UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported) April 12, 2023

Matador Resources Company
(Exact name of registrant as specified in its charter)

Texas	001-35410	27-4662601
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

5400 LBJ Freeway, Suite 1500 Dallas, Texas	75240
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (972) 371-5200

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	MTDR	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Explanatory Note

As previously disclosed in the Current Report on Form 8-K filed by Matador Resources Company ("Matador") on April 13, 2022 (the "Initial 8-K") with the United States Securities and Exchange Commission (the "SEC"), on April 12, 2023, MRC Hat Mesa, LLC ("Purchaser"), a wholly-owned subsidiary of Matador, consummated the previously disclosed acquisition (the "Acquisition") contemplated by that certain Securities Purchase Agreement, dated as of January 24, 2023, among Purchaser, MRC Energy Company ("MRC Energy") (solely for the purposes of guaranteeing the obligations of Purchaser thereunder), AEP EnCap HoldCo, LLC ("AEP EnCap"), Ameradvance Management LLC ("ManagementCo" and, together with AEP EnCap, each a "Seller" and collectively, the "Sellers") and Advance Energy Partners Holdings, LLC ("Advance"), pursuant to which, among other things, Sellers agreed to sell to Purchaser, and Purchaser agreed to purchase from Sellers, all of the issued and outstanding membership interests of Advance, for an aggregate purchase price consisting of (i) an amount in cash equal to $1,600,000,000 (subject to certain customary adjustments, including for working capital and for title defects and environmental defects) and (ii) for each calendar month during calendar year 2023 in which the average of the daily settlement price for the West Texas Intermediate (WTI) light sweet crude oil prompt month futures contract for such calendar month exceeds $85.00, a payment equal to $7,500,000.

The Company is filing this amendment to the Initial 8-K for the purpose of filing (i) the audited consolidated financial statements of Advance as of and for the year ended December 31, 2022 and (ii) the unaudited pro forma condensed combined financial information of Matador as of and for the year ended December 31, 2022, after giving effect to the Acquisition. This amendment should be read in conjunction with the Initial 8-K and Matador's other filings with the SEC. Except as provided herein, the disclosures made in the Initial 8-K remain unchanged.

Item 9.01 Financial Statements and Exhibits.

(a) Financial statements of business acquired.

The audited consolidated balance sheet and related consolidated statement of changes in members' capital of Advance as of December 31, 2022, the consolidated statement of operations and consolidated statement of cash flows of Advance for the year ended December 31, 2022 and the notes related thereto, are filed as Exhibit 99.1 hereto and incorporated herein by reference.

(b) Pro forma financial information.

The unaudited pro forma condensed combined balance sheet of Matador as of December 31, 2022, the unaudited pro forma condensed combined statements of operations of Matador for the year ended December 31, 2022 and the notes related thereto are filed as Exhibit 99.2 hereto and incorporated herein by reference. These unaudited pro forma condensed combined financial statements give effect to the Advance Acquisition on the basis, and subject to the assumptions, set forth in accordance with Article 11 of Regulation S-X.

(d) Exhibits

Exhibit No.	Description of Exhibit
23.1	Consent of PricewaterhouseCoopers LLP.
23.2	Consent of Cawley, Gillespie & Associates, Inc. (reserves for Advance Energy Partners Holdings, LLC).
99.1	Audited consolidated balance sheet and related consolidated statement of changes in members' capital of Advance Energy Partners Holdings, LLC as of December 31, 2022, the consolidated statement of operations and consolidated statement of cash flows of Advance Energy Partners Holdings, LLC for the year ended December 31, 2022 and the notes related thereto, together with the report thereon of PricewaterhouseCoopers LLP.
99.2	Unaudited pro forma condensed combined balance sheet of Matador Resources Company as of December 31, 2022, unaudited pro forma condensed combined statements of operations of Matador Resources Company for the year ended December 31, 2022, and the notes related thereto.
104	Cover Page Interactive Data File, formatted in Inline XBRL (included as Exhibit 101).

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MATADOR RESOURCES COMPANY

Date: May 4, 2023

By:	/s/ Craig N. Adams
Name:	Craig N. Adams
Title:	Executive Vice President

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-266409, 333-204868, 333-231989, and 333-180641) of Matador Resources Company of our report dated April 21, 2023 relating to the consolidated financial statements of Advance Energy Partners Holdings, LLC, which appears in this Current Report on Form 8-K/A.

/s/ PricewaterhouseCoopers LLP
Houston, Texas
May 4, 2023

CONSENT OF INDEPENDENT PETROLEUM ENGINEERS

We hereby consent to the incorporation by reference in this Current Report on Form 8-K/A, dated May 4, 2023, of Matador Resources Company (the "Company") and in the Registration Statements on Form S-8 (Nos. 333-266409, 333-204868, 333-231989, and 333-180641) of the Company of all references to our firm and the reserves report as of December 31, 2022 dated January 30, 2023 relating to Advance Energy Partners Holdings, LLC, which appear in this Current Report on Form 8-K/A.

/s/ W. Todd Brooker

W. Todd Brooker, P.E.
President
Cawley, Gillespie & Associates, Inc.
13640 Briarwick Dr., Suite 100
Austin, Texas 78729
May 4, 2023

Advance Energy Partners Holdings, LLC

Consolidated Financial Statements

December 31, 2022

Advance Energy Partners Holdings, LLC
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December 31, 2022

Report of Independent Auditors

To the Management of Advance Energy Partners Holdings, LLC

Opinion

We have audited the accompanying consolidated financial statements of Advance Energy Partners Holdings, LLC and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2022, and the related consolidated statements of operations, changes in members' capital and cash flows for the year then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

Houston, Texas
April 21, 2023

Advance Energy Partners Holdings, LLC
Consolidated Balance Sheet
December 31, 2022

		2022
Assets		
Current assets:		
Cash and cash equivalents	$	7,479,240
Accounts receivable		51,321,071
Current portion derivative asset		11,169,758
Inventory		32,923,908
Other current assets		7,615,135
Total current assets		110,509,112
Property and equipment:		
Oil and gas properties using successful efforts method of accounting, net		1,468,880,001
Other property and equipment, net		23,543
Net property and equipment		1,468,903,544
Derivative asset		12,925,323
Lease assets		1,195,341
Deferred financing costs, net		2,649,291
Total assets	$	1,596,182,611
Liabilities and Members' Capital		
Current liabilities:		
Accounts payable	$	69,932,560
Revenue payable		7,912,549
Accrued capital expenditures		3,898,584
Accrued and other liabilities		6,191,367
Current portion lease liabilities		446,653
Current portion derivative liability		32,270,708
Current portion asset retirement obligation		219,392
Total current liabilities		120,871,813
Deferred income		2,116,917
Derivative liability		17,081,445
Lease liabilities		770,859
Long term debt		460,000,000
Asset retirement obligation		15,288,845
Total long-term liabilities		495,258,066
Total liabilities		616,129,879
Commitments and contingencies (Note 7)		
Members' capital		980,052,732
Total liabilities and members' capital	$	1,596,182,611

The accompanying notes are an integral part of these consolidated financial statements.

Advance Energy Partners Holdings, LLC
Consolidated Statement of Operations
Year Ended December 31, 2022

	2022
Revenues	
Oil and condensate	$ 637,945,856
Gas	71,378,721
Plant products	51,416,340
Total revenues	760,740,917
Expenses	
Production	153,159,717
Exploration	92,348
Depreciation, depletion, and amortization	120,490,836
Accretion of asset retirement obligations	572,155
General and administrative	15,384,061
Impairment of inventory	5,307,954
Loss on disposal of oil and gas properties	92,018
Total expense	295,099,089
Operating income	465,641,828
Other income (expense)	
Change in unrealized gain on derivative contracts, net	38,553,605
Realized loss on commodity derivative contracts, net	(119,574,590)
Interest expense	(21,239,172)
Other income	263,673
Income before income tax	363,645,344
Income tax expense	-
Net income	$ 363,645,344

The accompanying notes are an integral part of these consolidated financial statements.

Advance Energy Partners Holdings, LLC
Consolidated Statement of **Changes in Members' Capital**
Year Ended December 31, 2022

		Total Members' Capital
Balance at December 31, 2021	$	616,407,388
Net income		363,645,344
Balance at December 31, 2022	$	980,052,732

The accompanying notes are an integral part of these consolidated financial statements.

Advance Energy Partners Holdings, LLC
Consolidated Statement of Cash Flows
Year Ended December 31, 2022

Cash flows from operating activities	
Net income	$ 363,645,344
Adjustments to net income to net cash from operating activities	
Amortization of deferred financing costs	1,784,535
Depreciation, depletion, and amortization	120,490,836
Accretion of asset retirement obligations	572,155
Impairment of inventory	5,307,954
Loss on sale of oil and gas properties	92,018
Unrealized gain on derivatives	(38,553,605)
Deferred income	(262,500)
Other	195,552
Changes in assets and liabilities:	
Accounts receivable	(11,602,171)
Accounts payable	6,894,944
Revenue payable	(937,019)
Other current assets	(37,074,333)
Accrued payroll and benefits	(3,747,692)
Accrued and other liabilities	(5,446,412)
Lease liabilities	(184,313)
Net cash provided in operating activities	401,175,293
Cash flows from investing activities	
Capital expenditures of oil and gas properties	(575,398,327)
Net cash used in investing activities	(575,398,327)
Cash flow from financing activities	
Proceeds from revolving line of credit	200,000,000
Repayments of borrowings from revolving line of credit	(25,000,000)
Payments of lease obligations	(258,929)
Deferred financing costs	(2,788,219)
Net cash provided by financing activities	171,952,852
Net change in cash and cash equivalents	(2,270,182)
Cash and cash equivalents	
Beginning of year	9,749,422
End of year	$ 7,479,240
Supplemental cash flow information	
Interest paid	$ 20,691,038
Taxes paid	-
Supplemental disclosure of noncash investing activity	
Capital expenditures included in accounts payable and accrued liabilities	$ 63,341,260
Noncash asset retirement obligations	11,121,278
Noncash proceeds from exchange of oil and gas properties	6,703,955

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization and Ownership

Advance Energy Partners Holdings, LLC (the "Company" or "Advance"), headquartered in Houston, Texas, is an independent energy company engaged in the acquisition, exploration, development and production of crude oil and natural gas from onshore properties located in Texas and New Mexico, in the United States of America ("U.S.").

The Company's wholly owned subsidiary Advance Energy Partners, LLC was initially funded by Encap Energy Capital Fund X, LP ("Encap") and AEPXCON Management LLC (or "AEPXCON") (collectively the "Members"), by initial cash call in September 2014.

The Company's LLC agreement initially obligated the Members to commit $300,000,000 equity to the Company. During 2017 this commitment was increased to $450,000,000. The LLC agreement authorized three classes of membership interests: Class A, Class B, and Class C Profit Units. The number of units authorized is 4,455,000, 45,000 and 100,000, respectively. The Class A and Class B units are issued at $100 per share. As of December 31, 2022, 3,911,607 Class A and 0 Class B Units were issued and outstanding. There is no cost per unit for the Profit C Units and as of December 31, 2022 there were 0 units issued.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Company maintains its accounts on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

The Company's consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All material intercompany accounts and transactions have been eliminated in these financial statements upon consolidation.

Revenue Recognition and Natural Gas Imbalances

Revenue is recognized in accordance with Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers ("ASC 606") when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. Revenues are recognized for the sale of crude oil and condensate, plant products or natural gas liquids (NGLs) and natural gas at the point control of the product is transferred to the customer, typically when production is delivered and title or risk of loss transfers to the customer. Arrangements for such sales are evidenced by signed contracts with prices typically based on stated market indices, with certain adjustments for product quality and geographic location. As the Company typically invoices customers shortly after performance obligations have been fulfilled, contract assets and contract liabilities are not recognized.

The balance of accounts receivable from contracts with customers as of December 31, 2022, was $45,538,577 and is included in accounts receivable on the consolidated balance sheet.

As a nonpublic entity the Company has elected not to apply the quantitative disaggregation of revenue. The Company's revenues are recognized at a point in time. The location of the Company's customers and the types of contracts entered into may affect the nature, amount, timing, and uncertainty of revenue and cash flows.

The Company does not disclose information on the future performance obligations for any contract with expected duration of one year or less at inception. As of December 31, 2022, the Company does not have future performance obligations that are material to future periods.

Revenue from the sale of oil, natural gas and natural gas liquids (NGLs) and plant products are recognized when title passes, net of royalties due to third parties. The Company follows the sales method of accounting for their revenue whereby they recognize sales revenue on all commodity sold to their purchasers, regardless of whether the sales are proportionate to the Company's ownership in the property. An asset or a liability is recognized to the extent that the Company has an imbalance in excess of the remaining estimated commodity reserves on the underlying properties. The imbalance as of December 31, 2022 was $356,277.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with maturities of three months or less at the date of purchase to be cash equivalents. The Company maintains its cash and cash equivalents at financial institutions. The balances may exceed the Federal Deposit Insurance Corporation ("FDIC") insurance coverage and, as a result, there is a concentration of credit risk related to amounts on deposit in excess of FDIC insurance coverage. Management believes this risk is not significant.

Accounts Receivable

Accounts receivable consist of uncollateralized accrued oil and gas revenues due under normal trade terms and joint interest billings consist of uncollateralized joint interest owner obligations due within 30 days of the invoice date. Management reviews receivables periodically and reduces the carrying amount by a valuation allowance that reflects management's best estimate of the amount that may not be collectible. As of December 31, 2022, no valuation allowance was considered necessary.

Inventory

From time to time, the Company purchases materials to be used in future drilling and completion activities. This inventory is recorded at cost in inventory, which is included in the accompanying consolidated balance sheet.

During early 2022 amid concerns about the supply chain shortage the Company purchased higher quantities than normal of casing and tubing amid concerns supplies could become scarce later in the year which could adversely affect it's on going drilling program. After review and changes to some drilling and completion casing and tubing programs it was determined the Company had excess inventory that would not be used in current or future planned drilling programs. The Company is carrying these amounts as inventory held for resale in the amount of $15,594,721 and is carried at the lower of cost or market. The Company recognized an impairment of $5,307,954 on the inventory held for resale during the year ended December 31, 2022. The remaining $17,329,187 is carried at cost in equipment inventory.

Oil and Gas Properties

The Company follows the successful efforts method to account for its exploration and production activities. Under this method, costs incurred to purchase, lease, or otherwise acquire a property, whether unproved or proved, are capitalized when incurred. The Company initially capitalizes exploratory well costs pending a determination whether proved reserves have been found. At the completion of drilling activities, the costs of exploratory wells remain capitalized if a determination is made that proved reserves have been found. If no proved reserves have been found, the costs of exploratory wells are charged to expense. In some cases, a determination of proved reserves cannot be made at the completion of drilling, requiring additional testing and evaluation of the wells.

Other exploration costs, including geological and geophysical costs, delay rentals and administrative costs associated with unproved property and unsuccessful exploratory well costs are expensed as incurred. Additionally, costs to operate and maintain wells and field equipment are expensed as incurred.

Depletion is determined on a units-of-production basis over the remaining life of proved reserves. Capitalized exploratory drilling and development costs associated with productive depletable extractive properties are amortized using the unit-of-production rates based on the amount of proved developed reserves of oil and gas that are estimated to be recoverable from existing facilities using current operating methods. Under the unit-of-production method, oil and gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the lease or field storage tank.

The net carrying values of retired, sold or abandoned properties that constitute less than a complete unit of depletable property are charged, net of proceeds, to accumulate depreciation, depletion and amortization unless doing so significantly affect the unit-of-production amortization rate, in which case a gain or loss is recognized to earnings. Gains or losses from the disposal of complete units of depletable property are recognized to earnings.

Impairment of Oil and Natural Gas Properties

Proved oil and natural gas properties are evaluated for impairment annually or when facts or circumstances indicate a possible decline in the recoverability of the carrying amount of such property. In performing this assessment, assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. The Company estimates the expected future cash flows of its oil and natural gas properties and compares these undiscounted cash flows to the carrying amount of the oil and natural gas properties to determine if the carrying amount is recoverable. If an impairment is indicated, fair value is calculated using a discounted cash flow approach. Estimating future cash flows involves the use of judgments, including expected commodity prices, estimation of the oil and natural gas reserve quantities, capital expenditures and operating costs, and timing of development and production. Where unproved reserves exist, an appropriately risk-adjusted amount of these reserves may be included in the evaluation. Cash flow estimates for impairment testing exclude the effects of derivative instruments.

Unproved properties are periodically assessed for impairment on a property-by-property basis, and any impairment in value is charged to impairment expense. In determining whether an unproved property is impaired, the Company considers numerous factors including, but not limited to, current development and exploration drilling plans, favorable or unfavorable exploration activity on adjacent leaseholds, evaluation of the lease and the remaining lease term.

Unproved properties and the related costs are transferred to proved properties when reserves are discovered on, or otherwise attributed, to the property.

Leases
The Company primarily leases office space and vehicles from third parties. The Company determines if a contract is a lease at inception. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The lease term begins on the commencement date, which is the date the Company takes possession of the asset, and may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Certain of the Company's leases contain renewal options for varying periods which either require mutual agreement by both lessee and lessor or can be exercised solely at the control of the lessee. Leases are classified as operating or finance leases based on factors such as the lease term, lease payments, and the economic life, fair value and estimated residual value of the asset. Where leases include options to purchase the leased asset at the end of the lease term, this is assessed as a part of the Company's lease classification determination.

Under ASC 842, the Company recognizes a right-of-use ("ROU") asset and lease liability to account for its leases. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized on the commencement date based on the present value of lease payments over the lease term. ROU assets are based on the lease liability and are increased by prepaid lease payments and decreased by lease incentives received. Lease incentives are amortized through the lease asset as reductions of expense over the lease term. For leases where the Company is reasonably certain to exercise a renewal option, such option periods have been included in the determination of the Company's ROU assets and lease liabilities.

The Company's leases typically contain rent escalations over the lease term. The Company recognizes expense for these leases on a straight-line basis over the lease term. Certain leases require the Company to pay taxes, insurance, maintenance, and other operating expenses associated with the leased asset. Such amounts are not included in the measurement of the ROU assets and lease liabilities to the extent they are variable in nature. These variable lease costs are recognized as a variable lease expense when incurred.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As a practical expedient, lease agreements with lease and non-lease components are accounted for as a single lease component for all asset classes. The Company estimates contingent lease incentives when it is probable that the Company is entitled to the incentive at lease commencement. The Company elected the short-term lease recognition exemption for all leases that qualify. Therefore, leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet; instead, lease payments are recognized as lease expense on a straight-line basis over the lease term. The depreciable life of the ROU assets and leasehold improvements are limited by the expected lease term unless the Company is reasonably certain of a transfer of title or purchase option.

The Company elected to use the risk-free rate as the discount rate for all asset classes if the rate implicit in the lease was not readily available.

Recently Adopted Accounting Standards

On January 1, 2022, the Company adopted ASU 2016-02, "Leases (Topic 842)," using the modified retrospective approach. This pronouncement requires lessees to recognize a lease liability and a right-of-use asset for each lease with a term longer than twelve months and adds new presentation and disclosure requirements for both lessees and lessors. The recognized liability is measured at the present value of lease payments not yet paid, and the corresponding asset represents the lessee's right to use the underlying asset over the lease term and is based on the liability, subject to certain adjustments. For consolidated statement of operations and consolidated statement of cash flow purposes, the standard retains the dual model with leases classified as either operating or finance leases. Operating leases will result in straight-line expense while finance leases will result in a front-loaded expense pattern. The accounting guidance for lessors remains largely unchanged.

The Company elected the optional transition method to apply the standard as of the effective date. Under this method, the Company has not adjusted its comparative period financial statements for the effects of the new standard or made the new, expanded required disclosures for years prior to the effective date. Therefore, the consolidated statement of operations for the year ended December 31, 2022 and the consolidated balance sheet as of December 31, 2022 reflect the application of ASC 842.

The Company elected the package of practical expedients permitted under the transition guidance in ASC 842 and did not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs.

The adoption of the new lease standard resulted in the recognition of operating lease ROU assets and lease liabilities for lease arrangements with an initial term greater than twelve months. The adoption of ASU 842 did not have a material impact on the Company's consolidated statement of operations or consolidated statement of cash flows.

Upon adoption, the Company recorded $1,704,630 of lease assets and $1,704,630 of lease liabilities on the consolidated balance sheet.

The following table presents the Company's lease assets and lease liabilities as of December 31:

		2022
Assets:		
Operating lease assets	$	567,109
Finance lease assets		628,232
Total lease assets		1,195,341
Liabilities:		
Current		
Operating lease liabilities	$	175,113
Finance lease liabilities		271,540
Noncurrent		
Operating lease liabilities		403,235
Finance lease liabilities		367,624
Total lease liabilities	$	1,217,512

The following table represents the Company's total lease cost for the year ended December 31, 2022.

		2022
Lease Cost		
Operating lease cost	$	204,101
Finance lease cost:		
Amortization of right-of-use asset		269,861
Interest on lease liabilities		29,921
Total lease cost	$	503,883

Supplemental cash flow information related to leases are as follows:

		2022
Cash flows from financing activities		
Payments on finance lease obligations	$	258,929
Supplemental cash flows information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used in operating leases	$	192,862
Operating cash flows used in finance leases		29,921
Finance cash flows used in finance leases		258,929
Supplemental noncash information		
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	$	762,661
Finance leases		941,969
Other information		
Weighted-average remaining lease term (in years):		
Finance leases		2.33
Operating leases		2.84
Weighted-average discount rate:		
Finance leases		4.25%
Operating leases		1.26%

The Company has lease arrangements for office space and vehicles. These leases expire at various dates through 2025. The future minimum lease payments related to the Company's operating and finance leases are as follows:

Year ended December 31,	Operating Leases		Finance Leases	
2023	$	288,850	$	192,862
2024		288,850		178,470
2025		288,850		221,072
2026		94,817		189,984
2027		-		-
Thereafter		-		-
Total lease payments		961,367		782,388
Less: Interest		(383,019)		(143,224)
Present value of lease liabilities	$	578,348	$	639,164

Derivative Instruments

The Company enters into commodity derivative contracts to manage exposure to oil price volatility. The contracts, in the form of fixed for float swaps, have been placed with counterparties of high credit quality. The Company recognizes derivative instruments as assets or liabilities in the balance sheet based on the anticipated timing of cash settlements under the related contracts. The Company measures the derivative instruments at fair value by marking to market the derivative instruments at each balance sheet date. The Company derives internal valuation estimates that take into consideration the counterparties' credit ratings, the Company's credit rating and the time value of money. These valuations are then compared to the respective counterparties' mark-to-market statements. The pertinent factors result in an estimated exit-price that the Company believes provides a reasonable and consistent methodology for valuing derivative instruments. The derivative instruments utilized by the Company are not considered by management to be complex, structured or illiquid. The commodity derivative markets are highly active. The Company does not designate its commodity derivative contracts as accounting hedges. Changes in the market value of the Company's open derivative instruments resulting from the mark-to-market process represent unrealized gains or losses that are included in other income (expense) at the balance sheet date. Such unrealized gains or losses will fluctuate, based on prevailing market prices at each subsequent balance sheet date, until the transaction date occurs. Realized gains and losses resulting from settled contracts are included in other income (expense) in the period in which the contracts relate. The Company does not enter into derivative instruments for speculative or trading purposes.

Deferred Income

Deferred income consists of payments by pipeline companies made for the purpose of securing our dedicated oil and gas sales for an agreed area of mutual interest and for an agreed period of time. The Company defers income recognition and recognizes income equally over the primary contract term.

Deferred Financing Costs

Deferred financing costs consist of legal and bank fees incurred in connection with the Company's reserve-based loan. The costs are capitalized and amortized over the life of the loan to interest expense.

Asset Retirement Obligations

We assess our obligations associated with the retirement of tangible long-lived assets at their fair values in the period incurred. If an obligation is determined to exist, the fair value of the obligation is also recorded to the related asset's carrying amount. Also, accretion of the liability would be recognized as an operating expense and the capitalized cost is amortized using the units-of production method. Our asset retirement obligations relate primarily to the plugging and abandonment of our oil and natural gas wellbores and to decommissioning related pipelines, facilities, and structures.

Other Property and Equipment

Other property and equipment consist of furniture and fixtures, computer hardware and software, and leasehold improvements. See the table below for useful lives used for depreciating these assets.

Other Property and Equipment	Depreciable Life
Furniture and fixtures	7 years
Computer hardware	3 years
Computer software	3 years
Leasehold improvements	4 years*
Vehicles	3 years

* Lesser of useful life or remaining lease term.

Income Taxes

The Company is organized as an LLC and for tax purposes has elected partnership status. Thus, all tax expense and liabilities arising from the Company's operations will be the responsibility of the members. The Company is subject to Texas margin tax.

No material uncertain tax positions were identified during the year ended December 31, 2022. The Company believes that its income tax filing positions and deductions will more-likely than-not be sustained on audit and does not anticipate any adjustments that will result in a material adverse effect on the Company's consolidated financial condition, consolidated results of operations or consolidated cash flows. Therefore, no reserves for uncertain income tax positions have been recorded. The Company's policy is to recognize interest related to any unrecognized tax benefits as interest expense and penalties as operating expenses.

Concentrations of Credit Risk

Financial instruments which potentially subject the Company to credit risk consist principally of cash and cash equivalents, accounts receivable, and derivative financial instruments. The Company maintains cash and cash equivalents in bank deposit accounts which, at times, may exceed the federally insured limits. The Company has not experienced any losses from such investments. The Company attempts to limit the amount of credit exposure to any one financial institution or company. The Company's oil and natural gas revenues are derived principally from uncollateralized sales proceeds received from the operators who generally sell commodities to numerous companies in the oil and natural gas industry; therefore, its customers may be similarly affected by changes in economic and other conditions within the industry. The Company has not experienced any material credit losses on such sales in the past. As of December 31, 2022, trade receivables from the sale of oil and natural gas from four oil and gas purchasers and sixteen operators accounted for 89% of the outstanding balance.

Risks and Uncertainties

As an oil and natural gas producer, the Company's revenue, profitability, and future growth are substantially dependent upon the prevailing and future prices for oil and natural gas, which are dependent upon numerous factors beyond its control such as economic, political and regulatory developments and competition from other energy sources. The energy markets have historically been very volatile and there can be no assurance that oil and natural gas prices will not be subject to wide fluctuations in the future. A substantial or extended decline in oil and natural gas prices could have a material adverse effect on the Company's financial position, results of operations, cash flows and quantities of oil and natural gas reserves that may be economically produced. Other risks and uncertainties that could affect the Company in the current price environment include, but are not limited to, counterparty credit risk for our receivables, access to credit markets and ability to meet financial ratios and covenants in our financing agreements.

Commitments and Contingencies
Liabilities for loss contingencies, including environmental remediation costs not within the scope of ASC Subtopic 410-20, Asset Retirement Obligations and Environmental Obligations – Asset Retirement Obligations, arising from claims, assessments, litigation, fines, and penalties and other sources, are recorded when it is probable that a liability has been incurred and the amount of the assessment and or remediation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

3. Fair Value Measurements

Certain of the Company's financial and nonfinancial assets and liabilities are reported at fair value in the accompanying consolidated balance sheet. ASC Topic 820, Fair Value Measurements and Disclosures, defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, ASC Topic 820 established a fair value hierarchy that prioritizes the relative reliability of inputs used in fair value measurements. The hierarchy gives highest priority to Level 1 inputs that represent unadjusted quoted market prices in active markets for identical assets and liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are directly or indirectly observable inputs other than quoted prices included within Level 1. Level 3 inputs are unobservable inputs and have the lowest priority in the hierarchy. ASC Topic 820 requires that an entity give consideration to the credit risk of its counterparties, as well as its own credit risk, when measuring financial assets and liabilities at fair value.

The initial measurement of asset retirement obligations ("AROs") is calculated using discounted cash flow techniques and based on internal estimates of future retirement costs associated with oil and gas properties. Significant Level 3 inputs used in the calculation of AROs include assumptions associated with plugging and abandonment costs, inflation rates, credit-adjusted risk-free rates and reserve lives. See Note 8 of the consolidated financial statements.

Oil and gas properties are evaluated at least annually for impairment. If they are determined to be impaired, they are written down to their fair value. Significant Level 3 inputs associated with the calculation of discounted cash flows used in the impairment analysis include the Company's estimate of future oil, natural gas and natural gas liquids prices, production costs, development expenditures, anticipated production of reserves, appropriate discount rates and other relevant data.

Acquisitions accounted for as business combinations are recorded on the closing date of the transaction at their fair value, which is determined by applying market and income approaches using Level 3 inputs. Significant Level 3 assumptions associated with the calculation of discounted cash flows used in the valuation analysis include the Company's estimate of future oil, natural gas and natural gas liquids prices, production costs, development expenditures, anticipated production of reserves, appropriate discount rates and other relevant data. See Note 5 of the consolidated financial statements.

The Company's only financial assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2022 are the commodity derivative contracts to manage exposure to oil price volatility. The tables below represent information about the Company's derivative contracts measured at fair value on December 31, 2022 and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value. Certain amounts may be presented on a net basis on the consolidated financial statements when such amounts are with the same counterparty and subject to a master netting arrangement. As of December 31, 2022, all amounts are presented on a gross basis. As of December 31, 2022, assets and liabilities recorded at fair value in the consolidated balance sheet were determined to be based on Level 2 inputs.

The following table summarizes the location and fair value amounts of all derivative contracts at December 31, 2022:

	Assets and Liabilities Measured at Fair Value on a Recurring Basis			
	Level 1	Level 2	Level 3	Total Balance
Short-term commodity derivative asset	$ -	$ 11,169,758	$ -	$ 11,169,758
Long-term commodity derivative asset		12,925,323		12,925,323
Total fair value measurement, assets	-	24,095,081	-	24,095,081
Short-term commodity derivative liability		32,270,708		32,270,708
Long-term commodity derivative liability		17,081,445		17,081,445
Total fair value measurement, liabilities	-	49,352,153	-	49,352,153
	$ -	$ (25,257,072)	$ -	$ (25,257,072)

The Company had the following open derivative positions at December 31, 2022:

Type	Effective Date	Termination Date	Volumes (Bbls,mmBTU per Term)	Swap Price	Fair Value Asset (Liability)
ARGUS WTI BASIS SWAP	2/1/2023	2/28/2023	247,734	$ 0.63	78,816
ARGUS WTI BASIS SWAP	3/1/2023	3/31/2023	237,083	0.63	68,370
ARGUS WTI BASIS SWAP	4/1/2023	4/30/2023	226,000	0.66	60,243
ARGUS WTI BASIS SWAP	5/1/2023	5/31/2023	217,700	0.66	23,218
ARGUS WTI BASIS SWAP	6/1/2023	6/30/2023	208,000	0.66	(12,884)
ARGUS WTI BASIS SWAP	7/1/2023	7/31/2023	202,126	0.41	(138,674)
ARGUS WTI BASIS SWAP	8/1/2023	8/31/2023	193,611	0.41	(136,856)
ARGUS WTI BASIS SWAP	9/1/2023	9/30/2023	188,584	0.41	(132,433)
ARGUS WTI BASIS SWAP	10/1/2023	10/31/2023	183,309	0.70	(63,833)
ARGUS WTI BASIS SWAP	11/1/2023	11/30/2023	176,332	0.70	(64,186)
ARGUS WTI BASIS SWAP	12/1/2023	12/31/2023	171,859	0.70	(65,276)
					(383,495)
WAHA BASIS SWAP	1/1/2023	1/31/2023	229,400	$ (0.94)	(229,108)
WAHA BASIS SWAP	2/1/2023	2/28/2023	219,800	(0.94)	(27,891)
WAHA BASIS SWAP	3/1/2023	3/31/2023	210,800	(1.83)	226,449
WAHA BASIS SWAP	4/1/2023	4/30/2023	202,500	(1.83)	277,625
WAHA BASIS SWAP	5/1/2023	5/31/2023	195,300	(1.83)	261,936
WAHA BASIS SWAP	6/1/2023	6/30/2023	187,500	(1.83)	250,849
WAHA BASIS SWAP	7/1/2023	7/31/2023	181,350	(1.83)	165,526
WAHA BASIS SWAP	8/1/2023	8/31/2023	176,700	(1.83)	153,841
WAHA BASIS SWAP	9/1/2023	9/30/2023	171,000	(1.83)	132,101
WAHA BASIS SWAP	10/1/2023	10/31/2023	165,850	(1.83)	146,871
WAHA BASIS SWAP	11/1/2023	11/30/2023	162,000	(0.93)	148,294
WAHA BASIS SWAP	12/1/2023	12/31/2023	158,100	(0.93)	19,300
WAHA BASIS SWAP	1/1/2024	1/31/2024	153,450	(0.93)	(75,744)
WAHA BASIS SWAP	2/1/2024	2/29/2024	149,350	(0.93)	(76,300)
WAHA BASIS SWAP	3/1/2024	3/31/2024	145,700	(0.93)	79,365
					1,453,115
				Fair Value Swaps	1,069,620
				Fair Value Options	(26,326,692)
				Total Fair Value of Derivatives	(25,257,072)

4. Property and Equipment

The oil and gas properties, and other property and equipment includes the following at December 31, 2022:

	2022
Proved oil and natural gas properties	$ 1,743,291,314
Unproved oil and natural gas properties	114,656,558
Other property and equipment	683,124
Total property and equipment	1,858,630,996
Accumulated depreciation, depletion and amortization	(389,727,452)
Net property and equipment	$ 1,468,903,544

For the year ended December 31, 2022, the Company recorded abandonment and impairment expense of $0 for leases which have expired, or are expected to expire.

At December 31, 2022, the Company was operator on 42 wells in progress with a working interest ranging from 89-100%. The cost to the Company as of December 31, 2022 for the operated wells in progress is $181,046,826. Of these costs $175,302,069 are included in proved properties in the Company's December 31, 2022 consolidated balance sheet as there were proved undeveloped reserves attributed to these properties in the Company's December 31, 2022 reserve study. The remaining $5,744,757 are categorized as unproved exploratory wells as noted below.

A summary of the activity for the year ended December 31, 2022 is summarized in the table below:

Capitalized exploratory well costs at January 1, 2022	5,248,847
Additions to capitalized exploratory well costs pending the determination of proved reserves	5,744,757
Reclassification to wells, facilities and equipment based on determination of proved reserves	(5,248,847)
Capitalized exploratory wells charged to expense	
Ending balance at December 31, 2022	$ 5,744,757

5. Acquisitions, Exchanges and Dispositions

During 2022, the Company entered into an exchange agreement with another operator for the exchange of undeveloped leasehold acreage in the Delaware Basin. The Company exchanged properties with a net book value of $6,048,499. The properties received had a fair market value of $6,703,955 resulting in a gain on disposition of $655,456. The newly exchanged undeveloped leasehold properties have been accounted for as asset acquisitions.

6. Employee Benefit Plans

The Company has a 401(k) Plan (the "Plan") that covers all employees. The Company matches 100% of each individual participant's contribution not to exceed 6% of the participant's compensation. Matching contributions were $22,703 for the year ended December 31, 2022. All employees were terminated in early 2022 and the Plan will be terminated on March 31, 2023.

7. Commitments and Contingencies

The Company has working interest in numerous non-operated oil and gas properties. In conjunction with these properties the Company has unfunded capital commitments to the operators under signed authorization for expenditures of $12,028,903 at December 31, 2022.

8. Asset Retirement Obligation

The Company's asset retirement obligation relates to plugging and abandonment of oil and gas properties. The following provides a reconciliation of the changes in asset retirement obligations for the year ended December 31, 2022:

		2022
Asset retirement obligations at beginning of year	$	3,902,029
Liabilities acquired		-
Liabilities incurred from drilled wells		11,121,278
Accretion expense		572,155
Plugging and abandonment costs		(87,225)
Revisions to previous estimates		-
Asset retirement obligations at end of year		15,508,237
Current portion		219,392
Noncurrent portion	$	15,288,845

9. Revolving Line of Credit

Credit Facility

On January 7, 2018, the Company entered into a Senior Secured Revolving Credit Facility ("Credit Facility") with JP Morgan Chase Bank, N.A. ("JPM"). As of November 17, 2022, and June 3, 2022 the Company entered into Amendments with JPM to extend the maturity date to October 22, 2024, increase the Aggregate Maximum Credit Amounts, increase the Borrowing Base, and amend certain terms and conditions of the Credit Agreement set forth.

The Credit Facility has a facility size of $750 million, with a borrowing base of $600 million at December 31, 2022. As of December 31, 2022, the Company had borrowings of $460 million outstanding under the revolving line of credit and a $109 thousand standby letter of credit issued pursuant to the Credit Facility. As of December 31, 2022, JPM was one of a thirteen lender syndicate under the Credit Facility.

The determination of the borrowing base under the Credit Facility, to occur two times per year and approximately six months apart, is based upon the valuation of the reserves attributable to the Company's oil and gas properties. The Company may request one additional borrowing base re-determinations between any two successive scheduled redeterminations. Each time the borrowing base is to be re-determined, the administrative agent under the Credit Agreement will propose a new borrowing base as it deems appropriate in its sole discretion, which must be approved by all lenders if the borrowing base is to be increased, or by lenders holding two-thirds of the amounts outstanding under the Credit Facility if the borrowing base remains the same or is reduced.

The Credit Facility is secured by a first priority lien on substantially all of the assets of the Company and its subsidiaries. Outstanding balances under the Credit Facility bear interest at a base rate, plus a margin (based on a sliding scale of 2.0% to 3.0% depending on total commitments) or the Adjusted Term SOFR rate (the Term Secured Overnight Financing Rate for an interest period, plus 0.10%), plus a margin (based on a sliding scale of 3.0% to 4.0% depending on total commitments). The base rate is equal to the highest of: (a) the prime rate, (b) the sum of the Federal Funds Rate plus one half of one percent (0.5%) and (c), a SOFR rate for a one-month interest period as published two U.S. government securities business days prior to the day of the borrowing, plus 1%. In addition, the Company pays a commitment fee of 0.50% per annum on the unused portion of the borrowing base.

The Company is subject to certain restrictive financial covenants (the "Covenants") under the Credit Facility, including a maximum ratio of net debt to EBITDAX, determined on a quarterly basis, of 3.0 to 1.0 and a minimum ratio of consolidated current assets to consolidated current liabilities of 1.0 to 1.0, all as defined in the Credit Facility. The Credit Facility also includes customary restrictions with respect to debt, liens, mergers, restricted payments, loans and investments, issuance of equity, transactions with affiliates, disposition of assets, sale and leasebacks, payment of other debt, nature of business, accounting, burdensome agreements, subsidiaries, hedging transactions, gas imbalances and advance payment contracts, use of proceeds and international operations.

The Company was in compliance with the Covenants under the Credit Facility as of and for the period ended December 31, 2022.

10. Subsequent Events

The Company performed an evaluation of subsequent events through April 21, 2023, which is the date the consolidated financial statements were available to be issued.

Through April 21, 2023, the Company borrowed $20,000,000 on its Credit Facility.

On April 12, 2023, 100% of the equity interests of Advance Energy Partners Holdings, LLC were acquired by MRC Hat Mesa, LLC, a wholly owned subsidiary of Matador Resources Company ("Matador") for an aggregate purchase price consisting of (i) an amount in cash equal to $1,600,000,000 (subject to certain customary adjustments, including for working capital and for title defects and environmental defects) and (ii) for each calendar month during calendar year 2023 in which the average of the daily settlement price for the West Texas Intermediate (WTI) light sweet crude oil prompt month futures contract for such calendar month exceeds $85.00, a payment equal to $7,500,000 (each such payment attributable to such calendar month, a "Contingent Consideration Payment"). At the closing, all existing commodity derivative contracts were closed and the Company's outstanding credit facility in the amount of $480,000,000 was extinguished and the facility was retired.

Matador Resources Company
Unaudited Pro Forma Condensed Combined Financial Information

On January 24, 2023, MRC Hat Mesa, LLC (“Purchaser”), a wholly-owned subsidiary of Matador Resources Company (“Matador” or the “Company”), and, solely for the purposes of guaranteeing the obligations of Purchaser, MRC Energy Company (“MRC Energy”), entered into a Securities Purchase Agreement (the “Purchase Agreement”) with AEP EnCap HoldCo, LLC (“AEP EnCap”), Ameradvance Management LLC (“ManagementCo” and, together with AEP EnCap, each a “Seller” and collectively, the “Sellers”) and Advance Energy Partners Holdings, LLC (“Advance”), pursuant to which, among other things, Sellers agreed to sell to Purchaser, and Purchaser agreed to purchase from Sellers, all of the issued and outstanding membership interests of Advance, which owned interests in certain oil and natural gas producing properties and undeveloped acreage located primarily in Lea County, New Mexico and Ward County, Texas (the “Advance Acquisition”), for an aggregate purchase price consisting of (i) an amount in cash equal to $1.60 billion (subject to certain customary adjustments, including for working capital and for title defects and environmental defects) (the “Cash Consideration”) and (ii) for each calendar month during calendar year 2023 in which the average of the daily settlement price for the West Texas Intermediate (WTI) light sweet crude oil prompt month futures contract for such calendar month exceeds $85.00 per barrel, a payment equal to $7.5 million (all such payments for the 12 calendar months in 2023, the “Contingent Consideration”).

On April 12, 2023, Matador consummated the Advance Acquisition pursuant to the Purchase Agreement with an effective date of January 1, 2023, including payment of the Cash Consideration (which amount is subject to certain customary post-closing adjustments). Based on estimates as of April 12, 2023, including an approximate fair value of the Contingent Consideration of $21.2 million, the estimated total fair value of consideration to be paid to the Sellers is approximately $1.62 billion.

The Cash Consideration was funded by cash on hand and by amending the Company’s existing credit facility to increase the elected commitment under the credit facility from $775.0 million to $1.25 billion. The borrowing base under the credit facility remained unchanged at $2.25 billion.

The Advance Acquisition will be accounted for under the acquisition method of accounting for business combinations in accordance with Accounting Standards Codification Topic 805, Business Combinations (“ASC 805”). Under the acquisition method of accounting, the purchase price is allocated to the underlying tangible and intangible assets acquired and liabilities assumed based upon their estimated fair values as of the acquisition date, with any excess purchase price allocated to goodwill. Matador has made a preliminary allocation of the purchase price to the assets acquired and liabilities assumed as of the acquisition date of April 12, 2023, which is based on Matador’s preliminary valuation of the tangible and intangible assets acquired and liabilities assumed using information currently available. A final determination of the fair value of the assets and liabilities acquired in the Advance Acquisition will be based on an analysis of Advance’s actual assets and liabilities as of the closing date. Such analysis has not been completed at this time. As a result, the unaudited pro forma purchase price adjustments related to the Advance Acquisition are preliminary and subject to further adjustments as additional information becomes available and as additional analyses are performed. The final valuation of assets acquired and liabilities assumed may be materially different than the estimated values assumed in the unaudited pro forma condensed combined financial statements (the “pro forma financial statements”). Costs directly related to the Advance Acquisition are expensed in the period in which they are incurred. The pro forma financial statements presented herein have been prepared to reflect the transaction accounting adjustments to Matador’s historical condensed consolidated financial information in order to account for the Advance Acquisition, the assumption of assets and liabilities acquired in the Advance Acquisition and the additional debt incurred to fund the Advance Acquisition.

The Unaudited Pro Forma Condensed Combined Balance Sheet as of December 31, 2022 gives effect to the Advance Acquisition and the related financing as if each had been completed on December 31, 2022. The Unaudited Pro Forma Condensed Combined Statements of Operations for the year ended December 31, 2022 give effect to the Advance Acquisition and the related financing as if each had been completed on January 1, 2022. Assumptions and estimates underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the pro forma financial statements.

The pro forma financial statements and related notes have been prepared by management in accordance with Article 11 of Regulation S-X, are provided for illustrative purposes only and do not purport to represent what the actual consolidated results of operations or the consolidated financial position of Matador would have been had the Advance Acquisition and the related financing occurred on the dates noted above, nor are they necessarily indicative of future consolidated results of operations or consolidated financial position. Future results may vary significantly from the results reflected because of various factors. The pro forma adjustments are based on currently available information and certain estimates and assumptions that Matador believes provide a reasonable basis for presenting the significant effects of the Advance Acquisition.

The pro forma financial statements and related notes do not reflect the benefits of projected synergies, potential cost savings or the costs that may be necessary to achieve such savings, opportunities to increase revenue generation or other factors that may result from the Advance Acquisition and, accordingly, do not attempt to predict or suggest future results. Management cannot identify the timing, nature and amount of such savings, costs or other factors, any of which could affect the future consolidated results of operations or consolidated financial position of the Company.

The unaudited pro forma financial statements have been developed from and should be read in conjunction with:

- The audited consolidated financial statements and accompanying notes of Matador contained in Matador’s Annual Report on Form 10-K for the year ended December 31, 2022; and
- The audited consolidated financial statements and related notes of Advance for the year ended December 31, 2022, which are filed as Exhibit 99.1 to the Current Report on Form 8-K/A.

Unaudited Pro Forma Condensed Combined Financial Information

Matador Resources Company and Subsidiaries
PRO FORMA CONDENSED COMBINED BALANCE SHEET - UNAUDITED

(In thousands)	Historical		Transaction Accounting Adjustments			
	Matador	Advance	Conforming and Reclassifications (e)	Advance Acquisition		Pro Forma Combined
ASSETS						
Current assets						
Cash and cash equivalents	$ 505,179	$ 7,479	$ —	$ (439,028)	(d)	$ 73,630
Restricted cash	42,151	—	—	—		42,151
Accounts receivable	—	51,321	(51,321)	—		—
Oil and natural gas revenues	224,860	—	49,793	(1,732)	(f)	272,921
Joint interest billings	180,947	—	1,213	(2,761)	(f)	179,399
Other	48,011	—	315	—		48,326
Derivative instruments	3,930	11,170	—	(11,170)	(a)	3,930
Lease and well equipment inventory	15,184	32,924	—	(20,903)	(a)	27,205
Prepaid expenses and other current assets	51,570	7,615	—	1,789	(h)	58,656
				(2,318)	(f)	
Total current assets	1,071,832	110,509	—	(476,123)		706,218
Property and equipment, at cost						
Oil and natural gas properties, successful efforts method, net	—	1,468,880	—	(1,468,880)	(b)	—
Oil and natural gas properties, full-cost method						
Evaluated	6,862,455	—	—	1,347,087	(c)	8,209,542
Unproved and unevaluated	977,502	—	—	215,454	(c)	1,192,956
Midstream properties	1,057,668	—	—	63,644	(c)	1,121,312
Other property and equipment	32,847	24	—	(24)	(b)	32,847
Less accumulated depletion, depreciation and amortization	(4,512,275)	—	—	—		(4,512,275)
Net property and equipment	4,418,197	1,468,904	—	157,281		6,044,382
Other assets						
Derivative instruments	—	12,925	—	(12,925)	(a)	—
Lease assets	—	1,196	(1,196)	—		—
Other long-term assets	64,476	2,649	1,196	(2,649)	(a)	72,528
				6,856	(h)	
Total other assets	64,476	16,770	—	(8,718)		72,528
Total assets	$ 5,554,505	$ 1,596,183	$ —	$ (327,560)		$ 6,823,128

Matador Resources Company and Subsidiaries
PRO FORMA CONDENSED COMBINED BALANCE SHEET - UNAUDITED (Continued)

(In thousands)	Historical		Transaction Accounting Adjustments			
	Matador	**Advance**	**Conforming and Reclassifications (e)**	**Advance Acquisition**		**Pro Forma Combined**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities						
Accounts payable	$ 58,848	$ 69,932	$ —	$ (2,761)	(f)	$ 126,019
Accrued liabilities	261,310	—	9,158	(4,631)	(a)	266,687
				850	(i)	
Accrued capital expenditures	—	3,899	(3,899)	—		—
Accrued and other liabilities	—	6,191	(6,191)	—		—
Current portion of asset retirement obligations	—	219	(219)	—		—
Current portion of lease liabilities	—	447	(447)	—		—
Royalties payable	117,698	7,913	—	(1,732)	(f)	123,879
Amounts due to affiliates	32,803	—	—	—		32,803
Derivative instruments	—	32,271	—	(32,271)	(a)	—
Advances from joint interest owners	52,357	—	1,151	(2,318)	(f)	51,190
Other current liabilities	52,857	—	447	21,151	(g)	74,455
Total current liabilities	575,873	120,872	—	(21,712)		675,033
Long-term liabilities						
Long term debt	—	460,000	—	(460,000)	(a)	—
Borrowings under Credit Agreement	—	—	—	1,150,000	(d)	1,150,000
Borrowings under San Mateo Credit Facility	465,000	—	—	—		465,000
Senior unsecured notes payable	695,245	—	—	—		695,245
Asset retirement obligations	52,985	15,289	—	(6,509)	(c)	61,765
Deferred income taxes	428,351	—	—	—		428,351
Derivative instruments	—	17,081	—	(17,081)	(a)	—
Lease liabilities	—	771	(771)	—		—
Deferred income	—	2,117	(2,117)	—		—
Other long-term liabilities	19,960	—	2,888	—		22,848
Total long-term liabilities	1,661,541	495,258	—	666,410		2,823,209
Shareholders' equity						
Common stock	1,190	—	—	—		1,190
Additional paid-in capital	2,101,999	—	—	8,645	(h)	2,110,644
Retained earnings	1,007,642	—	—	(850)	(i)	1,006,792
Treasury stock	(34)	—	—	—		(34)
Members' capital	—	980,053	—	(980,053)	(a)	—
Total Matador Resources Company shareholders' equity	3,110,797	980,053	—	(972,258)		3,118,592
Non-controlling interest in subsidiaries	206,294	—	—	—		206,294
Total shareholders' equity	3,317,091	980,053	—	(972,258)		3,324,886
Total liabilities and shareholders' equity	$ 5,554,505	$ 1,596,183	$ —	$ (327,560)		$ 6,823,128

Unaudited Pro Forma Condensed Combined Financial Information

Matador Resources Company and Subsidiaries

PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS - UNAUDITED

(In thousands, except per share data)	Historical		Transaction Accounting Adjustments		
	Matador	**Advance**	**Conforming and Reclassifications**	**Advance Acquisition**	**Pro Forma Combined**
Revenues					
Oil and natural gas	$ 2,905,738	$ —	$ 760,741 (a)	$ —	$ 3,666,479
Oil and condensate	—	637,946	(637,946) (a)	—	—
Gas	—	71,379	(71,379) (a)	—	—
Plant products	—	51,416	(51,416) (a)	—	—
Third-party midstream services	90,606	—	—	—	90,606
Sales of purchased natural gas	200,355	—	—	—	200,355
Realized loss on derivatives	(157,483)	—	—	—	(157,483)
Unrealized gain on derivatives	18,809	—	—	—	18,809
Total revenues	3,058,025	760,741	—	—	3,818,766
Expenses					
Production taxes, transportation and processing	282,193	—	76,436 (b)	—	358,629
Production	—	153,160	(153,160) (b)	—	—
Exploration	—	92	—	(92) (d)	—
Lease operating	157,105	—	76,724 (b)	—	233,829
Plant and other midstream services operating	95,522	—	—	—	95,522
Purchased natural gas	178,937	—	—	—	178,937
Depletion, depreciation and amortization	466,348	120,491	—	47,744 (h)	634,583
Accretion of asset retirement obligations	2,421	572	—	(204) (h)	2,789
General and administrative	116,229	15,384	—	850 (g)	132,463
Impairment of inventory	—	5,308	—	(5,308) (i)	—
Loss on disposal of oil and gas properties	—	92	(92) (b)	—	—
Total expenses	1,298,755	295,099	(92)	42,990	1,636,752
Operating income	1,759,270	465,642	92	(42,990)	2,182,014
Other income (expense)					
Change in unrealized gain on derivative contracts, net	—	38,554	—	(38,554) (i)	—
Realized loss on commodity derivative contracts, net	—	(119,575)	—	119,575 (i)	—
Net loss on impairment	(1,311)	—	(92) (b)	—	(1,403)
Interest expense	(67,164)	(21,239)	—	21,239 (c)	(115,499)
				(46,546) (e)	
				(1,789) (f)	
Other income (expense)	(5,121)	264	—	—	(4,857)
Total other expense	(73,596)	(101,996)	(92)	53,925	(121,759)
Income before income taxes	1,685,674	363,646	—	10,935	2,060,255
Total income tax provision	399,357	—	—	92,709 (j)	492,066
Net income	1,286,317	363,646	—	(81,774)	1,568,189
Net income attributable to non-controlling interest in subsidiaries	(72,111)	—	—	—	(72,111)
Net income attributable to Matador Resources Company shareholders	$ 1,214,206	$ 363,646	$ —	$ (81,774)	$ 1,496,078
Earnings per common share					
Basic	$ 10.28	$ —	$ —	$ —	$ 12.67
Diluted	$ 10.11	$ —	$ —	$ —	$ 12.45
Weighted average common shares outstanding					
Basic	118,122	—	—	—	118,122
Diluted	120,131	—	—	—	120,131

1. Basis of Presentation

The accompanying unaudited pro forma condensed combined financial information was prepared based on the audited historical consolidated financial statements of Matador and the audited historical consolidated financial statements of Advance, in each case, as of and for the year ended December 31, 2022. The Advance Acquisition has been accounted for as a business combination in accordance with ASC 805. The fair value of the consideration paid by Matador and allocation of that amount to the underlying assets acquired and liabilities assumed will be recorded by Matador as of the date of the closing of the Advance Acquisition. Costs directly related to the Advance Acquisition are expensed as incurred.

The Unaudited Pro Forma Condensed Combined Statements of Operations for the year ended December 31, 2022 were prepared assuming the Advance Acquisition occurred on January 1, 2022. The Unaudited Pro Forma Condensed Combined Balance Sheet as of December 31, 2022 was prepared as if the Advance Acquisition occurred on December 31, 2022.

The unaudited pro forma condensed combined financial information and related notes are presented for illustrative purposes only and do not purport to represent what the actual consolidated results of operations or the consolidated financial position of Matador would have been had the Advance Acquisition and the related financing occurred on the dates noted above, nor are they necessarily indicative of future consolidated results of operations or consolidated financial position. If the Advance Acquisition, the related financing and the other transactions contemplated by the Purchase Agreement had occurred in the past, the Company's operating results might have been materially different from those presented in the unaudited pro forma condensed combined financial information. The unaudited pro forma condensed combined financial information should not be relied upon as an indication of operating results that the Company would have achieved if the Advance Acquisition, the related financing and the other transactions contemplated by the Purchase Agreement had taken place on the dates noted above. In addition, future results may vary significantly from the results reflected in the unaudited pro forma condensed combined financial statement of operations and should not be relied upon as an indication of the future results the Company will have after the consummation of the Advance Acquisition and the other transactions contemplated by the Purchase Agreement. The pro forma adjustments are based on currently available information and certain estimates and assumptions that Matador believes provide a reasonable basis for presenting the significant effects of the Advance Acquisition.

2. Consideration and Purchase Price Allocation

The preliminary allocation of the total purchase price in the Advance Acquisition is based upon management's estimates of and assumptions related to the fair value of assets to be acquired and liabilities to be assumed as of April 12, 2023, the closing date of the transaction, using the latest available information. Due to the unaudited pro forma condensed combined financial information being prepared based on preliminary estimates of the net assets acquired and balances as of December 31, 2022, the final purchase price allocation and the resulting effect on financial position and results of operations may differ significantly from the pro forma amounts included herein.

The preliminary purchase price allocation is subject to change due to several factors, including but not limited to changes in the estimated fair value of assets acquired and liabilities assumed as of the closing date of the transaction, which could result from changes in future oil and natural gas commodity prices, reserve estimates, interest rates, as well as other factors.

The consideration transferred and the fair value of assets acquired and liabilities assumed by Matador are as follows (in thousands):

Consideration	**Allocation**
Cash	$1,597,534
Fair value of contingent consideration at April 12, 2023	21,151
Total consideration given	$1,618,685
Allocation of purchase price	
Current assets	$80,131
Oil and natural gas properties	
Evaluated	1,347,087
Unproved and unevaluated	215,454
Midstream properties	63,644
Non-current assets	1,196
Current liabilities	(77,159)
Asset retirement obligations	(8,780)
Other liabilities	(2,888)
Net assets acquired	$ 1,618,685

The fair value measurements of assets acquired and liabilities assumed are based on inputs that are not observable in the market and therefore represent Level 3 inputs. The fair value of oil and natural gas properties and asset retirement obligations were measured using the discounted cash flow technique of valuation.

Significant unobservable inputs included future commodity prices adjusted for differentials, projections of estimated quantities of recoverable reserves, forecasted production based on decline curve analysis, estimated timing and amount of future operating and development costs, and a weighted average cost of capital.

3. Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet and Unaudited Pro Forma Condensed Combined Statements of Operations

The unaudited pro forma condensed combined financial information has been compiled in a manner consistent with the accounting policies adopted by Matador. Actual results may differ materially from the assumptions and estimates contained herein.

The pro forma adjustments are based on currently available information and certain estimates and assumptions that Matador believes provide a reasonable basis for presenting the significant effects of the Advance Acquisition. General descriptions of the pro forma adjustments are provided below.

Unaudited Pro Forma Condensed Combined Balance Sheet

The following reclassifications and adjustments were made in the preparation of the Unaudited Pro Forma Condensed Combined Balance Sheet as of December 31, 2022:

(a) Adjustment to remove assets and liabilities not acquired as part of the Advance Acquisition.

(b) Adjustment to eliminate the historical book value of Advance’s assets and liabilities as of December 31, 2022 when the historical book value is different than the fair value on the date of the acquisition.
(c) Adjustment to reflect the preliminary allocation of the estimated fair value of assets acquired in the Advance Acquisition and the adjustment to decrease the related asset retirement obligations, which was required to conform cost of abandonment and other key assumptions with those of Matador.

(d) Adjustment to record consideration and changes in working capital for the Advance Acquisition, including cash and the new borrowings under the credit facility. Cash on hand of $447.5 million and $1.15 billion in new borrowings under the credit facility funded the Cash Consideration used in the Advance Acquisition, which was partially offset by $8.5 million of changes in working capital.
(e) Reclassification to conform Advance's assets and liabilities presentation to the presentation of assets and liabilities for Matador.
(f) Adjustment to eliminate the payables and receivables between Matador and Advance as of December 31, 2022 related to joint interest in certain wells.
(g) Adjustment to reflect the fair value of the Contingent Consideration.
(h) Adjustment for the additional costs related to the increase in the elected commitment under the credit facility in order to finance the Advance Acquisition.

(i) Adjustment to retained earnings to reflect the estimated nonrecurring transaction costs related to the Advance Acquisition that are expected to be incurred by Matador, including advisory, legal, regulatory, accounting, valuation and other professional fees that are not capitalized.

Unaudited Pro Forma Condensed Combined Statements of Operations

The following reclassifications and adjustments were made in the preparation of the Unaudited Pro Forma Condensed Combined Statements of Operations for the Year Ended December 31, 2022:

(a) Reclassification to conform Advance's presentation of revenues to the presentation of revenues for Matador.
(b) Reclassification to align the presentation of production taxes, transportation and processing expenses, operating lease expenses and net loss on impairment for Advance to the presentation by Matador.
(c) Adjustment to remove Advance's historical interest expense prior to the Advance Acquisition.
(d) Adjustment to remove exploration and abandonment cost to align the presentation of such expenses by Advance with the full-cost method of accounting utilized by Matador.
(e) Adjustment to reflect the estimated interest expense in the periods presented with respect to the incremental borrowings necessary to finance the Advance Acquisition. The interest rate utilized for the year ended December 31, 2022 was 3.98% for incremental borrowings of $1.15 billion. A one-eighth point change in interest rates as of December 31, 2022 would change interest expense by $2.9 million for the year ended December 31, 2022.
(f) Adjustment to reflect the amortization of financing costs of $8.6 million related to the increase in the elected commitment under the credit facility in order to finance the Advance Acquisition. Deferred financing costs are amortized straight-line over approximately 58 months, which corresponds to the October 2026 maturity date of Matador's credit facility.
(g) Represents the estimated nonrecurring transaction costs related to the Advance Acquisition that are expected to be incurred by Matador, including advisory, legal, regulatory, accounting, valuation and other professional fees that are not capitalized.
(h) Represents additional depreciation, depletion, and amortization expense and accretion of asset retirement obligation expense resulting from the change in basis of property and equipment and asset retirement obligations, respectively, acquired as a result of the Advance Acquisition. The depletion adjustment was calculated using the unit-of-production method under the full-cost method of accounting using estimated proved reserves and production volumes attributable to the acquired assets.

(i) Adjustment to remove derivative gains and losses and inventory impairments that were related to derivatives and inventory, respectively, not acquired as part of the Advance Acquisition.

(j) Adjustment to reflect the estimated incremental income tax expense that would have been recorded in the year ended December 31, 2022 if the Advance Acquisition had occurred on January 1, 2022 at Matador's 2022 effective income tax rate of 24.75%. This effective tax rate represents the statutory federal income tax rate of 21% plus Matador's apportioned state rate based upon the statutory Texas Margin tax rate of 0.75% and statutory New Mexico tax rate of 5.9%, which are the statutory rates in effect in those jurisdictions during 2022.

4. Supplemental Unaudited Pro Forma Combined Oil and Natural Gas Reserves and Standardized Measure Information

The following tables set forth information with respect to the historical and pro forma combined estimated oil and natural gas reserves as of December 31, 2022 for Matador and Advance. Advance reserve information has been prepared by Cawley, Gillespie & Associates, Inc., independent petroleum engineers. The following unaudited pro forma combined proved reserve information is not necessarily indicative of the results that might have occurred had the Advance Acquisition taken place on January 1, 2022, nor is it intended to be a projection of future results. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Periodic revisions or removals of estimated reserves and future cash flows may be necessary as a result of a number of factors, including reservoir performance, new drilling, oil and natural gas prices, changes in costs, technological advances, new geological or geophysical data, changes in business strategies, or other economic factors. Accordingly, proved reserve estimates may differ significantly from the quantities of oil and natural gas ultimately recovered. For both Matador and Advance the reserve estimates shown below were determined using the average first day of the month price for each of the preceding 12 months for oil and natural gas for the year ended December 31, 2022.

	As of December 31, 2022		
	Matador	**Advance**	**Pro Forma Combined**
Estimated Proved Developed Reserves:			
Oil (MBbl)	116,030	61,467	177,497
Natural gas (MMcf)	632,858	218,392	851,250
Total (MBOE)[1]	221,507	97,866	319,373
Estimated Proved Undeveloped Reserves:			
Oil (MBbl)	80,259	48,016	128,275
Natural gas (MMcf)	329,736	210,317	540,053
Total (MBOE)[1]	135,215	83,069	218,284
Estimated Proved Reserves:			
Oil (MBbl)	196,289	109,483	305,772
Natural gas (MMcf)	962,594	428,709	1,391,303
Total (MBOE)[1]	356,722	180,935	537,657

(1) Natural gas is converted to oil equivalent using the ratio of one barrel of oil to six Mcf of natural gas.

The following table presents the Standardized Measure of Discounted Future Net Cash Flows relating to the proved oil and natural gas reserves of Matador and of the properties acquired in the Advance Acquisition on a pro forma combined basis as of December 31, 2022. The Pro Forma Combined Standardized Measure shown below represents estimates only and should not be construed as the market value of either Advance's oil and natural gas reserves or the acquired oil and natural gas reserves attributable to the Advance Acquisition. Future estimated income tax expense of Advance was calculated based on Matador's tax assumptions as Advance was a limited liability company not subject to entity-level federal income taxation as of December 31, 2022 and 2021.

(in thousands)	As of December 31, 2022		
	Matador	Advance	Pro Forma Combined
Oil and natural gas producing properties:			
Future cash inflows	$ 24,952,118	$ 12,655,421	$ 37,607,539
Future production costs	(6,752,752)	(2,830,197)	(9,582,949)
Future development costs	(1,776,029)	(957,838)	(2,733,867)
Future income tax expense	(3,935,271)	(1,954,800)	(5,890,071)
Future net cash flows	12,488,066	6,912,586	19,400,652
10% annual discount factor	(5,504,863)	(3,366,319)	(8,871,182)
Standardized measure of discounted future net cash flows	$ 6,983,203	$ 3,546,267	$ 10,529,470

The following table sets forth the changes in the Standardized Measure of discounted future net cash flows attributable to estimated net proved oil and natural gas reserves of Matador and Advance on a pro forma combined basis for the year ending December 31, 2022. Future estimated income tax expense of Advance was calculated based on Matador's tax assumptions as Advance was a limited liability company not subject to entity-level federal income taxation as of December 31, 2022 and 2021.

(in thousands)	As of December 31, 2022		
	Matador	Advance	Pro Forma Combined
Oil and natural gas producing properties:			
Balance, beginning of year	$ 4,375,425	$ 1,578,819	$ 5,954,244
Net change in sales and transfer prices in production (lifting) costs related to future production	4,046,504	669,447	4,715,951
Changes in estimated future development costs	(744,687)	(302,904)	(1,047,591)
Sales and transfers of oil and natural gas produced during the period	(2,466,440)	(611,470)	(3,077,910)
Net purchases of reserves in place	28,841	58,922	87,763
Net change due to extensions and discoveries	2,017,170	2,542,818	4,559,988
Net change due to revisions in estimates of reserves quantities	(8,576)	(531,527)	(540,103)
Previously estimated development costs incurred during the period	434,336	523,943	958,279
Accretion of discount	475,474	201,994	677,468
Other	1,982	(33,897)	(31,915)
Net change in income taxes	(1,176,826)	(549,638)	(1,726,464)
Standardized measure of discounted future net cash flows	$ 6,983,203	$ 3,546,507	$ 10,529,710