | | 40,000 | | 81,000 |
| Packers, Liner Hangers | | 8,000 | 25,200 | - | | 33,200 |
| Tanks | | - | | - | 120,000 | 120,000 |
| Production Vessels | | - | | 40,000 | 45,000 | 85,000 |
| Flow Lines | | - | | 48,000 | - | 48,000 |
| Rod string | | - | | - | - | - |
| Artificial Lift Equipment | | - | | 45,000 | - | 45,000 |
| Compressor | | - | | - | - | - |
| Installation Costs | | - | | 30,000 | 58,500 | 88,500 |
| Surface Pumps | | - | | 5,000 | - | 5,000 |
| Non-controllable Surface | | - | | - | 40,000 | 40,000 |
| Non-controllable Downhole | | - | | - | - | - |
| Downhole Pumps | | - | | - | - | - |
| Measurement & Meter Installation | | - | | 65,500 | 14,000 | 79,500 |
| Gas Conditioning / Dehydration | | - | | - | - | - |
| Interconnecting Facility Piping | | - | | - | - | - |
| Gathering / Bulk Lines | | - | | - | 30,000 | 30,000 |
| Valves, Pumps, Controllers | | - | | - | - | - |
| Tank / Facility Containment | | - | | - | 30,000 | 30,000 |
| Flare Stack | | - | | - | 20,000 | 20,000 |
| Electrical / Grounding | | - | | 30,000 | 7,000 | 37,000 |
| Communications / SCADA | | - | | - | - | - |
| Instrumentation / Safety | | - | | 10,000 | 25,000 | 35,000 |
| TOTAL TANGIBLES > | | 448,193 | 25,200 | 351,675 | 389,500 | 1,214,468 |
| TOTAL COSTS > | | 2,691,015 | 3,105,338 | 397,599 | 480,470 | 6,574,417 |

PREPARED BY MATADOR PRODUCTION COMPANY:

Drilling Engineer: Patrick Wabsh
 Completions Engineer: Matt Bell
 Production Engineer: Rajesh Patel

Team Lead - WTX/NM

MATADOR RESOURCES COMPANY APPROVAL:

Executive VP, COO/CFO _____ DEL
Executive VP, Legal _____ CA
President _____ MVH

VP - Res Engineering _____ BMR
Exec Dir - Exploration _____ M F

VP - Drilling _____ BG
P - Production _____ TWG

NON OPERATING PARTNER APPROVAL:

Company Name: _____ Working Interest (%): _____ Tax ID: _____

Signed by: _____ Date: _____

Title: _____ Approval: Yes _____ No _____ (mark one)

The costs on this AFE are estimates only and may not be equivalent to billings on any assembly line or job order of the project. Taking installation agreement under the AFE may be delayed up to a year after the well has been completed. In executing this AFE, our Participants agree to pay for proportionally share of actual costs incurred for handling, legal, customs, regulatory, insurance and port costs under the terms of the applicable job opening agreement, regulatory order or other agreement covering the well. Participants shall be bound by and held responsible for Contractor's well control and general liability insurance unless participant provides Operator a certificate of insurance to an amount acceptable to the Committee for the site of the well.

Affidavit of Publication

State of New Mexico,
County of Eddy, ss.

Danny Fletcher, being first duly
sworn, on oath says:

That he is the Publisher of the
Carlsbad Current-Argus, a
newspaper published daily at the
City of Carlsbad, in said county of
Eddy, state of New Mexico and of
general paid circulation in said
county; that the same is a duly
qualified newspaper under the laws
of the State wherein legal notices
and advertisements may be
published; that the printed notice
attached hereto was published in the
regular and entire edition of said
newspaper and not in supplement
thereof on the date as follows, to wit:

June 20 2017

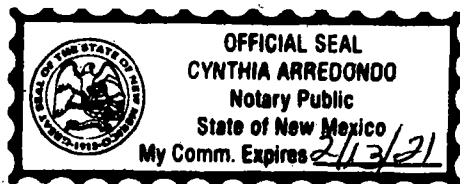
That the cost of publication is
\$235.54 and that payment thereof
has been made and will be
assessed as court costs.

Subscribed and sworn to before me
this 20 day of June, 2017

Cynthia Arredondo

My commission Expires 2/13/21

Notary Public



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

The State of New Mexico through its Oil Conservation Division hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 A.M. on July 6, 2017, in the Oil Conservation Division Hearing Room at 1220 South St. Francis, Santa Fe, New Mexico, before an examiner duly appoint for the hearing. If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact: Florene Davidson at 505-476-3458 or through the New Mexico Relay Network, 1-800-659-1779 by June 26, 2017. Public documents including the agenda and minutes, can be provided in various accessible forms.

Please contact Florene Davidson if a summary or other type of accessible form is needed.

STATE OF
NEW MEXICO TO:
All named parties and
persons having any
right, title, interest or
claim in the following
cases and notice
to the public.

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

To: Yates Energy Corp., and its successors, heirs and/or devisees; Sharbro Energy LLC, and its successors, heirs and/or devisees; Santo Legado LLC, and its successors, heirs and/or devisees; John A. Yates, and his successors, heirs and/or devisees; EOG Resources Assets LLC, and its successors, heirs and/or devisees; Pamela J. Burke, as Trustee of the PIP 1990 Trust, and her successors, heirs and/or devisees; TIG Properties, and its successors, heirs and/or devisees; Pamela J. Burke, as Trustee of the Claire Ann Iverson

Revocable Living Trust UTA dtd. November 22, 2005, and her successors, heirs and/or devisees; Pamela J. Burke, as Trustee of the Siegfried James Iverson, III Revocable Living Trust UTA dtd. November 18, 2005, and her successors, heirs and/or devisees; Marian Welch Pendergrass, and her successors, heirs and/or devisees; Van S. Welch II, and his successors, heirs and/or devisees; James Gray Welch, and his successors, heirs and/or devisees; Robert Welch Gillespie, and his successors, heirs and/or devisees; Erin L. Coffin Revocable Trust, and her successors, heirs and/or devisees; Van P. Welch, Jr., and his successors, heirs and/or devisees; Phoebe Welch, and her successors, heirs and/or devisees; Bryan W. Welch, and his successors, heirs and/or devisees; Becky Panek, and her successors, heirs and/or devisees; Stacy Welch Green, and her successors, heirs and/or devisees; Saunders Thomas Welch, and his successors, heirs and/or devisees; Michael Irwin Welch, and his successors, heirs and/or devisees; Wendell Terry Welch, and his successors, heirs and/or devisees; Phoebe J. Welch, Trustee of the Phoebe J. Welch Trust dtd. July 27, 2006, and her successors, heirs and/or devisees; and Trigg Oil & Gas Limited Partnership, and its successors, heirs and/or devisees.

CASE 15747: Application of Matador Production Company for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard, 155.29-acre, more or less, spacing and proration unit comprised of the N/2 S/2 of Section 19, Township 20 South, Range 29 East, Eddy County, New Mexico and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed Stebbins 19 Federal No. 133H Well, which will be horizontally

drilled from a surface location in the NE/4 SE/4 (Unit 1) to a standard bottom hole location in the NW/4 SW/4 (Lot 3) of Section 19. The completed interval for this well will remain within the 330-foot standard offset required by the rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Matador Production Company as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 11 miles northeast of Carlsbad, NM.

BEFORE THE OIL CONSERVATION
DIVISION
Santa Fe, New Mexico
Exhibit No. 8
Submitted by: MATADOR PROD. CO.
Hearing Date: July 20, 2017

Affidavit of Publication

State of New Mexico,
County of Eddy, ss.

Danny Fletcher, being first duly sworn, on oath says:

That he is the Publisher of the Carlsbad Current-Argus, a newspaper published daily at the City of Carlsbad, in said county of Eddy, state of New Mexico and of general paid circulation in said county; that the same is a duly qualified newspaper under the laws of the State wherein legal notices and advertisements may be published; that the printed notice attached hereto was published in the regular and entire edition of said newspaper and not in supplement thereof on the date as follows, to wit:

June 20 2017

That the cost of publication is \$235.54 and that payment thereof has been made and will be assessed as court costs.

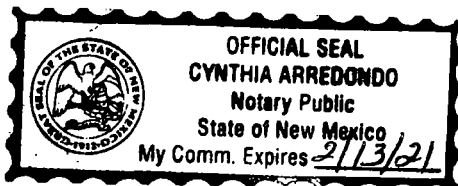
[Signature]

Subscribed and sworn to before me this 20 day of June, 2017

[Signature: Cynthia Arredondo]

My commission Expires 2/13/21

Notary Public



June 20, 2017

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

The State of New Mexico through its Oil Conservation Division hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 A.M. on July 6, 2017, in the Oil Conservation Division Hearing Room at 1220 South St. Francis, Santa Fe, New Mexico, before an examiner duly appoint for the hearing. If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact: Florene Davidson at 505-476-3458 or through the New Mexico Relay Network, 1-800-659-1779 by June 26, 2017. Public documents including the agenda and minutes, can be provided in various accessible forms. Please contact Florene Davidson if a summary or other type of accessible form is needed.

**STATE OF
NEW MEXICO TO:**
All named parties and persons having any right, title, interest or claim in the following cases and notice to the public.

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

To: Yates Energy Corp., and its successors, heirs and/or devisees; Sharbro Energy LLC, and its successors, heirs and/or devisees; Santo Legado LLC, and its successors, heirs and/or devisees; John A. Yates, and his successors, heirs and/or devisees; EOG Resources Assets LLC, and its successors, heirs and/or devisees; Pamela J. Burke, as Trustee of the PIP 1990 Trust, and her successors, heirs and/or devisees; TIG Properties, and its successors, heirs and/or devisees; Pamela J. Burke, as Trustee of the Claire Ann Iverson Revocable Living Trust UTA dtd. November 22, 2005, and her successors, heirs

and/or devisees; Pamela J. Burke, as Trustee of the Siegfried James Iverson, III Revocable Living Trust UTA dtd. November 18, 2005, and her successors, heirs and/or devisees; Marian Welch Pendergrass, and her successors, heirs and/or devisees; Van S. Welch II, and his successors, heirs and/or devisees; James Gray Welch, and his successors, heirs and/or devisees; Robert Welch Gillespie, and his successors, heirs and/or devisees; Erin L. Coffin Revocable Trust, and her successors, heirs and/or devisees; Van P. Welch, Jr., and his successors, heirs and/or devisees; Phoebe Welch, and her successors, heirs and/or devisees; Bryan W. Welch, and his successors, heirs and/or devisees; Becky Panek, and her successors, heirs and/or devisees; Stacy Welch Green, and her successors, heirs and/or devisees; Saunders Thomas Welch, and his successors, heirs and/or devisees; Michael Irwin Welch, and his successors, heirs and/or devisees; Wendell Terry Welch, and his successors, heirs and/or devisees; Phoebe J. Welch, Trustee of the

Phoebe J. Welch Trust dtd. July 27, 2006, and her successors, heirs and/or devisees; and Trigg Oil & Gas Limited Partnership, and its successors, heirs and/or devisees.

CASE 15748: Application of Matador Production Company for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard, 155.83-acre, more or less, spacing and proration unit comprised of the S/2 S/2 of Section 19, Township 20 South, Range 29 East, Eddy County, New Mexico and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed Stebbins 19 Fed Com No. 134H Well, which will be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) to a standard bottom hole location in the SW/4 SW/4 (Lot 4) of Section 19. The complet-

ed interval for this well will remain within the 330-foot standard offset required by the rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Matador Production Company as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 11 miles northeast of Carlsbad, NM.

**BEFORE THE OIL CONSERVATION
DIVISION**

Santa Fe, New Mexico
Exhibit No. 9

Submitted by: MATADOR PROD. CO.
Hearing Date: July 20, 2017