As filed with the Securities and Exchange Commission on November 14, 2011

Registration No. 333-176263

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

Amendment No. 1
to
Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Matador Resources Company

(Exact name of registrant as specified in its charter)

Texas	**1311**	**27-4662601**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, Texas 75240
(972) 371-5200
(Address, including zip code, and telephone number, including area code, of registrant’s principal executive offices)

Joseph Wm. Foran
Chairman, President and Chief Executive Officer
Matador Resources Company
5400 LBJ Freeway, Suite 1500
Dallas, Texas 75240
(972) 371-5200
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Janice V. Sharry **W. Bruce Newsome** **Haynes and Boone, LLP** **2323 Victory Avenue, Suite 700** **Dallas, Texas 75219** **(214) 651-5000**	**Daryl B. Robertson** **Douglas M. Berman** **Hunton & Williams LLP** **1445 Ross Avenue, Suite 3700** **Dallas, Texas 75202** **(214) 979-3000**

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box: ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒ (Do not check if a smaller reporting company)	Smaller reporting company ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to be Registered[1]	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price[2]	Amount of Registration Fee[3]
Common Stock, par value $0.01 per share	—	—	$150,000,000	$17,415

(1) Includes — shares of common stock which may be issued on exercise of a 30-day option granted to the underwriters to cover over-allotments, if any.
(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(a) under the Securities Act of 1933, as amended.
(3) The registration fee was previously paid.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. Neither we nor the selling shareholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we and the selling shareholders are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

(Subject to completion, dated November 14, 2011)

PROSPECTUS Issued —, 2011

• Shares

Matador Resources Company

Common Stock

Matador Resources Company is offering — shares of its common stock, and the selling shareholders are offering — shares of our common stock. This is our initial public offering, and no public market currently exists for our shares. We anticipate that the initial public offering price of our common stock will be between $— and $— per share. We will not receive any of the proceeds from the sale of shares by the selling shareholders.

We intend to apply to list our common stock on the New York Stock Exchange under the symbol "MTDR."

Investing in our common stock involves risks. See "Risk Factors" beginning on page 21.

PRICE $— PER SHARE

	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds to Company	Proceeds to Selling Shareholders
Per Share	$ —	$ —	$ —	$ —
Total	$ —	$ —	$ —	$ —

(1) See "Underwriters" for additional items of underwriting compensation.

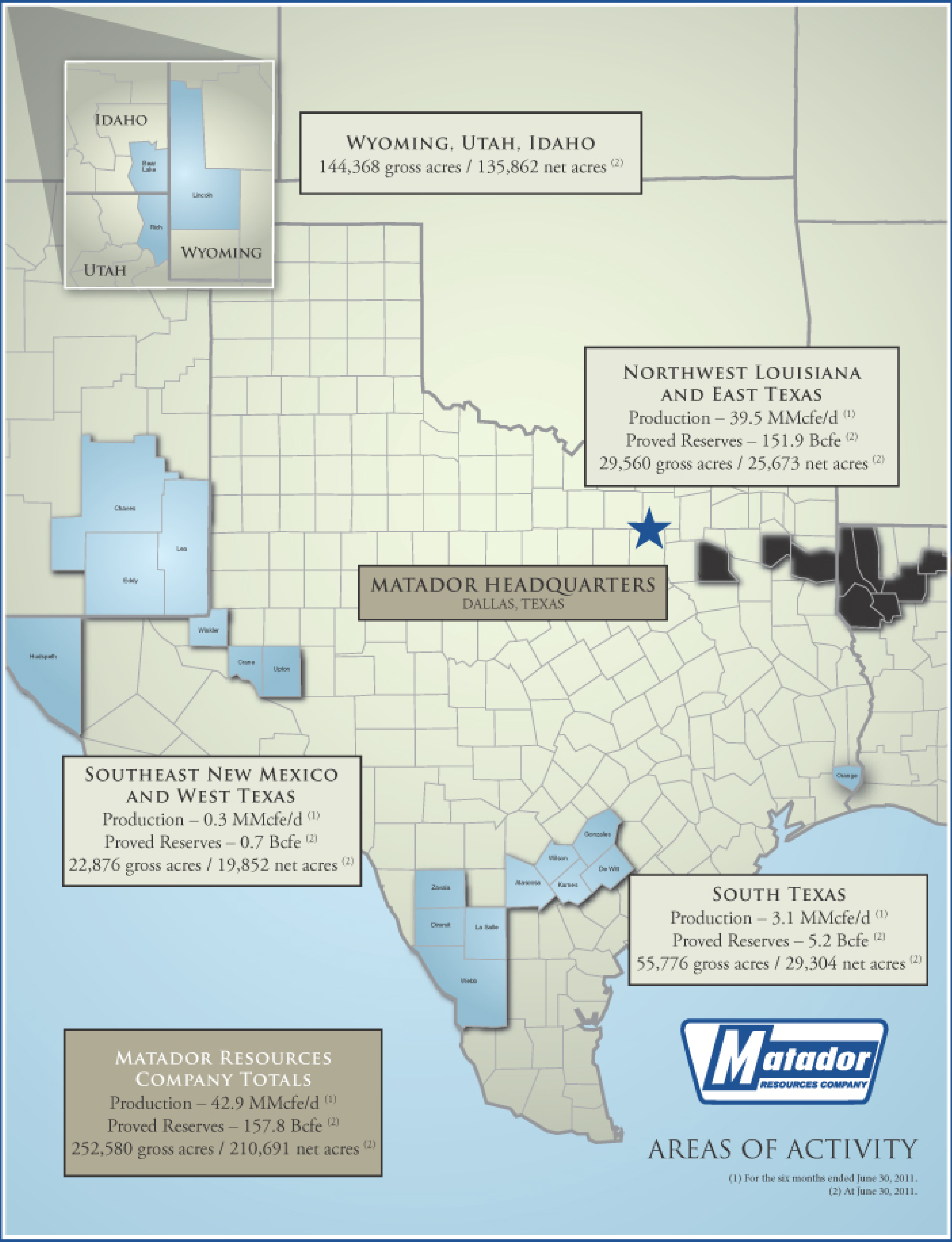
We have granted the underwriters the right to purchase up to an additional — shares of common stock to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to purchasers on —, 2011.

RBC CAPITAL MARKETS **CITIGROUP**

—, 2011


IDAHO
Bear Lake
Lincoln
Rich
WYOMING
UTAH
Chaves
Lea
Eddy
Hudspeth
Winkler
Crane
Upton
Orange
Gonzales
Wilson
DeWitt
Atascosa
Karnes
Zavala
Dimmit
La Salle
Webb

Wyoming, Utah, Idaho
144,368 gross acres / 135,862 net acres [2]

Northwest Louisiana and East Texas
Production – 39.5 MMcfe/d [1]
Proved Reserves – 151.9 Bcfe [2]
29,560 gross acres / 25,673 net acres [2]

Matador Headquarters
Dallas, Texas

Southeast New Mexico and West Texas
Production – 0.3 MMcfe/d [1]
Proved Reserves – 0.7 Bcfe [2]
22,876 gross acres / 19,852 net acres [2]

South Texas
Production – 3.1 MMcfe/d [1]
Proved Reserves – 5.2 Bcfe [2]
55,776 gross acres / 29,304 net acres [2]

Matador Resources Company Totals
Production – 42.9 MMcfe/d [1]
Proved Reserves – 157.8 Bcfe [2]
252,580 gross acres / 210,691 net acres [2]

Matador
RESOURCES COMPANY

AREAS OF ACTIVITY

[1] For the six months ended June 30, 2011.
[2] At June 30, 2011.

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You should rely only on the information contained in this prospectus and any free writing prospectus prepared by or on behalf of us or to which we have referred you. Neither we nor the selling shareholders have authorized anyone to provide you with information different from that contained in this prospectus and any free writing prospectus. We and the selling shareholders are offering to sell shares of common stock, and seeking offers to buy shares of common stock, only in jurisdictions where offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of the common stock.

Until —, 2011, all dealers that buy, sell or trade our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This requirement is in addition to the dealers’ obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Industry and Market Data

The market data and certain other statistical information used throughout this prospectus are based on independent industry publications, government publications or other published independent sources. Although we believe these third party sources are reliable and that the information is accurate and complete, we have not independently verified the information. Some data is also based on our good faith estimates.

PROSPECTUS SUMMARY

This summary provides a brief overview of information contained elsewhere in this prospectus. You should read the entire prospectus carefully before making an investment decision, including the information presented under the headings "Risk Factors," "Cautionary Note Regarding Forward-Looking Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical consolidated financial statements and related notes thereto included elsewhere in this prospectus. Unless otherwise indicated, information presented in this prospectus assumes that the underwriters' option to purchase additional common shares is not exercised. We have provided definitions for certain oil and natural gas terms used in this prospectus in the "Glossary of Oil and Natural Gas Terms" beginning on page A-1 of this prospectus.

In this prospectus, unless the context otherwise requires, the terms "we," "us," "our," and the "company" refer to Matador Resources Company and its subsidiaries before the completion of our corporate reorganization and Matador Holdco, Inc. and its subsidiaries after the completion of our corporate reorganization. In addition, in this prospectus, unless the context otherwise requires, the term "common stock" refers to shares of our common stock after the conversion of our Class B common stock into Class A common stock upon the consummation of this offering, as the Class A common stock will be the only class of common stock authorized after this offering, and the term "Class A common stock" refers to shares of our Class A common stock prior to the automatic conversion of our Class B common stock into Class A common stock upon the consummation of this offering. See "Description of Capital Stock."

Matador Resources Company

Overview

Matador Resources Company is an independent energy company engaged in the exploration, development, production and acquisition of oil and natural gas resources in the United States, with a particular emphasis on oil and natural gas shale plays and other unconventional resource plays. Our current operations are located primarily in the Eagle Ford shale play in south Texas and the Haynesville shale play in northwest Louisiana and east Texas. These plays are a key part of our growth strategy, and we believe they currently represent two of the most active and economically viable unconventional resource plays in North America. We expect the majority of our near-term capital expenditures will focus on increasing our production and reserves from the Eagle Ford and Haynesville shale plays as we seek to capitalize on the relative economics of each play. In addition to these primary operating areas, we have acreage positions in southeast New Mexico and west Texas and in southwest Wyoming and adjacent areas in Utah and Idaho where we continue to identify new oil and natural gas prospects.

We were founded in July 2003 by Joseph Wm. Foran, Chairman, President and CEO, and Scott E. King, Co-Founder and Vice President, Geophysics and New Ventures, with an initial equity investment of approximately $6.0 million. Shortly thereafter, investors contributed approximately $46.5 million to provide a total initial capitalization of approximately $52.5 million. Most of this initial capital was provided by the same institutional and individual investors who helped capitalize Mr. Foran's previous company, Matador Petroleum Corporation.

Mr. Foran began his career as an oil and natural gas independent in 1983 when he founded Foran Oil Company with $270,000 in contributed capital from 17 friends and family members. Foran Oil Company was later contributed to Matador Petroleum Corporation upon its formation by Mr. Foran in 1988. Mr. Foran served as Chairman and Chief Executive Officer of that company from its inception until it was sold in June 2003 to Tom Brown, Inc. in an all cash transaction for an enterprise value of approximately $388.5 million.

With an average of more than 25 years of oil and natural gas industry experience, our management team has extensive expertise in exploring for and developing hydrocarbons in multiple U.S. basins. Members of our management team have participated in the assimilation of numerous lease positions and in the drilling and completion of hundreds of vertical and horizontal wells in unconventional resource plays.

Since our first well in 2004, we have drilled or participated in drilling 194 wells through June 30, 2011, including 64 Haynesville and six Eagle Ford wells. From December 31, 2008 through June 30, 2011, we grew our estimated proved reserves from 20.0 Bcfe to 157.8 Bcfe. At June 30, 2011, 34% of our estimated proved reserves were proved developed reserves and 97% of our estimated proved reserves were natural gas. We also grew our average daily production by approximately 162% from 9.0 MMcfe per day for the year ended December 31, 2008 to 23.6 MMcfe per day for the year ended December 31, 2010. In addition, as a result of production from several new wells that were completed in 2011, our daily production for the six months ended June 30, 2011 averaged approximately 42.9 MMcfe per day. We have achieved this growth while lowering operating costs (consisting of lease operating expenses and production taxes and marketing expenses) from $1.91 per Mcfe for the year ended December 31, 2008, to $0.84 per Mcfe for the six months ended June 30, 2011, or a decrease of approximately 55%.

The following table presents certain summary data for each of our operating areas as of and for the six months ended June 30, 2011:

		Producing Wells		**Total Identified Drilling Locations[1]**		**Estimated Net Proved Reserves**		**Avg. Daily Production**
	Net Acreage	**Gross**	**Net**	**Gross**	**Net**	**Bcfe[2]**	**% Developed**	**(MMcfe)**
South Texas:								
Eagle Ford	29,304	4.0	2.4	192.0	156.5	5.2	37.4	3.1
Austin Chalk	14,729	–	–	16.0	16.0	–	–	–
Area Total[3]	29,304	4.0	2.4	208.0	172.5	5.2	37.4	3.1
NW Louisiana/E Texas:								
Haynesville	14,624	64.0	10.3	557.0	106.2	135.9	25.6	32.3
Cotton Valley[4]	23,208	108.0	71.7	60.0	36.0	16.0	100.0	7.2
Area Total[5]	25,673	172.0	82.0	617.0	142.2	151.9	33.5	39.5
SW Wyoming, NE Utah, SE Idaho	135,862	–	–	–	–	–	–	–
SE New Mexico, West Texas	19,852	13.0	5.7	–	–	0.7	100.0	0.3
Total	210,691	189.0	90.1	825.0	314.7	157.8	33.9	42.9

(1) These locations have been identified for potential future drilling and are not currently producing. In addition, the total net identified drilling locations is calculated by multiplying the gross identified drilling locations in an operating area by our working interest participation in such locations. At June 30, 2011, these identified drilling locations included 2 gross and 2 net locations to which we have assigned proved undeveloped reserves in the Eagle Ford and 94 gross and 15 net locations to which we have assigned proved undeveloped reserves in the Haynesville. We have no proved undeveloped reserves assigned to identified drilling locations in the Austin Chalk or Cotton Valley at June 30, 2011.

(2) These estimates were prepared by our engineering staff and audited by independent reservoir engineers, Netherland, Sewell & Associates, Inc.

(3) Some of the same leases cover the net acres shown for the Eagle Ford formation and the Austin Chalk formation, a shallower formation than the Eagle Ford formation. Therefore, the sum of the net acreage for both formations is not equal to the total net acreage for south Texas. This total includes acreage that we are producing from or that we believe to be prospective for these formations.

(4) Includes shallower zones and also includes one well producing from the Frio formation in Orange County, Texas and two wells producing from the San Miguel formation in Zavala County, Texas.

(5) Some of the same leases cover the net acres shown for the Haynesville formation and the Cotton Valley formation, a shallower formation than the Haynesville formation. Therefore, the sum of the net acreage for both formations is not equal to the total net acreage for northwest Louisiana/east Texas. This total includes acreage that we are producing from or that we believe to be prospective for these formations.

At June 30, 2011, our properties included approximately 56,000 gross acres and 29,000 net acres in the Eagle Ford shale play in Atascosa, DeWitt, Dimmit, Karnes, LaSalle, Gonzales, Webb, Wilson and Zavala Counties in south Texas. We believe that approximately 85% of our Eagle Ford acreage is prospective predominantly for oil or liquids production. In addition, portions of the acreage are also prospective for other targets, such as the Austin Chalk, Olmos and Buda, from which we expect to produce predominantly oil and liquids. Approximately 80% of our Eagle Ford acreage is either held by production or not burdened by lease expirations before 2013. We have begun to explore and develop our Eagle Ford position and from November 2010 through September 2011, we completed our first four operated wells in this area (see "— Recent Developments"). We have identified 192 gross locations and 157 net locations for potential future drilling on our Eagle Ford acreage. These locations have been identified on a property-by-property basis and take into account criteria such as anticipated geologic conditions and reservoir properties, estimated recoveries from nearby wells based on available public data, drilling densities observed from other operators, estimated drilling and completion costs, spacing and other rules established by regulatory authorities and surface considerations, among others. At June 30, 2011, we have identified potential drilling locations on approximately 75% of our net Eagle Ford acreage. As we explore and develop our Eagle Ford acreage further, we believe it is possible that we may identify additional locations for drilling. At June 30, 2011, these identified potential future drilling locations in the Eagle Ford shale play included 2 gross and 2 net locations to which we have assigned proved undeveloped reserves.

In addition, at June 30, 2011, we had approximately 23,000 gross acres and 15,000 net acres in the Haynesville shale play in northwest Louisiana and east Texas. Based on our analysis of geologic and petrophysical information (including total organic carbon content and maturity, resistivity, porosity and permeability, among other information), well performance data and information available to us related to drilling activity and results from wells drilled across the Haynesville shale play, almost 5,500 of our net acres are located in what we believe is the core area of the play. We believe the core area of the play includes that area in which the most Haynesville wells have been drilled by operators and from which we anticipate natural gas recoveries would likely exceed 6 Bcf per well. Almost 90% of our Haynesville acreage is held by production from the Haynesville or other formations, and we believe much of it is also prospective for the Cotton Valley, Hosston (Travis Peak) and other shallower formations. In addition, we believe approximately 1,700 of these net acres are prospective for the Middle Bossier shale play.

At June 30, 2011, our Haynesville acreage was approximately 10% developed, and we have identified 557 gross locations and 106 net locations for potential future drilling in our Haynesville acreage. These locations have been identified on a property-by-property basis and take into account criteria such as anticipated geologic conditions and reservoir properties, estimated recoveries from our producing Haynesville wells and other nearby wells based on available public data, drilling densities observed from other operators including on some of our non-operated properties, estimated drilling and completion costs, spacing and other rules established by regulatory authorities and surface conditions, among others. Of the 557 gross locations identified for future drilling, 482 of these locations (55 net locations) have been identified within the 5,500 net acres that we believe are located in the core area of the Haynesville play. As we explore and develop our Haynesville acreage further, we believe it is possible that we may identify additional locations for future drilling. At June 30, 2011, these identified potential future drilling locations in the Haynesville shale play included 94 gross and 15 net locations to which we have assigned proved undeveloped reserves.

We also have a large unevaluated acreage position in southwest Wyoming and adjacent areas in Utah and Idaho where we began drilling our initial well in February 2011 to test the Meade Peak natural gas shale. We reached a depth of 8,200 feet, approximately 300 feet above the top of the Meade Peak shale, before having operations suspended for several months due to wildlife restrictions. We resumed operations on this initial test well in September 2011. In addition, we have leasehold interests in the Delaware and Midland Basins in southeast New Mexico and west Texas where we are developing new oil and natural gas prospects.

We are active both as an operator and as a co-working interest owner with larger industry participants including affiliates of Chesapeake Energy Corporation, EOG Resources, Inc., Royal Dutch Shell plc and others. Of the 194 gross wells we have drilled or participated in drilling, we drilled approximately half of these wells as the operator. At September 30, 2011, we were the operator for approximately 82% of our Eagle Ford and 71% of our Haynesville acreage, including approximately 23% of our acreage in what we believe is the core area of the Haynesville play. A large portion of our acreage in that core area is operated by a subsidiary of Chesapeake Energy Corporation. We also operate all of our acreage in southwest Wyoming and the adjacent areas of Utah and Idaho, as well as the vast majority of our acreage in southeast New Mexico and west Texas.

Our net proceeds from this offering, after discharging in full the $25.0 million term loan and repaying in full our outstanding borrowings under our revolving credit agreement, which were $60.0 million at October 31, 2011, when taken together with our cash flows and future potential borrowings under our credit agreement, will be used to fund our 2012 capital expenditure requirements and for potential acquisitions of interests and acreage. We anticipate that we may need to access future borrowings under our credit agreement within 60 to 90 days following completion of this offering to fund a portion of our 2012 capital expenditure requirements in excess of amounts available from our cash flows and the proceeds of this offering. See “Use of Proceeds.”

The following table presents our 2012 anticipated capital expenditure budget of approximately $307.3 million segregated by target formations and by whether the wells are considered to be exploration or development wells.

	2012 Anticipated Drilling						2012 Anticipated Capital Expenditure Budget		
	Gross Wells[1]			Net Wells[1]			(in millions)[2]		
	Exploration	Development	Total	Exploration	Development	Total	Exploration	Development	Total
South Texas									
Eagle Ford	15.0	11.0	26.0	14.1	10.1	24.2	147.9	97.3	$245.2
Austin Chalk	2.0	—	2.0	2.0	—	2.0	11.3	—	11.3
Area Total	17.0	11.0	28.0	16.1	10.1	26.2	159.2	97.3	256.5
NW Louisiana / E Texas									
Haynesville	5.0	18.0	23.0	0.2	2.0	2.2	1.5	18.3	19.8
Cotton Valley	—	—	—	—	—	—	—	—	—
Area Total	5.0	18.0	23.0	0.2	2.0	2.2	1.5	18.3	19.8
SW Wyoming, NE Utah, SE Idaho	1.0	—	1.0	0.4	—	0.4	2.5	—	2.5[3]
SE New Mexico, West Texas	—	—	—	—	—	—	—	—	—
Other	N/A	N/A	N/A	N/A	N/A	N/A	25.0	3.5	28.5[4]
Total	23.0	29.0	52.0	16.7	12.1	28.8	188.2	119.1	$307.3

[1] Includes wells we currently expect to drill and complete as operator, plus those wells in which we currently plan to participate as a non-operator in 2012.

[2] Our capital expenditure budget is based on our net working interests in the properties.

[3] We have a carried interest for $5.0 million of the cost of this well presuming the election of our joint venture partner to participate in the drilling of this well.

[4] Includes $20.0 million to acquire additional leasehold interests primarily prospective for oil and liquids production in southeast New Mexico and west Texas.

Although we intend to allocate a portion of our 2012 capital expenditure budget to financing exploration, development and acquisition of additional interests in the Haynesville shale play, we currently intend to allocate approximately 82% of our 2012 capital expenditure budget to the exploration, development and acquisition of additional interests in the Eagle Ford shale play. Including these anticipated capital expenditures in the Eagle Ford shale play, we plan to dedicate over 90% of our 2012 anticipated capital expenditure budget to opportunities prospective for oil and liquids production. While we have budgeted $307.3 million for 2012, the aggregate amount of capital we will expend may fluctuate materially based on market conditions and our drilling results. Since at September 30, 2011, approximately 90% of our Haynesville acreage was held by production and approximately 80% of our Eagle Ford acreage was either held by production or not burdened by lease expirations before 2013, we possess the financial flexibility to allocate our capital when we believe it is economical and justified.

Recent Developments

In August 2011, we completed our fourth operated Eagle Ford horizontal well, the Lewton #1H in DeWitt County, Texas. The well was flowed briefly following a 17-stage hydraulic fracture treatment, but oil and natural gas flow rates and flowing pressures were not measured. The well is shut-in pending connection to a natural gas pipeline, and we anticipate that the well will begin producing to sales in December 2011. We are the operator of this well and paid 100% of the costs to drill and complete the well. We will receive 85% of the revenues attributable to the working interest in the well until we have recovered all of our acquisition, drilling and completion costs, after which time, our partner will receive 50% of the revenues attributable to the working interest in the well and we and our partner will each maintain a 50% working interest in the well.

Between March and July 2011, we acquired leasehold interests in approximately 6,300 gross and 4,800 net acres in DeWitt, Karnes, Wilson and Gonzales Counties, Texas in the Eagle Ford shale play from Orca ICI Development, JV. We believe that all of this acreage is in an oil and liquids prone area of the Eagle Ford play. We believe that the acreage in Wilson and Gonzales Counties and a portion of DeWitt County will be prospective for oil and liquids from the Austin Chalk formation in addition to the Eagle Ford. We paid approximately $31.5 million to acquire this acreage. We currently own a 50% working interest in the acreage (approximately 2,800 gross and 1,400 net acres) in DeWitt County and are the operator. We currently own a 100% working interest in the acreage (approximately 3,500 gross and 3,400 net acres) in Karnes, Wilson and Gonzales Counties and are the operator.

On May 19, 2011, the borrowing base under our credit agreement was increased to $80.0 million. On May 19, 2011, primarily to fund our acquisition of the new Eagle Ford acreage from Orca ICI Development, JV, we borrowed an additional $10.0 million under our credit agreement (bringing our total to $60.0 million) and borrowed an additional $25.0 million as a term loan. Out of the net proceeds we receive from this offering, we intend to repay the term loan and outstanding borrowings under our credit agreement in full. In addition, we are currently seeking an additional increase to our borrowing capacity under the credit agreement.

In March 2011, first sales of natural gas began from our Williams 17 H#1 well, located in what we believe to be the core area of the Haynesville shale play in northwest Louisiana. We began producing this well at a constrained rate of about 10.0 MMcf of natural gas per day. During September 2011, this well produced at an average daily rate of 5.2 MMcf of natural gas per day and had produced approximately 1.4 Bcf of natural gas at September 30, 2011. We are the operator and have a 100% working interest and a favorable 87.5% net revenue interest in this well.

In February 2011, we completed our third operated Eagle Ford horizontal well, the Affleck #1H, in eastern Dimmit County, Texas. This well tested at approximately 415 Bbls of oil and 5.4 MMcf of natural gas per day during an initial flow test. This well was shut-in for several months pending its connection to a natural gas pipeline. The well was turned to sales in late September 2011 and averaged 378 Bbls of oil and 2.1 MMcf of natural gas per day through September 30, 2011. We are the operator and have a 100% working interest in this well.

In January 2011, we completed a private placement offering of 1,922,199 shares of our Class A common stock at $11.00 per share for an aggregate amount of $21,144,189.

In January 2011, we completed our second operated Eagle Ford horizontal well, the Martin Ranch #1H, in northeastern LaSalle County, Texas. First sales of oil and natural gas from this well began in late March at approximately 700 Bbls of oil and 350 Mcf of natural gas per day. During September 2011, the well produced at an average daily rate of approximately 400 Bbls of oil and 0.7 MMcf of natural gas per day, and through September 30, 2011, had produced a total of approximately 99,000 Bbls of oil and 118 MMcf of natural gas. We are the operator and have a 100% working interest in this well.

In January 2011, first sales of oil and natural gas began from our first operated Eagle Ford horizontal well, the JCM Jr. Minerals #1H, in southern LaSalle County, at approximately 3.4 MMcf of natural gas and 135 Bbls of condensate per day. During September 2011, the well produced at an average daily rate of approximately 0.8 MMcf of natural gas and 14 Bbls of condensate per day, and through September 30, 2011, had produced a total of approximately 400 MMcf of natural gas and 10,300 Bbls of condensate. We are the operator and have a 100% working interest in this well.

In January 2011, we completed our first horizontal Cotton Valley well, the Tigner Walker H#1-Alt., in DeSoto Parish, Louisiana. First sales of natural gas from this well began in late January at approximately 4.6 MMcf of natural gas per day. During September 2011, the well produced at an average daily rate of approximately 2.2 MMcf of natural gas per day, and through September 30, 2011, had produced a total of approximately 800 MMcf of natural gas. We are the operator and have a 100% working interest in this well subject to a reversionary interest at payout.

On December 31, 2010, first sales of natural gas began from our L.A. Wildlife H#1 Alt. horizontal well, located in what we believe to be the core area of the Haynesville shale play in northwest Louisiana. We began producing this well at a constrained rate of about 10.0 MMcf of natural gas per day. During September 2011, the well produced at an average daily rate of approximately 10.5 MMcf of natural gas per day, and through September 30, 2011, had produced a total of approximately 2.6 Bcf of natural gas. We are the operator and have a 95% working interest in this well.

Business Strategies

Our goal is to increase shareholder value by building reserves, production and cash flows at an attractive return on invested capital. We plan to achieve our goal by executing the following strategies:

- *Focus Exploration and Development Activity on Our Eagle Ford and Haynesville Shale Assets.*

  We have established core acreage positions in the Eagle Ford and Haynesville shale plays, which we believe are two of the most active and economically viable shale plays in North America. Although we intend to allocate a portion of our 2012 capital expenditure budget to financing exploration, development and acquisition of additional interests in the Haynesville shale play, we currently intend to allocate approximately 82% of our 2012 capital expenditure budget to the exploration, development and acquisition of additional interests in the Eagle Ford shale play. Since approximately 90% of our Haynesville acreage was held by production and approximately 80% of our Eagle Ford acreage was either held by production or not burdened by lease expirations before 2013 at September 30, 2011, we have the flexibility to develop our acreage in a disciplined manner in order to maximize the resource recovery from these assets. We believe the economics for development in these two areas are attractive at current commodity prices.

- *Identify, Evaluate and Exploit Oil Plays to Create a More Balanced Portfolio*.

  Although most of our current proved reserves are classified as natural gas, we have been evaluating various oil plays to find and execute upon opportunities that would fit well with our exploration and operating strategies. We believe our interests in the Eagle Ford shale play will enable us to create a more balanced commodity portfolio through the drilling of locations that are prospective for oil and liquids. We believe oil and liquids opportunities represent more than 90% of our anticipated 2012 capital expenditure budget. We expect to continue to create and acquire additional prospects and opportunities for the exploration and production of oil and liquids.

- *Pursue Opportunistic Acquisitions.*

  We believe our management team's familiarity with our key operating areas and its contacts with the operators and mineral owners in those regions enable us to identify high-return opportunities at attractive prices. We actively pursue opportunities to acquire unproved and unevaluated acreage, drilling prospects and low-cost producing properties within our core areas of operations where we have operational control and can enhance value and performance. We view these acquisitions as an important component of our business strategy and intend to selectively make acquisitions on attractive terms that complement our growth and help us achieve economies of scale.

- *Maintain Our Financial Discipline.*

  As an operator, we leverage advanced technologies and integrate the knowledge, judgment and experience of our management and technical teams. We believe our team demonstrates financial discipline that is achieved by our approach to evaluating and analyzing prospects and prior drilling and completion results before allocating capital and is reflected in the improvements our team has attained on reducing unit costs. When we are not the operator, we proactively engage with the operators in an effort to ensure similar financial discipline. Additionally, we conduct our own internal geological and engineering studies on these prospects and provide input on the drilling, completion and operation of many of these non-operated wells pursuant to our agreements and relationships with the operators. Through these methods and practices, we believe we are well-positioned to control the expenses and timing of development and exploitation of our properties.

- *Maintain Proactive and Ongoing Relationships with Other Industry Participants*.

  We believe maintaining proactive and ongoing relationships with other industry operators and vendors enhances our understanding of the shale plays and allows us to leverage their expertise without having to commit substantial capital. We currently participate in various drilling activities with larger industry participants, including affiliates of Chesapeake Energy Corporation, EOG Resources, Inc., Royal Dutch Shell plc and others. We are also active participants in three industry shale consortia: the North American Gas Shale, Haynesville and Bossier Shale and Eagle Ford Shale consortia organized by Core Laboratories, LP. As active members in various professional societies, our staff and board members also regularly interact on a professional basis with other industry participants.

Competitive Strengths

We believe our prior success is, and our future performance will be, directly related to the following combination of strengths that will enable us to implement our strategies:

- *High Quality Asset Base in Attractive Areas.*

  We have key acreage positions in active areas of the Eagle Ford and Haynesville shale plays. We believe our assets in these plays are characterized by low geological risk and similar repeatable drilling opportunities that we expect will result in a predictable production growth profile. The commodity mix of our production and reserves is expected to become more balanced as a result of our planned activities on our Eagle Ford and Austin Chalk acreage, which is located in oil and liquids prone areas of the plays. In addition to the Haynesville shale, our east Texas and north Louisiana assets have multiple, recognized geologic horizons, including the Middle Bossier shale, Cotton Valley and Hosston (Travis Peak) formations. We also believe there is additional resource potential in our oil and natural gas prospects in southeast New Mexico and west Texas, along with our natural gas prospects in southwest Wyoming and adjacent areas in Utah and Idaho.

- *Large, Multi-year, Development Drilling Inventory.*

  Within our northwest Louisiana/east Texas and south Texas regions, we have identified 825 gross and 315 net drilling locations, including 192 gross and 157 net locations in the Eagle Ford shale play and 557 gross and 106 net locations in the Haynesville shale play. At June 30, 2011, these identified drilling locations included 2 gross and 2 net locations to which we have assigned proved undeveloped reserves in the Eagle Ford shale play and 94 gross and 15 net locations to which we have assigned proved undeveloped reserves in the Haynesville shale play. We have identified 26 gross and 24 net locations in the Eagle Ford shale play and 23 gross and 2 net locations in the Haynesville shale play that we expect to drill in 2012, the completion of which would represent approximately 14% and 4% of our identified gross drilling locations in these two areas at June 30, 2011, respectively. Additionally, we expect to identify and develop additional locations across our broad exploration portfolio as we evaluate our Cotton Valley, Austin Chalk, Meade Peak and Delaware and Midland Basin assets. We believe our multi-year, identified drilling inventory and exploration portfolio provide visible near-term growth in our production and reserves, and highlight the long-term resource potential across our asset base.

- *Financial Flexibility to Fund Expansion.*

  Historically, we have maintained financial flexibility by obtaining capital through shareholder investments and our operational cash flows while maintaining low levels of indebtedness, which has allowed us to take advantage of acquisition opportunities as they arise. Upon the completion of this offering and the repayment of our $25.0 million term loan in full and the outstanding borrowings under our revolving credit agreement in full ($60.0 million outstanding at October 31, 2011), we expect to have at least $— million in cash, cash equivalents and certificates of deposit and at least $78.7 million available for borrowings under our credit agreement after giving effect to outstanding letters of credit. Excluding any possible acquisitions, we expect to maintain our current financial flexibility by funding our entire 2012 capital expenditure budget through the net proceeds we receive from this offering, together with our cash flows and future potential borrowings under our credit agreement. We anticipate that we may need to access future borrowings under our credit agreement within 60 to 90 days following completion of this offering to fund a portion of our 2012 capital expenditure requirements in excess of amounts available from our cash flows and the proceeds of this offering. Our availability of capital as described above will also allow us to maintain our competitiveness in seeking to acquire additional oil and natural gas properties as opportunities arise. A strong balance sheet and interest savings should also reduce unit costs and increase profitability. In addition, since a large portion of our Eagle Ford and Haynesville acreage was held by production at September 30, 2011, we have the financial flexibility to allocate our capital when we believe it is economical and justified.

- *Experienced and Incentivized Management, Technical Team and Board*.

  Our management and technical teams possess extensive oil and natural gas expertise with an average of over 25 years of relevant industry experience from companies such as Matador Petroleum Corporation, S. A. Holditch & Associates, Inc., Schlumberger Limited, Conoco and ARCO, and we believe they have a demonstrated record of growth and financial discipline over many years. The management team has experience in drilling and completing hundreds of vertical and horizontal wells in unconventional resource plays, including the Cotton Valley, Bossier, Wilcox/Vicksburg, Austin Chalk, Haynesville and Eagle Ford plays. Our management team's experience is complemented by a strong technical team with deep knowledge of advanced geophysical, drilling and completion technologies whose members are active in their professional societies. Additionally, we have a group of board members and special advisors with considerable experience and expertise in the oil and natural gas industry and in managing other successful enterprises who provide insight and perspective regarding our business and the evaluation, exploration, engineering and development of our prospects. In addition to its considerable experience, our management team currently owns and will continue to own a significant direct ownership interest in us immediately following the completion of this offering. We believe our management team's direct ownership interest, as well as its ability to increase its holdings over time through our long-term incentive plan, aligns management's interests with those of our shareholders.

- *Extensive Geologic, Engineering and Operational Experience in Unconventional Reservoir Plays.*

  The individuals on our technical team are highly experienced in analyzing unconventional reservoir plays and in horizontal drilling, completion and production operations in a number of geographic areas. Our geologists have extensive experience in analyzing unconventional reservoir plays throughout the United States, including our principal areas of interest, by using the latest imaging technology, such as 2-D and 3-D seismic interpretation, and petrophysical analysis. In addition, our technical team has been directly involved in over 26 different horizontal well drilling and/or operations programs in both onshore and offshore formations located in the United States and abroad. Our team's diverse and broad horizontal drilling experience includes most, if not all, techniques used in modern day drilling. Additionally, our team has in-depth experience with various horizontal completion techniques and their applications in multiple unconventional plays. We intend to leverage our team's geological expertise and horizontal drilling and completion experience to develop and exploit our large, multi-year development drilling inventory.

- *Multi-Disciplined Approach to New Opportunities*.

  Our process for evaluating and developing new oil and natural gas prospects is a result of what we believe is an organizational philosophy that is dedicated to a systematic, multi-disciplinary approach to new opportunities with an emphasis on incorporating petroleum systems, geosciences, technology and finance into the decision-making process. We recognize the importance of consulting multiple individuals in our organization across all disciplines and all levels of responsibility prior to making exploration, acquisition or development decisions and the formulation of key criteria for successful exploration and development projects in any given play to enhance our decision-making. We also conduct a post-completion review of our major decisions to determine what we did right and where we need to improve. At times, this approach results in a decision to accelerate our drilling program or expand our positions in certain areas. Other times, this approach results in a decision to mitigate risk associated with our exploration and development programs by sharing operational risks and costs with other industry participants or exiting an area altogether. We believe this multi-disciplined approach underpins our track record of value creation and represents the best way to deliver consistent, year-over-year results to our shareholders.

Certain Risk Factors

An investment in our common stock involves risks that include the speculative nature of oil and natural gas exploration and production, competition, volatile oil and natural gas prices and other material factors. In particular, the following considerations may offset our competitive strengths or have a negative effect on both our business strategy as well as on activities on our properties, which could cause a decrease in the price of our common stock and result in a loss of all or a portion of your investment:

- Our success is dependent on the prices of oil and natural gas. Low oil or natural gas prices or the substantial volatility in these prices may adversely affect our financial condition and our ability to meet our capital expenditure requirements and financial obligations;
- Drilling for and producing oil and natural gas are high-risk activities with many uncertainties that could adversely affect our business, financial condition, results of operations and cash flows;
- Our oil and natural gas reserves are estimated and may not reflect the actual volumes of oil and natural gas we will receive, and significant inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves;
- Our exploration, development and exploitation projects require substantial capital expenditures that may exceed our cash flows from operations, and we may be unable to obtain needed capital on satisfactory terms, which could adversely affect our future growth;
- The unavailability or high cost of drilling rigs, completion equipment and services, supplies and personnel, including hydraulic fracturing equipment and personnel, could adversely affect our ability to establish and execute exploration and development plans within budget and on a timely basis, which could have a material adverse effect on our financial condition, results of operations and cash flows;
- Because our reserves and production are concentrated in a small number of properties, problems in production and markets relating to any property could have a material impact on our business;
- Drilling locations that we decide to drill may not yield oil or natural gas in commercially viable quantities;
- We may have accidents, equipment failures or mechanical problems while drilling or completing wells or in production activities, which could adversely affect our business;
- We have limited control over activities on properties we do not operate;

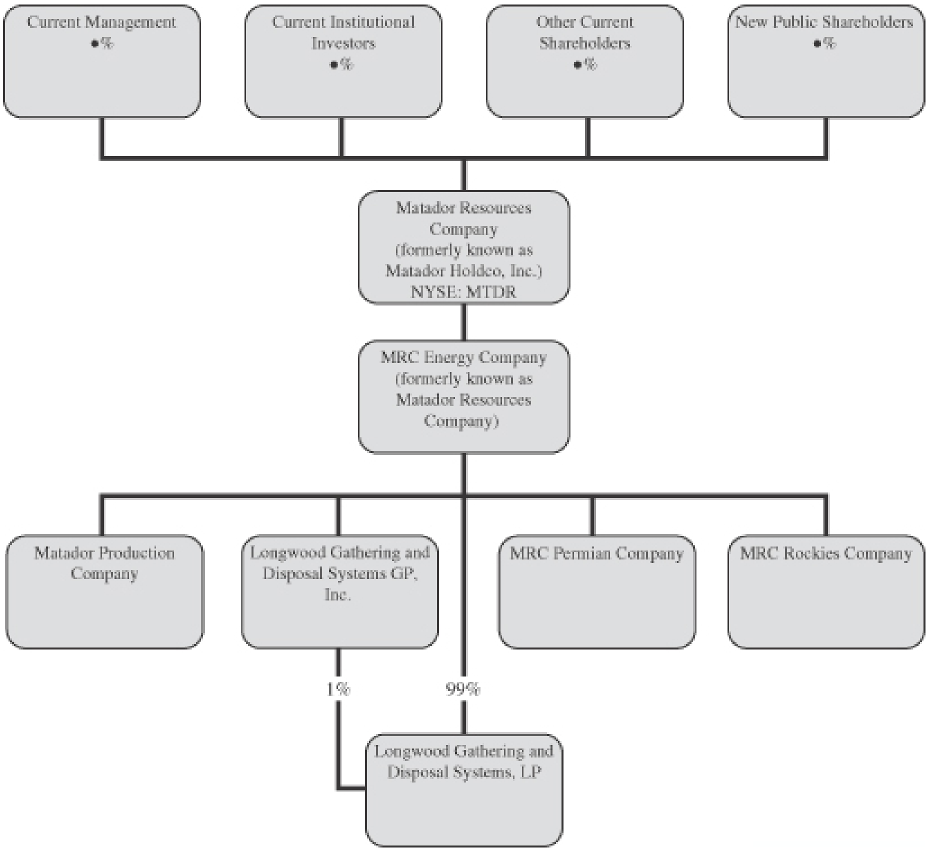
- Approximately 67% of our total proved reserves at June 30, 2011 consisted of undeveloped and developed non-producing reserves, and those reserves may not ultimately be developed or produced;
- Our success depends, to a large extent, on our ability to retain our key personnel, including our Chairman of the Board, Chief Executive Officer and President, the members of our board of directors and our special board advisors, and the loss of any key personnel, board member or special board advisor could disrupt our business operations; and
- If any of the material weaknesses previously identified by our independent registered public accountants persist or if we fail to establish and maintain effective internal control over financial reporting in the future, our ability to accurately report our financial results could be adversely affected.

For a discussion of these risks and other considerations that could negatively affect us, including risks related to this offering and our common stock, see “Risk Factors” beginning on page 21 and “Cautionary Note Regarding Forward-Looking Statements.”

Organizational Structure

Matador Resources Company was formed as a Texas corporation in July 2003. Pursuant to the terms of the corporate reorganization that was completed on August 9, 2011, former Matador Resources Company, now known as MRC Energy Company, became a wholly owned subsidiary of current Matador Resources Company, formerly known as Matador Holdco, Inc. In connection with the reorganization, former Matador Resources Company changed its corporate name to MRC Energy Company, and Matador Holdco, Inc. changed its corporate name to Matador Resources Company.

The following diagram indicates our ownership structure and organizational structure after giving effect to our corporate reorganization and this offering. The shareholder ownership information set forth below is based on the beneficial ownership of our common stock after consummation of this offering based on the number of shares beneficially owned by our current shareholders at —, 2011.


Current Management
•%
Current Institutional Investors
•%
Other Current Shareholders
•%
New Public Shareholders
•%
Matador Resources Company (formerly known as Matador Holdco, Inc.) NYSE: MTDR
MRC Energy Company (formerly known as Matador Resources Company)
Matador Production Company
Longwood Gathering and Disposal Systems GP, Inc.
MRC Permian Company
MRC Rockies Company
1%
99%
Longwood Gathering and Disposal Systems, LP

Corporate Information

We are headquartered in Dallas, Texas. Our executive offices and mailing address are at One Lincoln Centre, 5400 LBJ Freeway, Suite 1500, Dallas, Texas 75240. Our telephone number is (972) 371-5200. We expect to have an operational website that meets Securities and Exchange Commission, or SEC, and New York Stock Exchange, or NYSE, requirements concurrently with, or prior to, the completion of this offering. Information on our website or any other website is not and will not be incorporated by reference herein and does not and will not constitute a part of this prospectus.

The Offering

Issuer	Matador Resources Company
Selling shareholders	See “Principal and Selling Shareholders.”
Common stock offered by us	— shares (— shares if the underwriters’ over-allotment is exercised in full)
Common stock offered by selling shareholders	— shares (— shares if the underwriters’ over-allotment is exercised in full)
Common stock outstanding after offering	— shares (— shares if the underwriters’ over-allotment is exercised in full) The number of shares to be outstanding after this offering is based on — shares of our common stock outstanding at —, 2011 and excludes — additional shares that are authorized for future issuance under our equity incentive plans, of which — shares may be issued pursuant to outstanding stock options.
Over-allotment option	We have granted the underwriters a 30-day option to purchase up to an aggregate of — additional shares of our common stock to cover any over-allotments.
Use of proceeds	We estimate that our net proceeds from this offering will be approximately $— million after deducting the underwriting discounts and commissions and estimated offering expenses. We intend to use approximately $25.0 million of the net proceeds from this offering to repay in full our outstanding term loan. In addition, we intend to repay all of the outstanding indebtedness under our revolving credit agreement ($60.0 million at October 31, 2011). The remaining net proceeds will be used to fund a portion of our anticipated 2012 capital expenditure budget. We will not receive any of the proceeds from the sale of shares of our common stock by the selling shareholders. See “Use of Proceeds.”
Dividend policy	We do not anticipate paying any cash dividends on our common stock.
Risk factors	You should carefully read and consider the information beginning on page 21 of this prospectus set forth under the heading “Risk Factors” and all other information set forth in this prospectus before deciding to invest in our common stock.
New York Stock Exchange Symbol	MTDR

Summary Financial, Reserves and Operating Data

You should read the following summary financial, reserves and operating data in conjunction with “Selected Historical Consolidated and Other Financial Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business” and our audited and unaudited historical consolidated financial statements and related notes thereto included elsewhere in this prospectus. The financial information included in this prospectus may not be indicative of our future results of operations, financial position and cash flows.

Financial Data

The following tables set forth summary historical consolidated financial information for the company and its subsidiaries. The historical consolidated financial information is derived from the audited consolidated financial statements for the company and its subsidiaries at and for the years ended December 31, 2010, 2009 and 2008 and the unaudited condensed consolidated financial statements for the company and its subsidiaries at and for the six months ended June 30, 2011 and 2010. The balance sheet data has also been adjusted to reflect the estimated net proceeds to be received by us from this offering. The audited consolidated financial statements for the company and its subsidiaries at and for the years ended December 31, 2010, 2009 and 2008 and the unaudited condensed consolidated financial statements for the company and its subsidiaries at and for the six months ended June 30, 2011 and 2010 are contained elsewhere in this prospectus. Our consolidated financial statements for the years ended December 31, 2010, 2009 and 2008 were audited by Grant Thornton LLP.

	Year Ended December 31,			Six Months Ended June 30,	
	2010	2009	2008	2011	2010
				(Unaudited)	(Unaudited)
(In thousands, except per share data)					
Statement of operations data:					
Revenues:					
Oil and natural gas revenues	$34,042	$ 19,039	$ 30,645	$ 34,562	$ 16,727
Realized gain (loss) on derivatives	5,299	7,625	(1,326)	2,802	1,816
Unrealized gain (loss) on derivatives	3,139	(2,375)	3,592	(1,336)	3,272
Total revenues	42,480	24,289	32,911	36,028	21,815
Expenses:					
Production taxes and marketing	1,982	1,077	1,639	2,953	820
Lease operating	5,284	4,725	4,667	3,574	2,415
Depletion, depreciation and amortization	15,596	10,743	12,127	15,291	7,063
Accretion of asset retirement obligations	155	137	92	96	68
Full-cost ceiling impairment	–	25,244	22,195	35,673	–
General and administrative	9,702	7,115	8,252	5,712	4,520
Total expenses	32,719	49,041	48,972	63,299	14,886
Operating income (loss)	9,761	(24,752)	(16,061)	(27,271)	6,929
Other:					
Other (expense) income	137	402	139,962[1]	(124)	222
Income (loss) before income taxes	9,898	(24,350)	123,901	(27,395)	7,151
Net income (loss)	$ 6,377	$(14,425)	$103,878	$ (20,443)	$ 4,692

	Year Ended December 31,			Six Months Ended June 30,	
	2010	2009	2008	2011	2010
				(Unaudited)	(Unaudited)
(In thousands, except per share data)					
Earnings (loss) per share (basic) [2]					
Class A	$ 0.15	$ (0.37)	$ 2.50	$ (0.48)	$ 0.11
Class B[2]	$ 0.42	$ (0.10)	$ 2.77	$ (0.35)	$ 0.24
Weighted average common shares outstanding (basic)	41,037	40,123	41,385	42,677	41,025
Class A	40,007	39,093	40,355	41,646	39,994
Class B[2]	1,031	1,031	1,031	1,031	1,031

[1] Increase in other income was primarily due to gain on unproved and unevaluated property dispositions in 2008.

[2] At September 30, 2011, we had 1,030,700 shares of Class B common stock issued and outstanding. All shares of Class B common stock will automatically convert on a one-for-one basis into shares of Class A common stock upon the consummation of this offering pursuant to the terms of our certificate of formation. If the Class B common stock were converted at the applicable date, the earnings per share would not be materially different than the Class A earnings per share.

	At December 31,			At June 30,		
	2010	2009	2008	2011		2010
				Actual	As Adjusted[1]	
(In thousands)				(Unaudited)	(Unaudited)	(Unaudited)
Balance sheet data:						
Cash and cash equivalents	$ 21,060	$104,230	$150,768	$ 9,923	$ 61,923	$ 65,863
Certificates of deposit	2,349	15,675	20,782	2,084	2,084	10,320
Net property and equipment	303,880	142,078	125,261	331,436	331,436	207,248
Total assets	346,382	277,400	314,539	364,718	416,718	300,248
Current liabilities	30,097	8,868	35,475	38,372	13,372	32,376
Long term liabilities	34,408	4,210	2,059	63,904	3,904	6,777
Total shareholders' equity	$281,877	$264,321	$277,005	$ 262,443	$ 399,443	$ 261,095

[1] As adjusted to give effect to this offering (assuming aggregate net proceeds of $137.0 million are received by us) and the repayment in full of our $25.0 million term loan and the outstanding indebtedness under our revolving credit agreement ($60.0 million at October 31, 2011), with the balance being added to cash and cash equivalents to fund a portion of our 2012 capital expenditure budget.

	Year Ended December 31,			Six Months Ended June 30,	
	2010	2009	2008	2011	2010
(In thousands)				(Unaudited)	(Unaudited)
Other financial data:					
Net cash provided by operating activities	$ 27,273	$ 1,791	$ 25,851	$ 19,531	$ 33,725
Net cash (used in) provided by investing activities	(147,334)	(49,415)	115,481	(91,089)	(63,827)
Oil and natural gas properties capital expenditures	(159,050)	(54,244)	(104,119)	(89,632)	(68,295)
Expenditures for other property and equipment	(1,610)	(307)	(3,012)	(1,722)	(887)
Net cash provided by (used in) financing activities	36,891	1,086	419	60,422	(8,265)
Adjusted EBITDA[1]	$ 23,635	$ 15,184	$ 18,411	$ 25,472	$ 11,358

[1] Adjusted EBITDA is a non-GAAP financial measure. For a definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to our net income and net cash provided by operating activities, see "— Non-GAAP Financial Measures" below.

Non-GAAP Financial Measures

We define Adjusted EBITDA as earnings before interest expense, income taxes, depletion, depreciation and amortization, property impairments, unrealized derivative gains and losses, non-recurring income and expenses and non-cash stock-based compensation expense, including stock option and grant expense and restricted stock grants. Adjusted EBITDA is not a measure of net income or cash flows as determined by GAAP. Adjusted EBITDA is a supplemental non-GAAP financial measure that is used by management and external users of our consolidated financial statements, such as industry analysts, investors, lenders and rating agencies. “GAAP” means Generally Accepted Accounting Principles.

Management believes Adjusted EBITDA is necessary because it allows us to evaluate our operating performance and compare the results of operations from period to period without regard to our financing methods or capital structure. We exclude the items listed above from net income (loss) in calculating Adjusted EBITDA because these amounts can vary substantially from company to company within our industry depending upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired.

Adjusted EBITDA should not be considered an alternative to, or more meaningful than, net income or cash flows from operating activities as determined in accordance with GAAP or as an indicator of our operating performance or liquidity. Certain items excluded from Adjusted EBITDA are significant components of understanding and assessing a company's financial performance, such as a company's cost of capital and tax structure. Our Adjusted EBITDA may not be comparable to similarly titled measures of another company because all companies may not calculate Adjusted EBITDA in the same manner. The following table presents our calculation of Adjusted EBITDA and reconciliation of Adjusted EBITDA to the GAAP financial measures of net income (loss) and net cash provided by operating activities, respectively.

	Year Ended December 31,			Six Months Ended June 30,	
	2010	2009	2008	2011	2010
(In thousands)					
Unaudited Adjusted EBITDA reconciliation to Net Income (Loss):					
Net income (loss)	$ 6,377	$(14,425)	$ 103,878	$(20,443)	$ 4,692
Interest expense	3	–	–	290	–
Total income tax provision (benefit)	3,521	(9,925)	20,023	(6,952)	2,459
Depletion, depreciation and amortization	15,596	10,743	12,127	15,291	7,064
Accretion of asset retirement obligations	155	137	92	96	68
Full-cost ceiling impairment	–	25,244	22,195	35,673	–
Unrealized (gain) loss on derivatives	(3,139)	2,375	(3,592)	1,336	(3,272)
Stock option and grant expense	824	622	605	159	334
Restricted stock grants	74	34	60	22	13
Net (gain)/loss on asset sales and inventory impairment	224	379	(136,977)	–	–
Adjusted EBITDA	$23,635	$ 15,184	$ 18,411	$ 25,472	$ 11,358

	Year Ended December 31,			Six Months Ended June 30,	
	2010	2009	2008	2011	2010
(In thousands)					
Unaudited Adjusted EBITDA reconciliation to Net Cash Provided by Operating Activities:					
Net cash provided by operating activities	$27,273	$ 1,791	$ 25,851	$ 19,531	$ 33,725
Net change in operating assets and liabilities	(2,230)	15,717	(17,888)	5,696	(22,367)
Interest expense	3	–	–	290	–
Current income tax (benefit) provision	(1,411)	(2,324)	10,448	(45)	–
Adjusted EBITDA	$23,635	$ 15,184	$ 18,411	$ 25,472	$ 11,358

Reserves Data

The following table presents summary data with respect to our estimated net proved oil and natural gas reserves at the dates indicated. The reserves estimates at December 31, 2008 presented in the table below are based on evaluations prepared by our engineering staff, which have been audited by LaRoche Petroleum Consultants, Ltd., independent reservoir engineers. The reserves estimates at December 31, 2010 and 2009 and at June 30, 2011 are based on evaluations prepared by our engineering staff, which have been audited by Netherland, Sewell & Associates, Inc., independent reservoir engineers. These reserves estimates were prepared in accordance with the Securities and Exchange Commission's rules regarding oil and natural gas reserves reporting that were in effect at the time of the preparation of the reserves report. Our total estimated proved reserves are estimated using a conversion ratio of one Bbl per six Mcf.

	At December 31,			At June 30,
	2010	2009	2008	2011
Estimated proved reserves:[1] [2]				
Natural gas (Bcf)	127.4	63.9	19.2	152.5
Oil (MBbls)	152	103	131	878
Total (Bcfe)	128.3	64.5	20.0	157.8
Developed proved reserves (Bcfe)	44.1	26.0	20.0	53.5
Percent developed	34.3%	40.3%	100.0%	33.9%
Undeveloped proved reserves (Bcfe)	84.3	38.6	–	104.3
PV-10 (in thousands)[3]	$119,869	$70,359	$44,069	$ 144,429
Standardized Measure (in thousands)[4]	$111,077	$65,061	$43,254	$ 134,233

[1] Numbers in table may not total due to rounding.

[2] Our estimated proved reserves, PV-10 and Standardized Measure were determined using index prices for oil and natural gas, without giving effect to derivative transactions, and were held constant throughout the life of the properties. The index prices were $41.00 per Bbl for oil and $5.710 per MMBtu for natural gas at December 31, 2008. The unweighted arithmetic averages of the first-day-of-the-month prices for the 12 months ended December 31, 2009 were $57.65 per Bbl for oil and $3.866 per MMBtu for natural gas, for the 12 months ended December 31, 2010 were $75.96 per Bbl for oil and $4.376 per MMBtu for natural gas, and for the 12-month period from July 2010 to June 2011 were $86.60 per Bbl for oil and $4.209 per MMBtu for natural gas. These prices were adjusted by lease for quality, energy content, regional price differentials, transportation fees, marketing deductions and other factors affecting the price received at the wellhead.

[3] PV-10 is a non-GAAP financial measure and generally differs from Standardized Measure, the most directly comparable GAAP financial measure, because it does not include the effects of income taxes on future net revenues. PV-10 is not an estimate of the fair market value of our properties. We and others in the industry use PV-10 as a measure to compare the relative size and value of proved reserves held by companies and of the potential return on investment related to the companies' properties without regard to the specific tax characteristics of such entities. Our PV-10 at December 31, 2008, 2009 and 2010 and at June 30, 2011 may be reconciled to our Standardized Measure of discounted future net cash flows at such dates by reducing our PV-10 by the discounted future income taxes associated with such reserves. The discounted future income taxes at December 31, 2008, 2009 and 2010 and at June 30, 2011 were, in thousands, $815, $5,298, $8,792 and $10,196, respectively.

[4] Standardized Measure represents the present value of estimated future net cash flows from proved reserves, less estimated future development, production, plugging and abandonment costs and income tax expenses, discounted at 10% per annum to reflect the timing of future cash flows. Standardized Measure is not an estimate of the fair market value of our properties.

Unaudited Operating Data

The following table sets forth summary unaudited production results for the company and its subsidiaries for the years ended December 31, 2010, 2009 and 2008 and for the six month periods ended June 30, 2011 and 2010.

	Year Ended December 31,			Six Months Ended June 30,	
	2010	2009	2008	2011	2010
Production:					
Natural gas (Bcf)	8.4	4.8	3.1	7.4	3.8
Oil (MBbls)	33	30	37	70	17
Total natural gas equivalents (Bcfe)[1]	8.6	5.0	3.3	7.8	3.9
Average net daily production (MMcfe)	23.6	13.7	9.0	42.9	21.4
Average sales price (per Mcfe):					
Average sales price (including effects of hedging)	$ 4.58	$ 5.33	$ 8.86	$ 4.81	$ 4.78
Average sales price (before effects of hedging)	$ 3.96	$ 3.81	$ 9.27	$ 4.45	$ 4.31
Operating expenses (per Mcfe):					
Production taxes and marketing	$ 0.23	$ 0.22	$ 0.50	$ 0.38	$ 0.21
Lease operating	$ 0.61	$ 0.94	$ 1.41	$ 0.46	$ 0.62
Depletion, depreciation and amortization	$ 1.81	$ 2.15	$ 3.67	$ 1.97	$ 1.82
General and administrative	$ 1.13	$ 1.42	$ 2.50	$ 0.73	$ 1.16

[1] Estimated using a conversion ratio of one Bbl per six Mcf.

RISK FACTORS

You should carefully consider the risks described below before making an investment decision. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment.

Risks Related to the Oil and Natural Gas Industry and Our Business

Our Success Is Dependent on the Prices of Oil and Natural Gas. Low Oil or Natural Gas Prices and the Substantial Volatility in These Prices May Adversely Affect Our Financial Condition and Our Ability to Meet Our Capital Expenditure Requirements and Financial Obligations.

The prices we receive for our oil and natural gas heavily influence our revenue, profitability, cash flow available for capital expenditures, access to capital and future rate of growth. Oil and natural gas are commodities and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the markets for oil and natural gas have been volatile. These markets will likely continue to be volatile in the future. The prices we receive for our production, and the levels of our production, depend on numerous factors. These factors include the following:

- the domestic and foreign supply of oil and natural gas;
- the domestic and foreign demand for oil and natural gas;
- the prices and availability of competitors' supplies of oil and natural gas;
- the actions of the Organization of Petroleum Exporting Countries, or OPEC, and state-controlled oil companies relating to oil price and production controls;
- the price and quantity of foreign imports;
- the impact of U.S. dollar exchange rates on oil and natural gas prices;
- domestic and foreign governmental regulations and taxes;
- speculative trading of oil and natural gas futures contracts;
- the availability, proximity and capacity of gathering and transportation systems for natural gas;
- the availability of refining capacity;
- the prices and availability of alternative fuel sources;
- weather conditions and natural disasters;
- political conditions in or affecting oil and natural gas producing regions, including the Middle East and South America;
- the continued threat of terrorism and the impact of military action and civil unrest;
- public pressure on, and legislative and regulatory interest within, federal, state and local governments to stop, significantly limit or regulate hydraulic fracturing activities;
- the level of global oil and natural gas inventories and exploration and production activity;
- the impact of energy conservation efforts;
- technological advances affecting energy consumption; and
- overall worldwide economic conditions.

Because we expect to produce more natural gas than oil in the immediate future, we will face more risk associated with fluctuations in the price of natural gas than oil. Approximately 98% of our production during the year ended December 31, 2010, 95% of our production during the six month period ended June 30, 2011 and 97% of our proved reserves at June 30, 2011 are attributable to natural gas. In addition, three of our largest prospects, our Haynesville shale, Cotton Valley properties and our Meade Peak shale, currently produce or are expected to produce predominantly natural gas. As a result, they are sensitive to fluctuations in natural gas prices.

One of our current business strategies is to focus on increasing our oil and liquids production. Specifically, our near-term drilling opportunities in the Eagle Ford shale play focus on oil and liquids. We currently intend to allocate approximately 82% of our 2012 capital expenditure budget to the exploration of the Eagle Ford shale. We believe that almost 85% of our Eagle Ford acreage is prospective predominantly for oil and liquids production, and we have identified 192 gross locations for potential future drilling in our Eagle Ford acreage. Therefore, our Eagle Ford shale play is highly susceptible to changes in oil prices.

Declines in oil or natural gas prices would not only reduce our revenue, but could reduce the amount of oil and natural gas that we can produce economically. Should natural gas or oil prices decrease from current levels and remain there for an extended period of time, we may elect in the future to delay some of our exploration and development plans for our prospects, or to cease exploration or development activities on certain prospects due to the anticipated unfavorable economics from such activities, each of which would have a material adverse effect on our business, financial condition, results of operations and reserves.

Drilling for and Producing Oil and Natural Gas Are Highly Speculative and Involve a High Degree of Risk, with Many Uncertainties That Could Adversely Affect Our Business.

Exploring for and developing hydrocarbon reserves involves a high degree of operational and financial risk, which precludes us from definitively predicting the costs involved and time required to reach certain objectives. Our drilling locations are in various stages of evaluation, ranging from a location that is ready to drill to a location that will require substantial additional interpretation before it can be drilled. The budgeted costs of planning, drilling, completing and operating wells are often exceeded and such costs can increase significantly due to various complications that may arise during the drilling and operating processes. Before a well is spud, we may incur significant geological and geophysical (seismic) costs, which are incurred whether a well eventually produces commercial quantities of hydrocarbons, or is drilled at all. Exploration wells bear a much greater risk of loss than development wells. The analogies we draw from available data from other wells, more fully explored locations or producing fields may not be applicable to our drilling locations. If our actual drilling and development costs are significantly more than our estimated costs, we may not be able to continue our operations as proposed and could be forced to modify our drilling plans accordingly.

If we decide to drill a certain location, there is a risk that no commercially productive oil or natural gas reservoirs will be found or produced. We may drill or participate in new wells that are not productive. We may drill wells that are productive, but that do not produce sufficient net revenues to return a profit after drilling, operating and other costs. There is no way to predict in advance of drilling and testing whether any particular location will yield oil or natural gas in sufficient quantities to recover exploration, drilling or completion costs or to be economically viable. Even if sufficient amounts of oil or natural gas exist, we may damage the potentially productive hydrocarbon-bearing formation or experience mechanical difficulties while drilling or completing the well, resulting in a reduction in production and reserves from the well or abandonment of the well. Whether a well is ultimately productive and profitable depends on a number of additional factors, including the following:

- general economic and industry conditions, including the prices received for oil and natural gas;
- shortages of, or delays in, obtaining equipment, including hydraulic fracturing equipment, and qualified personnel;
- potential drainage by operators on adjacent properties;
- loss of or damage to oilfield development and service tools;
- problems with title to the underlying properties;
- increases in severance taxes;
- adverse weather conditions that delay drilling activities or cause producing wells to be shut down;
- domestic and foreign governmental regulations; and
- proximity to and capacity of transportation facilities.

If we do not drill productive and profitable wells in the future, our business, financial condition, results of operations, cash flows and reserves could be materially and adversely affected.

We May Have Accidents, Equipment Failures or Mechanical Problems While Drilling or Completing Wells or in Production Activities, Which Could Adversely Affect Our Business.

While we are drilling and completing wells or involved in production activities, we may have accidents or experience equipment failures or mechanical problems in a well that cause us to be unable to drill and complete the well or to continue to produce the well according to our plans. We may also damage a potentially hydrocarbon-bearing formation during drilling and completion operations. Such incidents may result in a reduction of our production and reserves from the well or in abandonment of the well.

Because Our Reserves and Production Are Concentrated in a Small Number of Properties, Problems in Production and Markets Relating to Any Property Could Have a Material Impact on Our Business.

Almost all of our current oil and natural gas production and our proved reserves are attributable to properties in north Louisiana and east Texas, and we expect that most of our operations in the near future will be primarily in south Texas. As a result, we may be disproportionately exposed to the impact of delays or interruptions of production from these wells caused by transportation capacity constraints or interruptions, curtailment of production, availability of equipment, facilities, personnel or services, significant governmental regulation, natural disasters, adverse weather conditions or plant closures for scheduled maintenance. In particular, our operations in south Texas may be adversely affected by hurricanes and tropical storms resulting in delays in exploration and drilling, damage to facilities and equipment and the inability to receive equipment or to access personnel and products at affected job sites in a timely manner. Due to the concentrated nature of our portfolio of properties, a number of our properties could experience any of the same conditions at the same time, resulting in a relatively greater impact on our results of operations than they might have on other companies that have a more diversified portfolio of properties. Such delays or interruptions could have a material adverse effect on our financial condition, results of operations and cash flows.

Unless We Replace Our Oil and Natural Gas Reserves, Our Reserves and Production Will Decline, Which Would Adversely Affect Our Business, Financial Condition, Results of Operations and Cash Flows.

The rate of production from our oil and natural gas properties declines as our reserves are depleted. Our future oil and natural gas reserves and production and, therefore, our income and cash flow, are highly dependent on our success in: (i) efficiently developing and exploiting our current reserves on properties owned by us or by other persons or entities and (ii) economically finding or acquiring additional oil and natural gas producing properties. In the future, we may have difficulty expanding our current production or acquiring new properties. During periods of low oil and/or natural gas prices, it will become more difficult to raise the capital necessary to finance expansion activities. If we are unable to replace our current and future production, our reserves will decrease, and our business, financial condition, results of operations and cash flows would be adversely affected.

Our Oil and Natural Gas Reserves Are Estimated and May Not Reflect the Actual Volumes of Oil and Natural Gas We Will Receive, and Significant Inaccuracies in These Reserves Estimates or Underlying Assumptions Will Materially Affect the Quantities and Present Value of Our Reserves.

The process of estimating accumulations of oil and natural gas is complex and is not exact, due to numerous inherent uncertainties. The process relies on interpretations of available geological, geophysical, engineering and production data. The extent, quality and reliability of this technical data can vary. The process also requires certain economic assumptions related to, among other things, oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. The accuracy of a reserves estimate is a function of:

- the quality and quantity of available data;
- the interpretation of that data;
- the judgment of the persons preparing the estimate; and
- the accuracy of the assumptions.

The accuracy of any estimates of proved reserves generally increases with the length of the production history. Due to the limited production history of many of our properties, the estimates of future production associated with these properties may be subject to greater variance to actual production than would be the case with properties having a longer production history. As our wells produce over time and more data is available, the estimated proved reserves will be redetermined on at least an annual basis and may be adjusted to reflect new information based upon our actual production history, results of exploration and development, prevailing oil and natural gas prices and other factors.

Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas most likely will vary from our estimates. It is possible that future production declines in our wells may be greater than we have estimated. Any significant variance to our estimates could materially affect the quantities and present value of our reserves.

The Calculated Present Value of Future Net Revenues from Our Proven Reserves Will Not Necessarily Be the Same as the Current Market Value of Our Estimated Oil and Natural Gas Reserves.

It should not be assumed that the present value of future net cash flows included in this prospectus is the current market value of our estimated proved oil and natural gas reserves. We generally base the estimated discounted future net cash flows from proved reserves on current costs held constant over time without escalation and on commodity prices using an unweighted arithmetic average of first-day-of-the-month index prices, appropriately adjusted, for the 12-month period immediately preceding the date of the estimate. Actual future prices and costs may be materially higher or lower than the prices and costs used for these estimates and will be affected by factors such as:

- actual prices we receive for oil and natural gas;
- actual cost and timing of development and production expenditures;
- the amount and timing of actual production; and
- changes in governmental regulations or taxation.

In addition, the 10% discount factor that is required to be used to calculate discounted future net revenues for reporting purposes under GAAP is not necessarily the most appropriate discount factor based on the cost of capital in effect from time to time and risks associated with our business and the oil and natural gas industry in general.

Approximately 67% of Our Total Proved Reserves at June 30, 2011 Consisted of Undeveloped and Developed Non-Producing Reserves, and Those Reserves May Not Ultimately Be Developed or Produced.

At June 30, 2011, approximately 66% of our total proved reserves were undeveloped and approximately 1% were developed non-producing. Our undeveloped and/or developed non-producing reserves may never be developed or produced, or such reserves may not be developed or produced within the time periods we have projected or, at the costs we have budgeted. Delays in the development of our reserves or increases in costs to drill and develop such reserves would reduce the present value of our estimated proved undeveloped reserves and future net revenues estimated for such reserves, resulting in some projects becoming uneconomical. In addition, delays in the development of reserves or declines in oil and/or natural gas prices in the future could cause us to have to reclassify our proved reserves as unproved reserves, which would materially affect our business, financial condition, results of operations and ability to raise capital.

Our Exploration, Development and Exploitation Projects Require Substantial Capital Expenditures That May Exceed Our Cash Flows From Operations, and We May Be Unable to Obtain Needed Capital on Satisfactory Terms, Which Could Adversely Affect Our Future Growth.

Our exploration and development activities are capital intensive. We make and expect to continue to make substantial capital expenditures in our business for the development, exploitation, production and acquisition of oil and natural gas reserves. The net proceeds we receive from this offering, our operating cash flows and future potential borrowings under our revolving credit agreement may not be adequate to fund our future acquisitions or future capital expenditure requirements. The rate of our future growth may be dependent, at least in part, on our ability to access capital at rates and on terms we determine to be acceptable.

Our cash flows from operations and access to capital are subject to a number of variables, including:

- our estimated proved oil and natural gas reserves;
- the amount of oil and natural gas we produce from existing wells;
- the prices at which we sell our production;
- the costs of developing and producing our oil and natural gas reserves;
- our ability to acquire, locate and produce new reserves;

- the ability and willingness of banks to lend to us; and
- our ability to access the equity and debt capital markets.

In addition, future events, such as terrorist attacks, wars or combat peace-keeping missions, financial market disruptions, general economic recessions, oil and natural gas industry recessions, large company bankruptcies, accounting scandals, overstated reserves estimates by major public oil companies and disruptions in the financial and capital markets have caused financial institutions, credit rating agencies and the public to more closely review the financial statements, capital structures and earnings of public companies, including energy companies. Such events have constrained the capital available to the energy industry in the past, and such events or similar events could adversely affect our access to funding for our operations in the future.

If our revenues decrease as a result of lower oil and gas prices, operating difficulties, declines in reserves or for any other reason, we may have limited ability to obtain the capital necessary to sustain our operations at current levels, further develop and exploit our current properties or invest in additional exploration opportunities. Alternatively, a significant improvement in oil and gas prices could result in an increase in our capital expenditures and we may be required to alter or increase our capitalization substantially through the issuance of debt or equity securities, the sale of production payments, the sale of non-strategic assets, the borrowing of funds or otherwise to meet any increase in capital needs. If we are unable to raise additional capital from available sources at acceptable terms, our business, financial condition and future results of operations could be adversely affected.

Our Operations Are Subject to Operational Hazards and Unforeseen Interruptions for Which We May Not Be Adequately Insured.

There are numerous operational hazards inherent in oil and natural gas exploration, development, production and gathering, including:

- unusual or unexpected geologic formations;
- natural disasters;
- adverse weather conditions;
- unanticipated pressures;
- loss of drilling fluid circulation;
- blowouts where oil or natural gas flows uncontrolled at a wellhead;
- cratering or collapse of the formation;
- pipe or cement leaks, failures or casing collapses;
- fires or explosions;
- releases of hazardous substances or other waste materials that cause environmental damage;
- pressures or irregularities in formations; and
- equipment failures or accidents;

In addition, there is an inherent risk of incurring significant environmental costs and liabilities in the performance of our operations, some of which may be material, due to our handling of petroleum hydrocarbons and wastes, our emissions to air and water, the underground injection or other disposal of our wastes, the use of hydraulic fracturing fluids and historical industry operations and waste disposal practices.

Any of these or other similar occurrences could result in the disruption or impairment of our operations, substantial repair costs, personal injury or loss of human life, significant damage to property, environmental pollution and substantial revenue losses. The location of our wells, gathering systems, pipelines and other facilities near populated areas, including residential areas, commercial business centers and industrial sites, could significantly increase the level of damages resulting from these risks.

Insurance against all operational risks is not available to us. We are not fully insured against all risks, including development and completion risks that are generally not recoverable from third parties or insurance. In addition, pollution and environmental risks generally are not fully insurable. Additionally, we may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the perceived risks presented. Losses could, therefore, occur for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. Moreover, insurance may not be available in the future at commercially reasonable prices or on commercially reasonable terms. Changes in the insurance markets due to various factors may make it more difficult for us to obtain certain types of coverage in the future. As a result, we may not be able to obtain the levels or types of insurance we would otherwise have obtained prior to these market changes, and the insurance coverage we do obtain may not cover certain hazards or all potential losses that are currently covered, and may be subject to large deductibles. Losses and liabilities from uninsured and underinsured events and delay in the payment of insurance proceeds could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The 2-D and 3-D Seismic Data and Other Advanced Technologies We Use Cannot Eliminate Exploration Risk, Which Could Limit Our Ability to Replace and Grow Our Reserves and Materially and Adversely Affect Our Future Cash Flows and Results of Operations.

We intend to employ visualization and 2-D and 3-D seismic images to assist us in exploration and development activities where applicable. These techniques only assist geoscientists in identifying subsurface structures and hydrocarbon indicators and do not allow the interpreter to know conclusively if hydrocarbons are present or economically producible. We could incur losses by drilling unproductive wells based on these technologies. Poor results from our exploration activities could limit our ability to replace and grow reserves and materially and adversely affect our future cash flows and results of operations.

We Currently Own Only a Limited Amount of Seismic and Other Geological Data and May Have Difficulty Obtaining Additional Data at a Reasonable Cost, Which Could Adversely Affect Our Future Cash Flows and Results of Operations.

We currently own only a limited amount of seismic and other geological data to assist us in exploration and development activities. We intend to obtain access to additional data in our areas of interest through licensing arrangements with companies that own or have access to that data or by paying to obtain that data directly. Seismic and geological data can be expensive to license or obtain. We may not be able to license or obtain such data at an acceptable cost.

The Unavailability or High Cost of Drilling Rigs, Completion Equipment and Services, Supplies and Personnel, Including Hydraulic Fracturing Equipment and Personnel, Could Adversely Affect Our Ability to Establish and Execute Exploration and Development Plans within Budget and on a Timely Basis, Which Could Have a Material Adverse Effect on Our Financial Condition, Results of Operations and Cash Flows.

Shortages or the high cost of drilling rigs, completion equipment and services, supplies or personnel could delay or adversely affect our operations. When drilling activity in the United States increases, associated costs typically also increase, including those costs related to drilling rigs, equipment, supplies and personnel and the services and products of other vendors to the industry. These costs may increase, and necessary equipment and services may become unavailable to us at economical prices. Should this increase in costs occur, we may delay drilling activities, which may limit our ability to establish and replace reserves, or we may incur these higher costs, which may negatively affect our financial condition, results of operations and cash flows.

In addition, the demand for hydraulic fracturing services currently exceeds the availability of fracturing equipment and crews across the industry and in our operating areas in particular. The accelerated wear and tear of hydraulic fracturing equipment due to its deployment in unconventional oil and natural gas fields characterized by longer lateral lengths and larger numbers of fracturing stages has further amplified this equipment and crew shortage. If demand for fracturing services continues to increase or the supply of fracturing equipment and crews decreases, then higher costs could result and could adversely affect our business and results of operations.

Our Identified Drilling Locations Are Scheduled Out over Several Years, Making Them Susceptible to Uncertainties That Could Materially Alter the Occurrence or Timing of Their Drilling.

Our management team has identified and scheduled drilling locations in our operating areas over a multi-year period. Our ability to drill and develop these locations depends on a number of factors, including the availability of equipment and capital, approval by regulators, seasonal conditions, oil and natural gas prices, assessment of risks, costs and drilling results. The final determination on whether to drill any of these locations will be dependent upon the factors described elsewhere in this prospectus as well as, to some degree, the results of our drilling activities with respect to our established drilling locations. Because of these uncertainties, we do not know if the drilling locations we have identified will be drilled within our expected timeframe or at all or if we will be able to economically produce hydrocarbons from these or any other potential drilling locations. Our actual drilling activities may be materially different from our current expectations, which could adversely affect our financial condition, results of operations and cash flows.

We Have Limited Control over Activities on Properties We Do Not Operate.

We are not the operator on some of our properties, particularly in the Haynesville shale. As a result of our sale of certain assets to a subsidiary of Chesapeake Energy Corporation in 2008, we do not operate one of our most significant natural gas assets in the Haynesville shale. We also acquired other non-operated acreage positions in north Louisiana. Because we are not the operator for these properties, our ability to exercise influence over the operations of these properties or their associated costs is limited. Our dependence on the operators and other working interest owners of these projects and our limited ability to influence operations and associated costs or control the risks could materially and adversely affect the realization of our targeted returns on capital in drilling or acquisition activities. The success and timing of our drilling and development activities on properties operated by others therefore depends upon a number of factors, including:

- timing and amount of capital expenditures;
- the operator’s expertise and financial resources;
- the rate of production of reserves, if any;
- approval of other participants in drilling wells; and
- selection of technology.

In areas where we do not have the right to propose the drilling of wells, we may have limited influence on when, how and at what pace our properties in those areas are developed. Further, the operators of those properties may experience financial problems in the future or may sell their rights to another operator not of our choosing, both of which could limit our ability to develop and monetize the underlying natural gas reserves.

A Component of Our Growth May Come through Acquisitions, and Our Failure to Identify or Complete Future Acquisitions Successfully Could Reduce Our Earnings and Hamper Our Growth.

We may be unable to identify properties for acquisition or to make acquisitions on terms that we consider economically acceptable. There is intense competition for acquisition opportunities in our industry. Competition for acquisitions may increase the cost of, or cause us to refrain from, completing acquisitions. The completion and pursuit of acquisitions may be dependent upon, among other things, our ability to obtain debt and equity financing and, in some cases, regulatory approvals. Our ability to grow through acquisitions will require us to continue to invest in operations, financial and management information systems and to attract, retain, motivate and effectively manage our employees. The inability to manage the integration of acquisitions effectively could reduce our focus on subsequent acquisitions and current operations, and could negatively impact our results of operations and growth potential. Our financial position, results of operations and cash flows may fluctuate significantly from period to period, as a result of the completion of significant acquisitions during particular periods. If we are not successful in identifying or acquiring any material property interests, our earnings could be reduced and our growth could be restricted.

We may engage in bidding and negotiating to complete successful acquisitions. We may be required to alter or increase substantially our capitalization to finance these acquisitions through the use of cash on hand, the issuance of debt or equity securities, the sale of production payments, the sale of non-strategic assets, the borrowing of funds or otherwise. Our current revolving credit agreement includes covenants limiting our ability to incur additional debt. If we were to proceed with one or more acquisitions involving the issuance of our common stock, our shareholders would suffer dilution of their interests. Furthermore, our decision to acquire properties that are substantially different in operating or geologic characteristics or geographic locations from areas with which our staff is familiar may impact our productivity in such areas.

We May Purchase Oil and Natural Gas Properties with Liabilities or Risks That We Did Not Know About or That We Did Not Assess Correctly, and, as a Result, We Could Be Subject to Liabilities That Could Adversely Affect Our Results of Operations.

Before acquiring oil and natural gas properties, we estimate the reserves, future oil and natural gas prices, operating costs, potential environmental liabilities and other factors relating to the properties. However, our review involves many assumptions and estimates, and their accuracy is inherently uncertain. As a result, we may not discover all existing or potential problems associated with the properties we buy. We may not become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. We do not generally perform inspections on every well or property, and we may not be able to observe mechanical and environmental problems even when we conduct an inspection. The seller may not be willing or financially able to give us contractual protection against any identified problems, and we may decide to assume environmental and other liabilities in connection with properties we acquire. If we acquire properties with risks or liabilities we did not know about or that we did not assess correctly, our financial condition, results of operations and cash flows could be adversely affected as we settle claims and incur cleanup costs related to these liabilities.

Strategic Relationships Upon Which We May Rely Are Subject to Change, Which May Diminish Our Ability to Conduct Our Operations.

Our ability to explore, develop and produce oil and natural gas resources successfully and acquire oil and natural gas interests and acreage depends on our developing and maintaining close working relationships with industry participants and on our ability to select and evaluate suitable acquisition opportunities in a highly competitive environment. These realities are subject to change and may impair our ability to grow.

To develop our business, we will endeavor to use the business relationships of our management, board and special board advisors to enter into strategic relationships, which may take the form of contractual arrangements with other oil and natural gas companies, including those that supply equipment and other resources that we expect to use in our business. We may not be able to establish these strategic relationships, or if established, we may not be able to maintain them. In addition, the dynamics of our relationships with strategic partners may require us to incur expenses or undertake activities we would not otherwise be inclined to incur in order to fulfill our obligations to these partners or maintain our relationships. If our strategic relationships are not established or maintained, our business prospects may be limited, which could diminish our ability to conduct our operations.

The Marketability of Our Production Is Dependent upon Oil and Natural Gas Gathering and Transportation Facilities Owned and Operated by Third Parties, and the Unavailability of Satisfactory Oil and Natural Gas Transportation Arrangements Would Have a Material Adverse Effect on Our Revenue.

The unavailability of satisfactory oil and natural gas transportation arrangements may hinder our access to oil and natural gas markets or delay production from our wells. The availability of a ready market for our oil and natural gas production depends on a number of factors, including the demand for, and supply of, oil and natural gas and the proximity of reserves to pipelines and terminal facilities. Our ability to market our production depends in substantial part on the availability and capacity of gathering systems, pipelines and processing facilities owned and operated by third parties. Our failure to obtain these services on acceptable terms could materially harm our business. We may be required to shut-in wells for lack of a market or because of inadequacy or unavailability of pipeline or gathering system capacity. If that were to occur, we would be unable to realize revenue from those wells until production arrangements were made to deliver our production to market. Furthermore, if we were required to shut-in wells we might also be obligated to pay shut-in royalties to certain mineral interest owners in order to maintain our leases.

The disruption of third party facilities due to maintenance and/or weather could negatively impact our ability to market and deliver our products. The third parties control when or if such facilities are restored and what prices will be charged. We generally do not purchase firm transportation on third party facilities, and, therefore, our production transportation can be interrupted by those having firm arrangements. Federal and state regulation of oil and natural gas production and transportation, tax and energy policies, changes in supply and demand, pipeline pressures, damage to or destruction of pipelines and general economic conditions could adversely affect our ability to produce, gather and transport oil and natural gas.

Hedging Transactions, or the Lack Thereof, May Limit Our Potential Gains and Could Result in Financial Losses.

To manage our exposure to price risk, we, from time to time, enter into hedging arrangements, using primarily “costless collars,” with respect to a portion of our future production. A costless collar provides us with downside price protection through the purchase of a put option which is financed through the sale of a call option. Because the call option proceeds are used to offset the cost of the put option, this arrangement is initially "costless" to us. The goal of these and other hedges is to lock in a range of prices so as to mitigate price volatility and increase the predictability of cash flows. These transactions limit our potential gains if oil or natural gas prices rise above the maximum price established by the call option and may offer protection if prices fall below the minimum price established by the put option only to the extent of the volumes then hedged.

In addition, hedging transactions may expose us to the risk of financial loss in certain other circumstances, including instances in which our production is less than expected or the counterparties to our put and call option contracts fail to perform under the contracts.

Disruptions in the financial markets could lead to sudden changes in a counterparty's liquidity, which could impair its ability to perform under the terms of the contracts. We are unable to predict sudden changes in a counterparty's creditworthiness or ability to perform under contracts with us. Even if we do accurately predict sudden changes, our ability to mitigate that risk may be limited depending upon market conditions.

Furthermore, there may be times when we have not hedged our production when, in retrospect, it would have been advisable to do so. Decisions as to whether and what production volumes to hedge are difficult and depend on market conditions and our forecast of future production and oil and gas prices, and we may not always employ the optimal hedging strategy. We may employ hedging strategies in the future that differ from those that we have used in the past, and neither the continued application of our current strategies nor our use of different hedging strategies may be successful. Our existing natural gas hedges will expire at various times during 2011, 2012 and 2013. We currently have no hedging agreements in place for any of our oil and liquids production.

An Increase in the Differential between the NYMEX or other Benchmark Prices of Oil and Natural Gas and the Wellhead Price We Receive for Our Production Could Adversely Affect Our Business, Financial Condition, Results of Operations and Cash Flows.

The prices that we receive for our oil and natural gas production sometimes reflect a discount to the relevant benchmark prices, such as NYMEX, that are used for calculating hedge positions. The difference between the benchmark price and the prices we receive is called a differential. Increases in the differential between the benchmark prices for oil and natural gas and the wellhead price we receive could adversely affect our business, financial condition, results of operations and cash flows. We do not have, and may not have in the future, any derivative contracts covering the amount of the basis differentials we experience in respect of our production. As such, we will be exposed to any increase in such differentials.

We Are Subject to Government Regulation and Liability, including Complex Environmental Laws, Which Could Require Significant Expenditures.

The exploration, development, production and sale of oil and natural gas in the United States are subject to many federal, state and local laws, rules and regulations, including complex environmental laws and regulations. Matters subject to regulation include discharge permits, drilling bonds, reports concerning operations, the spacing of wells, unitization and pooling of properties, taxation or environmental matters and health and safety criteria addressing worker protection. Under these laws and regulations, we may be required to make large expenditures that could materially adversely affect our financial condition, results of operations and cash flows. These expenditures could include payments for:

- personal injuries;
- property damage;

- containment and clean up of oil and other spills;
- the management and disposal of hazardous materials;
- remediation and clean-up costs; and
- other environmental damages.

We do not believe that full insurance coverage for all potential damages is available at a reasonable cost. Failure to comply with these laws and regulations also may result in the suspension or termination of our operations and subject us to administrative, civil and criminal penalties, injunctive relief and/or the imposition of investigatory or other remedial obligations. Laws, rules and regulations protecting the environment have changed frequently and the changes often include increasingly stringent requirements. These laws, rules and regulations may impose liability on us for environmental damage and disposal of hazardous materials even if we were not negligent or at fault. We may also be found to be liable for the conduct of others or for acts that complied with applicable laws, rules or regulations at the time we performed those acts. These laws, rules and regulations are interpreted and enforced by numerous federal and state agencies. In addition, private parties, including the owners of properties upon which our wells are drilled or the owners of properties adjacent to or in close proximity to those properties, may also pursue legal actions against us based on alleged non-compliance with certain of these laws, rules and regulations.

We Are Subject to Federal, State and Local Taxes, and May Become Subject to New Taxes or Have Eliminated or Reduced Certain Federal Income Tax Deductions Currently Available with Respect to Oil and Natural Gas Exploration and Production Activities as a Result of Future Legislation, Which Could Adversely Affect Our Business, Financial Condition, Results of Operations and Cash Flows.

The federal, state and local governments in the areas in which we operate impose taxes on the oil and natural gas products we sell and, for many of our wells, sales and use taxes on significant portions of our drilling and operating costs. In the past, there has been a significant amount of discussion by legislators and presidential administrations concerning a variety of energy tax proposals. Many states have raised state taxes on energy sources, and additional increases may occur. Changes to tax laws that are applicable to us could adversely affect our business and our financial results.

Periodically, legislation is introduced to eliminate certain key U.S. federal income tax preferences currently available to oil and natural gas exploration and production companies. Such changes include, but are not limited to, (i) the repeal of the percentage depletion allowance for oil and natural gas properties, (ii) the elimination of current deductions for intangible drilling and development costs, (iii) the elimination of the deduction for certain United States production activities and (iv) the increase in the amortization period for geological and geophysical costs paid or incurred in connection with the exploration for, or development of, oil or natural gas within the United States. These changes were included in the White House budget proposals, released on February 26, 2009, February 1, 2010 and February 14, 2011, and may be raised again in the future. The American Jobs Act of 2011 proposed by President Obama also contains similar changes. It is unclear whether any such changes will actually be enacted or, if enacted, how soon any such changes could become effective. The passage of any legislation as a result of the budget proposals or any other similar change in U.S. federal income tax law could affect certain tax deductions that are currently available with respect to oil and natural gas exploration and production activities and could negatively impact our financial condition, results of operations and cash flows.

We May Be Required to Write Down the Carrying Value of Our Proved Properties Under Accounting Rules and these Write-Downs Could Adversely Affect Our Financial Condition.

There is a risk that we will be required to write down the carrying value of our oil and natural gas properties when oil or natural gas prices are low. In addition, non-cash write-downs may occur if we have:

- downward adjustments to our estimated proved reserves;
- increases in our estimates of development costs; or
- deterioration in our exploration results.

We periodically review the carrying value of our oil and natural gas properties under full-cost accounting rules. Under these rules, the net capitalized costs of oil and natural gas properties less related deferred income taxes may not exceed a cost center ceiling that is based on the present value, based on constant prices and costs projected forward from a single point in time, of estimated future after-tax net cash flows from proved reserves, discounted at 10%. If the net capitalized costs of our oil and natural gas properties less related deferred income taxes exceed the cost center ceiling, we must charge the amount of this excess to operations in the period in which the excess occurs. We may not reverse write-downs even if prices increase in subsequent periods. A write-down does not affect net cash flows from operating activities, but it does reduce the book value of our net tangible assets, retained earnings and shareholders’ equity and could lower the value of our common stock.

We May Incur Losses or Costs as a Result of Title Deficiencies in the Properties in Which We Invest.

If an examination of the title history of a property that we have purchased reveals an oil and natural gas lease has been purchased in error from a person who is not the owner of the mineral interest desired, our interest would be worthless. In such an instance, the amount paid for such oil and natural gas lease as well as any royalties paid pursuant to the terms of the lease prior to the discovery of the title defect would be lost.

It is our practice, in acquiring oil and natural gas leases, or undivided interests in oil and natural gas leases, not to undergo the expense of retaining lawyers to examine the title to the mineral interest to be placed under lease or already placed under lease. Rather, we will rely upon the judgment of oil and natural gas lease brokers and/or landmen who perform the field work in examining records in the appropriate governmental office before attempting to acquire a lease on a specific mineral interest.

Prior to the drilling of an oil and natural gas well, however, it is the normal practice in the oil and natural gas industry for the person or company acting as the operator of the well to obtain a preliminary title review of the spacing unit within which the proposed oil and natural gas well is to be drilled to ensure there are no obvious deficiencies in title to the well. Frequently, as a result of such examinations, certain curative work must be done to correct deficiencies in the marketability of the title, and such curative work entails expense. Our failure to cure any title defects may adversely impact our ability in the future to increase production and reserves. In the future, we may suffer a monetary loss from title defects or title failure. Additionally, unproved and unevaluated acreage has greater risk of title defects than developed acreage. If there are any title defects or defects in assignment of leasehold rights in properties in which we hold an interest, we will suffer a financial loss which could adversely affect our financial condition, results of operations and cash flows.

The Derivatives Legislation Adopted by Congress Could Have an Adverse Impact on Our Ability to Hedge Risks Associated with Our Business.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, which is intended to modernize and protect the integrity of the U.S. financial system. The Dodd-Frank Act, among other things, sets forth the new framework for regulating certain derivative products including the commodity hedges of the type used by us, but many aspects of this law are subject to further rulemaking and will take effect over several years. As a result, it is difficult to anticipate the overall impact of the Dodd-Frank Act on our ability or willingness to continue entering into and maintaining such commodity hedges and the terms thereof. Based upon the limited assessments we are able to make with respect to the Dodd-Frank Act, there is the possibility that the Dodd-Frank Act could have a substantial and adverse impact on our ability to enter into and maintain these commodity hedges. In particular, the Dodd-Frank Act could result in the implementation of position limits and additional regulatory requirements on our derivative arrangements, which could include new margin, reporting and clearing requirements. In addition, this legislation could have a substantial impact on our counterparties and may increase the cost of our derivative arrangements in the future.

If these types of commodity hedges become unavailable or uneconomic, our commodity price risk could increase, which would increase the volatility of revenues and may decrease the amount of credit available to us. Any limitations or changes in our use of derivative arrangements could also materially affect our future ability to conduct acquisitions.

Federal and State Legislation and Regulatory Initiatives Relating to Hydraulic Fracturing Could Result in Increased Costs and Additional Operating Restrictions or Delays.

Congress is currently considering legislation to amend the federal Safe Drinking Water Act to remove the exemption from restrictions on underground injection of fluids near drinking water sources granted to hydraulic fracturing operations and require reporting and disclosure of chemicals used by oil and natural gas companies in the hydraulic fracturing process. Hydraulic fracturing involves the injection of water, sand or other propping agents and chemicals under pressure into rock formations to stimulate natural gas production. We routinely use hydraulic fracturing to produce commercial quantities of oil, liquids and natural gas from shale formations such as the Haynesville and the Eagle Ford shales, where we focus our operations. Sponsors of bills before the Senate and House of Representatives have asserted that chemicals used in the fracturing process could adversely affect drinking water supplies. These bills, if adopted, could increase the possibility of litigation and establish an additional level of regulation at the federal level that could lead to operational delays or increased operating costs and could, and in all likelihood would, result in additional regulatory burdens, making it more difficult to perform hydraulic fracturing operations and increasing our costs of compliance. Moreover, the U.S. Environmental Protection Agency, or EPA, is conducting a comprehensive research study on the potential adverse impacts that hydraulic fracturing may have on drinking water and groundwater. Consequently, even if these bills are not adopted soon or at all, the performance of the hydraulic fracturing study by the EPA could spur further action at a later date towards federal legislation and regulation of hydraulic fracturing or similar production operations.

In addition, a number of states are considering or have implemented more stringent regulatory requirements applicable to fracturing, which could include a moratorium on drilling and effectively prohibit further production of natural gas through the use of hydraulic fracturing or similar operations. For example, Texas has adopted legislation that requires the disclosure of information regarding the substances used in the hydraulic fracturing process to the Railroad Commission of Texas and the public. This legislation and any implementing regulation could increase our costs of compliance and doing business.

The adoption of new laws or regulations imposing reporting obligations on, or otherwise limiting, the hydraulic fracturing process could make it more difficult to complete oil and natural gas wells in shale formations. In addition, if hydraulic fracturing becomes regulated at the federal level as a result of federal legislation or regulatory initiatives by the EPA, fracturing activities could become subject to additional permitting requirements, and also to attendant permitting delays and potential increases in cost, which could adversely affect our business and results of operations.

Legislation or Regulations Restricting Emissions of "Greenhouse Gases" Could Result in Increased Operating Costs and Reduced Demand for the Natural Gas, Natural Gas Liquids and Oil We Produce While the Physical Effects of Climate Change Could Disrupt Our Production and Cause Us to Incur Significant Costs in Preparing for or Responding to those Effects.

On December 15, 2009, the EPA published its final findings that emissions of carbon dioxide, methane and other "greenhouse gases" present an endangerment to public health and welfare because emissions of such gases are, according to the EPA, contributing to the warming of the earth's atmosphere and other climatic changes. These findings allow the EPA to adopt and implement regulations that would restrict emissions of greenhouse gases under existing provisions of the federal Clean Air Act. Accordingly, the EPA has adopted regulations that would require a reduction in emissions of greenhouse gases from motor vehicles and permitting and presumably requiring a reduction in greenhouse gas emissions from certain stationary sources. In addition, on October 30, 2009, the EPA published a final rule requiring the reporting of greenhouse gas emissions from specified large greenhouse gas emission sources in the United States beginning in 2011 for emissions occurring in 2010. On November 30, 2010, the EPA released a final rule that expands its rule on reporting of greenhouse gas emissions to include owners and operators of petroleum and natural gas systems. Monitoring of those newly covered emissions commenced on January 1, 2011, with the first annual reports due to the EPA on March 31, 2012. The adoption and implementation of any regulations imposing reporting obligations on, or limiting emissions of greenhouse gases from, our equipment and operations could require us to incur costs to reduce emissions of greenhouse gases associated with our operations. There were attempts at comprehensive legislation establishing a cap and trade program, but that legislation appears unlikely to pass. Further, various states have adopted legislation that seeks to control or reduce emissions of greenhouse gases from a wide range of sources. Any such legislation could adversely affect demand for the natural gas, oil and liquids that we produce.

A Change in the Jurisdictional Characterization of Some of Our Assets by FERC or a Change in Policy by It May Result in Increased Regulation of Our Assets, Which May Cause Our Revenues to Decline and Operating Expenses to Increase.

Section 1(b) of the Natural Gas Act of 1938, or NGA, exempts natural gas gathering facilities from regulation by the Federal Energy Regulatory Commission, or FERC, as a natural gas company under the NGA. We believe that the natural gas pipelines in our gathering systems meet the traditional tests FERC has used to establish a pipeline's status as a gatherer not subject to regulation as a natural gas company. However, the distinction between FERC-regulated transmission services and federally unregulated gathering services is the subject of on-going litigation, so the classification and regulation of our gathering facilities are subject to change based on future determinations by FERC, the courts or Congress. A change in the jurisdictional characterization by FERC or Congress or a change in policy by either of them may result in increased regulation of our assets, which may cause our revenues to decline and operating expenses to increase.

Should We Fail to Comply with All Applicable FERC-Administered Statutes, Rules, Regulations and Orders, We Could Be Subject to Substantial Penalties and Fines.

Under the Domenici-Barton Energy Policy Act of 2005, FERC has civil penalty authority under the NGA to impose penalties for current violations of up to $1.0 million per day for each violation and disgorgement of profits associated with any violation. Our systems have not yet been regulated by FERC, as a natural gas company subject to the provisions of the NGA. FERC has adopted regulations that may subject certain of our otherwise non-FERC/NGA jurisdictional facilities to FERC annual reporting and daily scheduled flow and capacity posting requirements. Additional laws, rules and regulations pertaining to those and other matters may be considered or adopted by FERC or Congress from time to time. Failure to comply with those laws, rules and regulations in the future could subject us to civil penalty liability.

Competition in the Oil and Natural Gas Industry is Intense Making It More Difficult for Us to Acquire Properties, Market Natural Gas and Secure Trained Personnel.

Our ability to acquire additional prospects and to find and develop reserves in the future will depend on our ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment for acquiring properties, marketing oil and natural gas and securing trained personnel. Also, there is substantial competition for capital available for investment in the oil and natural gas industry. Many of our competitors possess and employ financial, technical and personnel resources substantially greater than ours. Those companies may be able to pay more for productive oil and natural gas properties and exploratory prospects and to evaluate, bid for and purchase a greater number of properties and prospects than our financial or personnel resources permit. In addition, other companies may be able to offer better compensation packages to attract and retain qualified personnel than we are able to offer. The cost to attract and retain qualified personnel has increased in recent years due to competition and may increase substantially in the future. We may not be able to compete successfully in the future in acquiring prospective reserves, developing reserves, marketing hydrocarbons, attracting and retaining quality personnel and raising additional capital, which could have a material adverse effect on our business.

Our Competitors May Use Superior Technology and Data Resources that We May Be Unable to Afford or That Would Require a Costly Investment by Us in Order to Compete with Them More Effectively.

Our industry is subject to rapid and significant advancements in technology, including the introduction of new products and services using new technologies and databases. As our competitors use or develop new technologies, we may be placed at a competitive disadvantage, and competitive pressures may force us to implement new technologies at a substantial cost. In addition, many of our competitors will have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before we can. We cannot be certain that we will be able to implement technologies on a timely basis or at a cost that is acceptable to us. One or more of the technologies that we will use or that we may implement in the future may become obsolete, and we may be adversely affected.

Certain of Our Unproved and Unevaluated Acreage Is Subject to Leases that Will Expire Over the Next Several Years Unless Production Is Established on Units Containing the Acreage.

At June 30, 2011, we had leasehold interests in approximately 137,000 net acres across all of our areas of interest that are not currently held by production and are subject to leases with primary or renewed terms that expire prior to December 31, 2013. Unless we establish production in paying quantities on units containing these leases during their terms or we renew such leases, these leases will expire. If our leases expire, we will lose our right to develop the related properties. The cost to renew such leases may increase significantly, and we may not be able to renew such leases on commercially reasonable terms or at all. In addition, on certain portions of our acreage, third party leases may have been taken and could become immediately effective if our leases expire. As such, our actual drilling activities may materially differ from our current expectations, which could adversely affect our business, financial condition, results of operations and cash flows.

We May Have Difficulty Managing Growth in Our Business, Which Could Have a Material Adverse Effect on Our Business, Financial Condition, Results of Operations and Cash Flows and Our Ability to Execute Our Business Plan in a Timely Fashion.

Because of our small size, growth in accordance with our business plans, if achieved, will place a significant strain on our financial, technical, operational and management resources. As we expand our activities, including our planned increase in oil exploration, development and production, and increase the number of projects we are evaluating or in which we participate, there will be additional demands on our financial, technical and management resources. The failure to continue to upgrade our technical, administrative, operating and financial control systems or the occurrence of unexpected expansion difficulties, including the inability to recruit and retain experienced managers, geoscientists, petroleum engineers and landmen could have a material adverse effect on our business, financial condition, results of operations and cash flows and our ability to execute our business plan in a timely fashion.

Financial Difficulties Encountered by Our Oil and Natural Gas Purchasers, Third Party Operators or Other Third Parties Could Decrease Our Cash Flow from Operations and Adversely Affect the Exploration and Development of Our Prospects and Assets.

We derive essentially all of our revenues from the sale of our oil and natural gas to unaffiliated third party purchasers, independent marketing companies and mid-stream companies. Any delays in payments from our purchasers caused by financial problems encountered by them will have an immediate negative effect on our results of operations and cash flows.

Liquidity and cash flow problems encountered by our working interest co-owners or the third party operators of our non-operated properties may prevent or delay the drilling of a well or the development of a project. Our working interest co-owners may be unwilling or unable to pay their share of the costs of projects as they become due. In the case of a farmout party, we would have to find a new farmout party or obtain alternative funding in order to complete the exploration and development of the prospects subject to a farmout agreement. In the case of a working interest owner, we could be required to pay the working interest owner’s share of the project costs. We cannot assure you that we would be able to obtain the capital necessary to fund either of these contingencies or that we would be able to find a new farmout party.

We May Incur Indebtedness Which Could Reduce Our Financial Flexibility, Increase Interest Expense and Adversely Impact Our Operations and Our Unit Costs.

Upon the completion of this offering and the application of the net proceeds to be received by us, we expect to have no long-term debt outstanding and available borrowings of approximately $78.7 million (after giving effect to outstanding letters of credit). Our current maximum borrowing capacity is the borrowing base, which at September 30, 2011 was $80.0 million, under our revolving credit agreement. Our borrowing base is determined semi-annually by our lenders based primarily on estimates of our proved oil and natural gas reserves. Our revolving credit agreement contains covenants restricting our ability to incur additional indebtedness which may limit our ability to obtain additional financing. In addition, the borrowing base under our revolving credit agreement is subject to periodic redeterminations.

We could be forced to repay a portion of our bank borrowings due to redeterminations of our borrowing base. If we are forced to do so, we may not have sufficient funds to make such repayments.

In addition to our revolving credit agreement, in May 2011, we borrowed $25.0 million in a term loan pursuant to the credit agreement. The term loan is due and payable on December 31, 2011, and there is no penalty for prepayment. At September 30, 2011, the term loan and the revolving loan bore interest at approximate annual rates of 5.3% and 2.2%, respectively. Once we discharge the term loan in full with a portion of the net proceeds we receive from this offering, we will not be able to borrow any further amounts under the term loan. In the future, we may incur additional indebtedness, which may be significant, in order to make acquisitions or to develop our properties. Interest rates on such future indebtedness may be higher than current levels, causing our financing costs to increase accordingly.

Our level of indebtedness could affect our operations in several ways, including the following:

- a significant portion of our cash flows could be used to service our indebtedness;
- a high level of debt would increase our vulnerability to general adverse economic and industry conditions;
- any covenants contained in the agreements governing our outstanding indebtedness could limit our ability to borrow additional funds, dispose of assets, pay dividends and make certain investments;
- a high level of debt may place us at a competitive disadvantage compared to our competitors that are less leveraged and, therefore, may be able to take advantage of opportunities that our indebtedness may prevent us from pursuing;
- our debt covenants may also affect our flexibility in planning for, and reacting to, changes in the economy and in our industry; and
- a high level of debt may impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions and general corporate or other purposes.

A high level of indebtedness increases the risk that we may default on our debt obligations. Our ability to meet our debt obligations and to reduce our level of indebtedness depends on our future performance. General economic conditions, oil and natural gas prices and financial, business and other factors affect our operations and our future performance. We may not be able to generate sufficient cash flows to pay the principal or interest on our debt, and future working capital, borrowings or equity financing may not be available to pay or refinance such debt. Factors that will affect our ability to raise cash through an offering of our capital stock or a refinancing of our debt include financial market conditions, the value of our assets and our performance at the time we need capital. If we do not have sufficient funds and are otherwise unable to negotiate renewals of our borrowings or arrange new financing, we may have to sell significant assets or have a portion of our assets foreclosed upon which could have a material adverse effect on our business and financial results.

Our Success Depends, to a Large Extent, on Our Ability to Retain Our Key Personnel, Including Our Chairman of the Board, Chief Executive Officer and President, the Members of Our Board of Directors and Our Special Board Advisors, and the Loss of Any Key Personnel, Board Member or Special Board Advisor Could Disrupt Our Business Operations.

Investors in our common stock must rely upon the ability, expertise, judgment and discretion of our management and the success of our technical team in identifying, evaluating and developing prospects and reserves. Our performance and success are dependent to a large extent on the efforts and continued employment of our management and technical personnel, including our Chairman, President and Chief Executive Officer, Joseph Wm. Foran. We do not believe that they could be quickly replaced with personnel of equal experience and capabilities, and their successors may not be as effective. We have entered into employment agreements with Mr. Foran and other key personnel. However, these employment agreements do not ensure that these individuals remain in our employment. If Mr. Foran or any of these other key personnel resign or become unable to continue in their present roles and if they are not adequately replaced, our business operations could be adversely affected. With the exception of Mr. Foran, we do not maintain, nor do we plan to obtain, any insurance against the loss of any of these individuals.

We have an active board of directors that meets several times throughout the year and is intimately involved in our business and the determination of our operational strategies. Members of our board of directors work closely with management to identify potential prospects, acquisitions and areas for further development. Many of our directors have been involved with us since our inception and have a deep understanding of our operations and culture. If any of our directors resign or become unable to continue in their present role, it may be difficult to find replacements with the same knowledge and experience and as a result, our operations may be adversely affected.

In addition, our board consults regularly with our special advisors regarding our business and the evaluation, exploration, engineering and development of our prospects. Due to the knowledge and experience of our special advisors, they play a key role in our multi-disciplined approach to making decisions regarding prospects, acquisitions and development. If any of our special advisors resign or become unable to continue in their present role, our operations may be adversely affected.

Our Management Team Will Own Approximately —% of Our Common Stock after the Consummation of this Offering, Which Could Give Them Influence in Corporate Transactions and Other Matters, and the Interests of Our Management Could Differ From Yours.

Our directors and officers will beneficially own approximately —% of our outstanding shares of common stock following this offering based on — shares of common stock to be sold in this offering. These shareholders will be positioned to influence or control to some degree the outcome of matters requiring a shareholder vote, including the election of directors, the adoption of any amendment to our certificate of formation or bylaws and the approval of mergers and other significant corporate transactions. Their influence or control of the company may have the effect of delaying or preventing a change of control of the company and may adversely affect the voting and other rights of other shareholders. In addition, due to their ownership interest in our common stock, they may be able to remain entrenched in their positions.

Risks Relating to this Offering and Our Common Stock

The Market Price and Trading Volume of Our Common Stock May Be Volatile Following this Offering.

The market price of our common stock could vary significantly as a result of a number of factors. In addition, the trading volume of our common stock may fluctuate and cause significant price variations to occur. In the event of a drop in the market price of our common stock, you could lose a substantial part or all of your investment in our common stock. Factors that could affect our stock price or result in fluctuations in the market price or trading volume of our common stock include:

- our actual or anticipated operating and financial performance and drilling locations, including reserves estimates;
- quarterly variations in the rate of growth of our financial indicators, such as net income per share, net income and cash flows, or those of companies that are perceived to be similar to us;

- changes in revenue, cash flows or earnings estimates or publication of reports by equity research analysts;
- speculation in the press or investment community;
- public reaction to our press releases, announcements and filings with the Securities and Exchange Commission, or SEC;
- sales of our common stock by us, the selling shareholders or other shareholders, or the perception that such sales may occur;
- general financial market conditions and oil and gas industry market conditions, including fluctuations in commodity prices;
- the realization of any of the risk factors presented in this prospectus;
- the recruitment or departure of key personnel;
- commencement of or involvement in litigation;
- the prices of oil and natural gas;
- the success of our exploration and development operations, and the marketing of any oil and natural gas we produce;
- changes in market valuations of companies similar to ours; and
- domestic and international economic, legal and regulatory factors unrelated to our performance.

The stock markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock.

There Is Currently No Public Market for Our Common Stock, and an Active Liquid Trading Market for Our Common Stock May Not Develop Following this Offering.

Prior to this offering, there has been no public market for our common stock. We intend to file a listing application with the New York Stock Exchange, or NYSE, for our common stock in connection with this offering, which is subject to official notice of issuance. Liquid and active trading markets usually result in less price volatility and more efficiency in carrying out investors' purchase and sale orders. Our common stock may have limited trading volume, and many investors may not be interested in owning our common stock because of the inability to acquire or sell a substantial block of our common stock at one time. Such illiquidity could have an adverse effect on the market price of our common stock. In addition, a shareholder may not be able to borrow funds using our common stock as collateral because lenders may be unwilling to accept the pledge of securities having such a limited market. We cannot assure you that an active trading market for our common stock will develop or, if one develops, be sustained.

The Initial Public Offering Price of Our Common Stock May Not Be Indicative of the Market Price of Our Common Stock after this Offering.

The initial public offering price may not necessarily bear any relationship to our book value or the fair market value of our assets. The initial public offering price will be negotiated between us and representatives of the underwriters, based on numerous factors which we discuss in the "Underwriters" section of this prospectus, and may not be indicative of the market price of our common stock after this offering. Consequently, you may not be able to sell shares of our common stock at prices equal to or greater than the price paid by you in this offering.

Purchasers of Common Stock in this Offering will Experience Immediate and Substantial Dilution of $— Per Share.

Based on an assumed initial public offering price of $— per share, purchasers of our common stock in this offering will experience an immediate and substantial dilution of $— per share in the pro forma as adjusted net tangible book value per share of common stock from the initial public offering price, and our pro forma as adjusted net tangible book value at December 31, 2010 after giving effect to this offering would be $— per share. See “Dilution” for a complete description of the calculation of net tangible book value.

Our Intended Use of the Net Proceeds We Receive from this Offering is as Set Forth Under “Use of Proceeds” in this Prospectus, but Our Budgets May Change Throughout 2012 Depending on Oil and Natural Gas Prices, the Outcome of Our Drilling and Exploration Programs and Proposed Acquisitions.

As we discuss in the “Use of Proceeds” section in this prospectus, we intend to use the net proceeds we receive from this offering and from any exercise of the underwriters’ over-allotment option to discharge our $25.0 million term loan in full, repay the outstanding borrowings under our revolving credit agreement in full ($60.0 million outstanding at October 31, 2011) and fund a portion of our anticipated 2012 capital expenditure budget following this offering. However, we may determine to revise our 2012 capital expenditure budget based on the then current oil and natural gas prices and the outcome of our drilling programs. In addition, we may spend some of the net proceeds we receive from this offering to consummate acquisitions of interests and acreage not contemplated by our 2012 capital expenditure budget if we are presented with attractive acquisition opportunities. Management has broad discretion in applying the net proceeds we receive from this offering. Our shareholders may not agree with the manner in which our management chooses to allocate and spend the net proceeds we receive from this offering. The failure of management to apply these funds effectively will have a material adverse effect on our business, financial condition, results of operations and cash flows. Pending their use, we may invest our net proceeds from this offering in a manner that does not produce income or that loses value.

Because We Are a Relatively Small Company, the Requirements of Being a Public Company, Including Compliance with the Reporting Requirements of the Securities Exchange Act of 1934, as Amended, and the Requirements of the Sarbanes-Oxley Act, May Strain Our Resources, Increase Our Costs and Distract Management; and We May Be Unable to Comply with these Requirements in a Timely or Cost-Effective Manner.

As a public company with listed equity securities, we will need to comply with new laws, regulations and requirements, certain corporate governance provisions of the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley Act, related regulations of the SEC and the requirements of the NYSE, with which we are not required to comply as a private company. Complying with these statutes, regulations and requirements will occupy a significant amount of time of our board of directors and management and will significantly increase our costs and expenses, which we cannot estimate accurately at this time. We will need to:

- institute a more comprehensive compliance function;
- establish and maintain a system of internal controls over financial reporting in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act and the related rules and regulations of the SEC and the Public Company Accounting Oversight Board;
- comply with rules promulgated by the NYSE;
- prepare and distribute periodic public reports in compliance with our obligations under the federal securities laws;

- establish new internal policies, such as those relating to disclosure controls and procedures and insider trading;
- involve and retain to a greater degree outside counsel and accountants in the above activities;
- establish an internal audit function; and
- establish an investor relations function.

In addition, we also expect that being a public company subject to these rules and regulations may require us to accept less director and officer liability insurance coverage than we desire or to incur substantial costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee, and qualified executive officers.

If Any of the Material Weaknesses Previously Identified by Our Independent Registered Public Accountants Persist or if We Fail to Establish and Maintain Effective Internal Control over Financial Reporting in the Future, Our Ability to Accurately Report Our Financial Results Could Be Adversely Affected.

Prior to the completion of this offering, we have been a private company and have maintained internal controls and procedures in accordance with being a private company. We have maintained limited accounting personnel to perform our accounting processes and limited supervisory resources with which to address our internal control over financial reporting. In connection with our audit for the year ended December 31, 2010, our independent registered public accountants identified and communicated material weaknesses related to accounting for deferred income taxes, impairment of oil and natural gas properties, assessment of unproved and unevaluated properties and the administration of our stock plan. A material weakness is a control deficiency, or a combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual and interim financial statements will not be prevented or detected on a timely basis.

We have begun the process of evaluating our internal control over financial reporting and will continue to work with our auditors to put into place new accounting process and control procedures to address the issues set forth above. However, we will not complete this process until well after this offering is completed. We cannot predict the outcome of this process at this time.

We are not currently required to comply with the SEC’s rules implementing Section 404 of the Sarbanes-Oxley Act, and are therefore not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. Upon becoming a public company, we will be required to comply with the SEC’s rules implementing Section 302 of the Sarbanes-Oxley Act, which will require our management to certify financial and other information in our quarterly and annual reports and to provide an annual management report on the effectiveness of our internal control over financial reporting. We will not be required to make our first assessment of our internal control over financial reporting until the year following the year that our first annual report is filed or required to be filed with the SEC. To comply with the requirements of being a public company, we will need to upgrade our systems, including information technology, implement additional financial and management controls, reporting systems and procedures and hire additional accounting and financial reporting staff.

Further, our independent registered public accountants are not yet required to formally attest to the effectiveness of our internal control over financial reporting until the year following the year that our first annual report is required to be filed with the SEC. Once they are required to do so, our independent registered public accountants may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed, operated or reviewed. Our remediation efforts may not enable us to remedy or avoid material weaknesses in the future.

Our efforts to develop and maintain our internal controls may not be successful, and we may be unable to maintain effective controls over our financial processes and reporting in the future and comply with the certification and reporting obligations under Sections 302 and 404 of the Sarbanes-Oxley Act. Further, our remediation efforts may not enable us to remedy or avoid material weaknesses in the future. Any failure to remediate deficiencies and to develop or maintain effective controls, or any difficulties encountered in our implementation or improvement of our internal control over financial reporting, could result in material misstatements that are not prevented or detected on a timely basis, which could potentially subject us to sanction or investigation by the SEC, the NYSE or other regulatory authorities. Ineffective internal controls could also cause investors to lose confidence in our reported financial information.

We Do Not Presently Intend to Pay Any Cash Dividends on or Repurchase Any Shares of Our Common Stock.

We do not presently intend to pay any cash dividends on our common stock. Any payment of future dividends will be at the discretion of the board of directors and will depend on, among other things, our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations that our board of directors deems relevant. Cash dividend payments in the future may only be made out of legally available funds and, if we experience substantial losses, such funds may not be available. In addition, prohibition on the payment of dividends and the repurchase of shares of our common stock are imposed under our revolving credit agreement. While these prohibitions exist, we are prohibited from the payment of dividends and the repurchase of shares of our common stock without a waiver from our lenders. Accordingly, you may have to sell some or all of your common stock in order to generate cash flow from your investment and there is no guarantee that the price of our common stock that will prevail in the market after this offering may never exceed the price paid by you in this offering.

Future Sales of Shares of Our Common Stock by Existing Shareholders and Future Offerings of Our Common Stock by Us Could Depress the Price of Our Common Stock.

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market after this offering, and the perception that these sales could occur may also depress the market price of our common stock. Based on — shares outstanding at —, 2011, upon completion of this offering, we will have outstanding approximately — shares of common stock, and in addition to the shares sold in this offering, — shares of common stock will be immediately freely tradable, without restriction, in the public market. The underwriters expect that — of our shares, including all shares held by our officers, directors and selling shareholders, will be subject to lock-up agreements that prohibit the disposition of those shares during the 180-day period beginning on the date of the final prospectus related to this offering, except with the prior written consent of RBC Capital Markets, LLC and subject to certain exceptions. We expect to contact our shareholders to discuss and obtain these agreements prior to the commencement of this offering. After the expiration of the 180-day restricted period, all of these shares may be sold in the public market in the United States, subject to prior registration in the United States, if required, or reliance upon an exemption from U.S. registration, including, in the case of shares held by affiliates or control persons, compliance with the volume restrictions of Rule 144.

If our existing shareholders sell, or indicate an intent to sell, substantial amounts of our common stock in the public market after any contractual lockup and other legal restrictions on resale discussed in this prospectus lapse, the trading price of our common stock could decline significantly and could decline below the initial public offering price. Sales of our common stock may make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. These sales also could cause our stock price to fall and make it more difficult for you to sell shares of our common stock.

As soon as practicable after this offering, we intend to file a registration statement with the SEC on Form S-8 providing for the registration of — shares of our common stock issuable or reserved for issuance under our 2003 Stock and Incentive Plan and our 2011 Long-Term Incentive Plan. Subject to the satisfaction of vesting conditions, the expiration of lockup agreements and certain restrictions on sales by affiliates, shares registered under a registration statement on Form S-8 will be available for resale immediately in the public market without restriction.

We may also sell additional shares of common stock or securities convertible into common stock in subsequent offerings. We cannot predict the size of future issuances of our common stock or convertible securities or the effect, if any, that future issuances and sales of shares of our common stock or convertible securities will have on the market price of our common stock.

Provisions of Our Certificate of Formation, Bylaws and Texas Law May Have Anti-Takeover Effects that Could Prevent a Change in Control Even if It Might Be Beneficial to Our Shareholders.

Our certificate of formation and bylaws contain, or will contain upon completion of this offering, certain provisions that may discourage, delay or prevent a merger or acquisition that our shareholders may consider favorable. These provisions include:

- authorization for our board of directors to issue preferred stock without shareholder approval;
- a classified board of directors so that not all members of our board of directors are elected at one time;
- the prohibition of cumulative voting in the election of directors; and
- a limitation on the ability of shareholders to call special meetings to those owning at least 25% of our outstanding shares of common stock.

Provisions of Texas law also may discourage, delay or prevent someone from acquiring or merging with us, which may cause the market price of our common stock to decline. Under Texas law, a shareholder who beneficially owns more than 20% of our voting stock, or any “affiliated shareholder,” cannot acquire us for a period of three years from the date this person became an affiliated shareholder, unless various conditions are met, such as approval of the transaction by our board of directors before this person became an affiliated shareholder or approval of the holders of at least two-thirds of our outstanding voting shares not beneficially owned by the affiliated shareholder. See “Description of Capital Stock — Business Combinations Under Texas Law.”

Our Board of Directors can Authorize the Issuance of Preferred Stock, which Could Diminish the Rights of Holders of Our Common Stock, and Make a Change of Control of the Company More Difficult Even if it might Benefit Our Shareholders.

Our board of directors is authorized to issue shares of preferred stock in one or more series and to fix the voting powers, preferences and other rights and limitations of the preferred stock. Accordingly, we may issue shares of preferred stock with a preference over our common stock with respect to dividends or distributions on liquidation or dissolution, or that may otherwise adversely affect the voting or other rights of the holders of common stock. Issuances of preferred stock, depending upon the rights, preferences and designations of the preferred stock, may have the effect of delaying, deterring or preventing a change of control of the company, even if that change of control might benefit our shareholders.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond our control. All statements, other than statements of historical fact included in this prospectus, regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs and cash flows, prospects, plans and objectives of management are forward-looking statements. When used in this prospectus, the words "could," "believe," "anticipate," "intend," "estimate," "expect," "may," "should," "continue," "predict," "potential," "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

Forward-looking statements may include statements about our:

- business strategy;
- reserves;
- technology;
- cash flows and liquidity;
- financial strategy, budget, projections and operating results;
- oil and natural gas realized prices;
- timing and amount of future production of oil and natural gas;
- availability of drilling and production equipment;
- availability of oil field labor;
- the amount, nature and timing of capital expenditures, including future exploration and development costs;
- availability and terms of capital;
- drilling of wells;
- competition and government regulations;
- marketing of oil and natural gas;
- exploitation projects or property acquisitions;
- costs of exploiting and developing our properties and conducting other operations;
- general economic conditions;
- competition in the oil and natural gas industry;
- effectiveness of our risk management and hedging activities;
- environmental liabilities;
- counterparty credit risk;
- governmental regulation and taxation of the oil and natural gas industry;
- developments in oil-producing and natural gas-producing countries;
- uncertainty regarding our future operating results;
- estimated future reserves and present value thereof; and
- plans, objectives, expectations and intentions contained in this prospectus that are not historical.

All forward-looking statements speak only at the date of this prospectus. You should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this prospectus are reasonable, we can give no assurance that these plans, intentions or expectations will be achieved. We disclose important factors that could cause our actual results to differ materially from our expectations under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this prospectus. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf. We do not undertake any obligation to update or revise publicly any forward-looking statements except as required by law, including the securities laws of the United States and the rules and regulations of the SEC.

USE OF PROCEEDS

We will receive net proceeds of approximately $ — million from the sale of the common stock offered by us, assuming an initial public offering price of $ — per share (the midpoint of the price range set forth on the cover page of this prospectus) and after deducting estimated expenses of approximately $ — million and estimated underwriting discounts and commissions of approximately $ — million. If the underwriters' over-allotment option is exercised in full, we estimate that our net proceeds will be approximately $ — million. We will not receive any proceeds from the sale of shares of our common stock by the selling shareholders.

Initially, we intend to use the net proceeds we receive from this offering to repay in full the $25.0 million term loan that is due and payable on December 31, 2011 and to repay in full the outstanding indebtedness under our revolving credit agreement ($60.0 million at October 31, 2011). Following the application of the net proceeds we receive from this offering, we will not have any long-term indebtedness outstanding and will have $78.7 million available for potential future borrowings (after giving effect to outstanding letters of credit). We intend to use the remaining net proceeds from this offering to fund a portion of our 2012 capital expenditure requirements and for potential acquisitions of interests and acreage.

We intend to use the following amounts of the net proceeds for the above uses:

Use of Net Proceeds	Amount (in millions)
Repayment of term loan	$ 25.0
Repayment of revolving credit facility	60.0
Payment of a portion of 2012 capital expenditure requirements	—
Total net proceeds	$ —

The $25.0 million term loan matures on December 31, 2011 and bears interest at a rate of 5% plus a Eurodollar-based rate per annum, which equated to approximately 5.3% at September 30, 2011. For more information regarding our term loan, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Credit Agreement."

Our revolving credit agreement matures in March 2013 and our borrowings bear interest at a variable rate of 1.875% plus a Eurodollar-based rate per annum, which equated to approximately 2.2% at September 30, 2011. Our outstanding borrowings under our revolving credit agreement were incurred from December 2010 through May 2011 to finance acquisitions of acreage and ongoing drilling and completion operations. Upon consummation of this offering and application of the net proceeds we receive in the manner described above, we anticipate that we may need to access future borrowings under our credit agreement within 60 to 90 days following completion of this offering to fund a portion of our 2012 capital expenditure requirements in excess of amounts available from our cash flows and the proceeds of this offering. For more information regarding our revolving credit agreement, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Credit Agreement."

The selling shareholders will receive net proceeds of approximately $ — million from their sale of — shares of common stock in this offering after deducting estimated underwriting discounts and commissions. We will pay all expenses related to this offering, other than underwriting discounts and commissions related to the shares sold by the selling shareholders. See "Principal and Selling Shareholders" and "Underwriters."

An increase or decrease in the initial public offering price of $1.00 per share of common stock would cause the net proceeds that we will receive from this offering, after deducting estimated expenses and underwriting discounts and commissions, to increase or decrease by approximately $ — million.

While we expect to use the proceeds from this offering in the manner set forth above, the ultimate amount of capital we will expend may fluctuate materially based on market conditions and our drilling results. Our future financial condition and liquidity will be impacted by, among other factors, our level of production of oil and natural gas and the prices we receive from the sale thereof, the outcome of our exploration and drilling programs, the number of commercially viable oil and natural gas discoveries made and the quantities of oil and natural gas discovered, the speed with which we can bring such discoveries to production, and the actual cost of exploration and development of our oil and natural gas assets. Until the actual use of our net proceeds from this offering as described above, we intend to invest such net proceeds in U.S. treasury bonds or investment grade instruments.

DIVIDEND POLICY

We do not anticipate declaring or paying any cash dividends to holders of our common stock in the foreseeable future. We currently intend to retain future earnings to finance the expansion of our business. Our future dividend policy is within the discretion of our board of directors and will depend upon various factors, including our results of operations, financial condition, capital requirements and investment opportunities. In addition, a prohibition on the payment of dividends on our common stock is imposed under our revolving credit agreement.

CAPITALIZATION

The following table sets forth our capitalization at June 30, 2011. Our capitalization is presented:

- on an actual basis; and
- on an as adjusted basis to give effect to this offering (assuming aggregate net proceeds of $137.0 million are received by us), the application of the estimated net proceeds to be received by us to repay our $25.0 million term loan in full and the outstanding indebtedness under our revolving credit agreement in full ($60.0 million at October 31, 2011), with the balance being added to cash and cash equivalents until it is used to fund capital requirements, and the conversion of our Class B common stock.

You should read the following table in conjunction with “Use of Proceeds,” “Selected Historical Consolidated and Other Financial Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our historical consolidated financial statements and related notes thereto appearing elsewhere in this prospectus.

	At June 30, 2011	
	Actual	**As Adjusted**
(In thousands except for shares)		
Cash and cash equivalents	$ 9,923	$ 61,923
Certificates of deposit	2,084	2,084
Debt:		
Short-term debt	25,000	–
Long-term debt[1]	60,000	–
Shareholders’ equity:		
Class A common stock, $0.01 par value, 80,000,000 shares authorized; 42,893,148 shares issued and 41,713,973 shares outstanding, actual; • shares issued and • shares outstanding, as adjusted	429	—
Class B common stock, $0.01 par value, 2,000,000 shares authorized; 1,030,700 shares issued and outstanding, actual; zero shares issued and outstanding, as adjusted	10	–
Additional paid-in capital	264,487	—
Retained earnings	8,282	8,282
Treasury stock, at cost, 1,179,175 shares	(10,765)	—
Total shareholders’ equity	$262,443	$ —
Total capitalization	$322,443	$ —

[1] At September 30, 2011, the borrowing base under our amended and restated credit agreement was $80.0 million, and we had $60.0 million in borrowings outstanding under the agreement and approximately $1.3 million in outstanding letters of credit issued pursuant to the credit agreement. Approximately $18.7 million remained available for additional borrowings. We are currently seeking an additional increase to our borrowing capacity under the credit agreement. For more information regarding our revolving credit agreement, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Credit Agreement.”

DILUTION

Purchasers of the common stock in this offering will experience immediate and substantial dilution in the net tangible book value per share of the common stock for accounting purposes. Our net tangible book value at June 30, 2011 was approximately $262 million, or $6.14 per share of common stock. Pro forma net tangible book value per share is determined by dividing our pro forma tangible net worth (tangible assets less total liabilities) by the total number of outstanding shares of common stock that will be outstanding immediately prior to the closing of this offering.

After giving effect to the sale of the shares in this offering and further assuming the receipt of the estimated net proceeds to be received by us (after deducting estimated discounts and expenses of this offering), our adjusted pro forma net tangible book value at June 30, 2011 would have been approximately $ — million, or $— per share. This represents an immediate increase in the net tangible book value of $— per share to our existing shareholders and an immediate dilution (i.e., the difference between the offering price and the adjusted pro forma net tangible book value after this offering) to new investors purchasing shares in this offering of $— per share. The following table illustrates the per share dilution to new investors purchasing shares in this offering:

Assumed initial public offering price per share	$—
Pro forma net tangible book value per share at June 30, 2011	—
Increase per share attributable to new investors in this offering	—
As adjusted pro forma net tangible book value per share after giving effect to this offering	—
Dilution in pro forma net tangible book value per share to new investors in this offering	$—

The following table summarizes, on an as adjusted basis at June 30, 2011, the total number of shares of common stock owned by existing shareholders (assuming the conversion of our Class B common stock as described under “Description of Capital Stock”) and to be owned by new investors, the total consideration paid, and the average price per share paid by our existing shareholders and to be paid by new investors in this offering at $—, the midpoint of the range of the initial public offering prices set forth on the cover page of this prospectus, calculated before deduction of estimated underwriting discounts and commissions:

	Shares Acquired		Total Consideration		Average Price
	Number	Percent	Amount	Percent	per Share
Existing shareholders	42,744,673	—	—	—	—
New investors	—	—	—	—	—
Total	—	100%	—	100%	—

(1) The number of shares disclosed for the existing shareholders includes — shares being sold by the selling shareholders in this offering. The number of shares disclosed for the new investors does not include the shares being purchased by the new investors from the selling shareholders in this offering.

Apart from the information set forth in the tables above, assuming the underwriters’ over-allotment is exercised in full, sales by us in this offering will reduce the percentage of shares held by existing shareholders to —% and will increase the number of shares held by new investors to —, or —% on an as adjusted pro forma basis at June 30, 2011.

SELECTED HISTORICAL CONSOLIDATED AND OTHER FINANCIAL DATA

You should read the following selected financial data in conjunction with "Corporate Reorganization," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical consolidated financial statements and related notes thereto included elsewhere in this prospectus. The financial information included in this prospectus may not be indicative of our future results of operations, financial position and cash flows.

The following selected financial information is summarized from our results of operations for the five-year period ended December 31, 2010 and selected consolidated balance sheet data at December 31, 2010, 2009, 2008, 2007 and 2006 and our results of operations for the six months ended June 30, 2011 and 2010 and the consolidated balance sheet data at June 30, 2011 and 2010 and should be read in conjunction with the consolidated financial statements at the years ended December 31, 2010, 2009 and 2008 and the six month periods ended June 30, 2011 and 2010, and the notes thereto included herewith.

	Year Ended December 31,					Six Months Ended June 30,	
	2010	2009	2008	2007	2006	2011	2010
						(Unaudited)	(Unaudited)
(In thousands)							
Statement of operations data:							
Revenues:							
Oil and natural gas revenues	$34,042	$ 19,039	$ 30,645	$13,988	$ 14,678	$ 34,562	$ 16,727
Realized gain (loss) on derivatives	5,299	7,625	(1,326)	213	–	2,802	1,816
Unrealized gain (loss) on derivatives	3,139	(2,375)	3,592	(211)	–	(1,336)	3,272
Total revenues	42,480	24,289	32,911	13,990	14,678	36.028	21,815
Expenses:							
Production taxes and marketing	1,982	1,077	1,639	779	896	2,953	820
Lease operating	5,284	4,725	4,667	3,099	3,075	3,574	2,415
Depletion, depreciation and amortization	15,596	10,743	12,127	7,889	10,950	15,291	7,063
Accretion of asset retirement obligations	155	137	92	70	55	96	68
Full-cost ceiling impairment	–	25,244	22,195	–	56,504	35,673	–
General and administrative	9,702	7,115	8,252	5,189	5,407	5,712	4,520
Total expenses	32,719	49,041	48,972	17,026	76,887	63,299	14,886
Operating income (loss)	9,761	(24,752)	(16,061)	(3,036)	(62,209)	(27,271)	6,929
Other income (expense):							
Net gain (loss) on asset sales and inventory impairment	(224)	(379)	136,977	–	–	–	–
Interest and other income	364	781	2,984	2,736	2,063	166	222
Interest expense	(3)	–	–	–	–	(290)	–
Total other income (expense)	137	402	139,962	2,736	2,063	(124)	222
Net income (loss)	$ 6,377	$(14,425)	$103,878	$ (300)	$(60,146)	$ (20,443)	$ 4,692

	At December 31,					At June 30,		
	2010	2009	2008	2007	2006	2011		2010
						Actual (Unaudited)	As Adjusted[1] (Unaudited)	(Unaudited)
(In thousands)								
Balance sheet data:								
Cash and cash equivalents	$ 21,060	$104,230	$150,768	$ 9,017	$ 43,183	$ 9,923	$ 61,923	$ 65,863
Certificates of deposit	2,349	15,675	20,782	–	–	2,084	2,084	10,320
Short-term investments	–	–	–	57,925	–	–	–	–
Net property and equipment	303,880	142,078	125,261	105,814	63,062	331,436	331,436	207,248
Total assets	346,382	277,400	314,539	179,152	112,628	364,718	416,718	300,248
Current liabilities	30,097	8,868	35,475	5,541	5,878	38,372	13,372	32,376
Long term liabilities	34,408	4,210	2,059	1,568	878	63,904	3,904	6,777
Total shareholders' equity	$281,877	$264,321	$277,005	$172,043	$105,872	$ 262,443	$ 399,443	$ 261,095

	Year Ended December 31,					Six Months Ended June 30,	
	2010	2009	2008	2007	2006	2011	2010
						(Unaudited)	(Unaudited)
(In thousands)							
Other financial data:							
Net cash provided by operating activities	$ 27,273	$ 1,791	$ 25,851	$ 7,881	$ 1,570	$ 19,531	$ 33,725
Net cash (used in) provided by investing activities	(147,334)	(49,415)	115,481	(108,296)	(49,501)	(91,089)	(63,827)
Oil and natural gas properties capital expenditures	(159,050)	(54,244)	(104,119)	(50,310)	(51,932)	(89,632)	(68,295)
Expenditures for other property and equipment	(1,610)	(307)	(3,012)	(1,300)	(3,127)	(1,722)	(887)
Net cash provided by (used in) financing activities	36,891	1,086	419	66,250	73,876	60,422	(8,265)
Adjusted EBITDA[2]	$ 23,635	$ 15,184	$ 18,411	$ 8,091	$ 7,582	$ 25,472	$ 11,358

[1] As adjusted to give effect to this offering (assuming aggregate net proceeds of $137.0 million are received by us) and the repayment in full of our $25.0 million term loan and the outstanding indebtedness under our revolving credit agreement ($60.0 million at October 31, 2011), with the balance being added to cash and cash equivalents to fund a portion of our 2012 capital expenditure budget.

[2] Adjusted EBITDA is a non-GAAP financial measure. For a definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to our net income (loss) and net cash provided by operating activities, see "Summary Financial, Reserves and Operating Data."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this prospectus. The following discussion contains "forward-looking statements" that reflect our future plans, estimates, beliefs and expected performance. We caution that assumptions, expectations, projections, intentions or beliefs about future events may, and often do, vary from actual results and the differences can be material. Some of the key factors which could cause actual results to vary from our expectations include changes in oil or natural gas prices, the timing of planned capital expenditures, availability of acquisitions, uncertainties in estimating proved reserves and forecasting production results, operational factors affecting the commencement or maintenance of producing wells, the condition of the capital markets generally, as well as our ability to access them, the proximity to and capacity of transportation facilities, uncertainties regarding environmental regulations or litigation and other legal or regulatory developments affecting our business, as well as those factors discussed below and elsewhere in the prospectus, all of which are difficult to predict. In light of these risks, uncertainties and assumptions, the forward-looking events discussed may not occur. See "Cautionary Note Regarding Forward-Looking Statements."

Overview

We are an independent energy company engaged in the exploration, development, acquisition and production of oil and natural gas resources in the United States, with a particular emphasis on oil and natural gas shale plays and other unconventional resources. Our current operations are located primarily in the Eagle Ford shale play in south Texas and the Haynesville shale play in northwest Louisiana and east Texas. These plays are a key part of our growth strategy, and we believe they currently represent two of the most active and economically viable unconventional resource plays in North America. We expect the majority of our near-term capital expenditures will focus on increasing our production and reserves from the Eagle Ford and Haynesville shale plays as we seek to capitalize on the relative economics of each play. In addition to these primary operating areas, we have significant acreage positions in southeast New Mexico and west Texas and in southwest Wyoming and adjacent areas in Utah and Idaho where we continue to identify new oil and natural gas prospects.

We were founded in July 2003 by Mr. Joseph Wm. Foran and Mr. Scott E. King, and we drilled our first well in 2004. Since that time, we have drilled or participated in 194 wells through June 30, 2011, including 64 Haynesville and six Eagle Ford wells. At June 30, 2011, based on the reserves audit by our independent reservoir engineers, we had 157.8 Bcfe of estimated proved reserves with a PV-10 of $144.4 million and a Standardized Measure of $134.2 million. At June 30, 2011, 34% of our estimated proved reserves were proved developed reserves and 97% of our estimated proved reserves were natural gas. We grew our average daily production by 162% from 9.0 MMcfe per day from the year ended December 31, 2008 to 23.6 MMcfe per day for the year ended December 31, 2010. As a result of initial production from several wells that were completed in 2011, our average daily production for the six months ended June 30, 2011 was approximately 42.9 MMcfe per day.

Our business success and financial results are dependent on many factors beyond our control, such as economic, political and regulatory developments, as well as competition from other sources of energy. Commodity price volatility, in particular, is a significant risk factor for us. Commodity prices are affected by changes in market supply and demand, which is impacted by overall economic activity, weather, pipeline capacity constraints, inventory storage levels, natural gas price differentials and other factors. Prices for oil and natural gas will affect the cash flows available to us for capital expenditures and our ability to borrow and raise additional capital. Declines in oil or natural gas prices would not only reduce our revenues, but could also reduce the amount of oil and/or natural gas that we can produce economically, and as a result, could have an adverse effect on our financial condition, results of operations, cash flows and reserves. Because we produce more natural gas than oil at the present time and expect to continue to do so in the near term, we will face more risks associated with fluctuations in the price of natural gas. Since one of our current business strategies is to focus on increasing our oil and liquids production, we will face increased risk in the future associated with fluctuations in the price of oil.

In response to the recent commodity price environment, and in particular, the general decline in natural gas prices since July 2008 in contrast with the rebound in oil prices since February 2009, we have sought to balance our exploration and development plans by targeting more oil prone reservoirs, such as the Eagle Ford shale. While most of our historical and current production is natural gas, we believe that our future production profile will reflect a more balanced oil and natural gas commodity mix as a result of our strategic shift to target more oil development than we have historically.

One of the biggest challenges we face in the development of our Eagle Ford and Haynesville shale acreage is associated with service costs, and particularly in the Eagle Ford play, pipeline infrastructure and the shortage of stimulation equipment and service dates necessary to stimulate these wells. Due to the increased activity in these areas, service costs have continued to rise and the availability of completion crews has decreased. We believe that reducing drilling and particularly completion costs will be essential to the successful development and profitability of the Eagle Ford and Haynesville shale plays. See “Risk Factors — The unavailability or high cost of drilling rigs, completion equipment and services, supplies and personnel, including hydraulic fracturing equipment and personnel, could adversely affect our ability to establish and execute exploration and development plans within budget and on a timely basis, which could have a material adverse effect on our financial condition, results of operations and cash flows.”

We believe that our general and administrative expenses will increase in connection with the completion of this offering as a result of us operating as a public company. This increase will consist primarily of legal and accounting fees and additional expenses associated with compliance with the Sarbanes-Oxley Act and other regulations and increases in our staff compensation and other ongoing general and administrative expenses necessary to maintain and grow a publicly traded exploration and production company. A large part of this increase will be due to the cost of accounting support services, filing annual and quarterly reports with the SEC, investor relations activities, directors’ fees, incremental directors’ and officers’ liability insurance costs and transfer and registrar agent fees. As a result, we believe that our general and administrative expenses for future periods will increase significantly. Our consolidated financial statements following the completion of this offering will reflect the impact of these increased expenses and affect the comparability of our financial statements with periods before the completion of this offering.

Revenues

Our revenues are derived primarily from the sale of oil and natural gas production. Our revenues may vary significantly from period to period as a result of changes in volumes of production sold or changes in oil or natural gas prices.

Realized gain (loss) on derivatives. We use commodity derivative financial instruments to mitigate our exposure to fluctuations in natural gas prices. This revenue item includes the net realized cash gains and losses associated with the settlement of these derivative financial instruments for a given reporting period.

Unrealized gain (loss) on derivatives. We use commodity derivative financial instruments to mitigate our exposure to fluctuations in natural gas prices. This revenue item recognizes the non-cash change in the fair value of our open derivative contracts between reporting periods.

The following table summarizes our revenues and production data for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2010	2009	2008	2011	2010
				(Unaudited)	(Unaudited)
Operating Results:					
Revenues (in thousands):					
Oil	$ 2,506	$ 1,719	$ 3,653	$ 6,790	$ 1,249
Natural gas	31,535	17,320	26,992	27,772	15,478
Total oil and natural gas revenues	34,042	19,039	30,645	34,562	16,727
Realized gain (loss) on derivatives	5,299	7,625	(1,326)	2,802	1,816
Unrealized gain (loss) on derivatives	3,139	(2,375)	3,592	(1,336)	3,272
Total revenues	$42,480	$24,289	$32,911	$ 36,028	$ 21,815
Net Production Volumes:					
Oil (MBbls)	33	30	37	70	17
Natural gas (Bcf)	8.4	4.8	3.1	7.4	3.8
Total natural gas equivalents (Bcfe)	8.6	5.0	3.3	7.8	3.9
Average net daily production (MMcfe/d)	23.6	13.7	9.0	42.9	21.4
Average Sales Prices:					
Oil (per Bbl)	$ 76.39	$ 57.72	$ 98.59	$ 96.86	$ 73.89
Natural gas, with realized derivatives (per Mcf)	$ 4.38	$ 5.17	$ 8.32	$ 4.16	$ 4.57
Natural gas, without realized derivatives (per Mcf)	$ 3.75	$ 3.59	$ 8.75	$ 3.78	$ 4.09

Six Months Ended June 30, 2011 Compared to Six Months Ended June 30, 2010

Oil and natural gas revenues. Our oil and natural gas revenues increased by $17.8 million to $34.6 million, or an increase of about 107%, for the six months ended June 30, 2011, as compared to the six months ended June 30, 2010. This doubling in oil and natural gas revenues corresponds with the doubling of our oil and natural gas production to 7.8 Bcfe for the six months ended June 30, 2011 from 3.9 Bcfe for the six months ended June 30, 2010. This increased production is primarily due to drilling operations in the Haynesville shale, but also reflects initial production from our first two operated wells in the Eagle Ford shale.

Realized gain (loss) on derivatives. Our realized gain on derivatives increased by approximately $1.0 million to $2.8 million for the six months ended June 30, 2011 from $1.8 million for the six months ended June 30, 2010. The realized gain from our open natural gas costless collar contracts increased primarily as a result of the decline in natural gas prices during the comparable periods. We realized approximately $1.14 per MMBtu hedged on all of our open natural gas costless collar contracts during the six months ended June 30, 2011 as compared to $0.64 per MMBtu hedged on all of our open natural gas costless collar contracts during the six months ended June 30, 2010.

Unrealized gain (loss) on derivatives. Our unrealized loss on derivatives was $1.3 million for the six months ended June 30, 2011, compared to an unrealized gain of $3.3 million for the six months ended June 30, 2010. During the period from December 31, 2010 to June 30, 2011, the net fair value of our open natural gas costless collar contracts decreased from $4.1 million to $2.8 million, resulting in an unrealized loss on derivatives of $1.3 million for the six months ended June 30, 2011. This decrease in the net fair value of our open natural gas costless collar contracts was due to both an increase in the natural gas prices during the first six months of 2011 and a decrease in the total number of our open contracts at June 30, 2011 as compared to December 31, 2010. During the period from December 31, 2009 to June 30, 2010, the net fair value of our open natural gas costless collar contracts increased from $1.0 million to $4.3 million, resulting in an unrealized gain on derivatives of $3.3 million for the six months ended June 30, 2010.

Year Ended December 31, 2010 as Compared to Year Ended December 31, 2009

Oil and natural gas revenues. Our oil and natural gas revenues increased by $15.0 million to $34.0 million, or an increase of about 79%, for the year ended December 31, 2010 as compared to the year ended December 31, 2009. Approximately $13.7 million of the increase was primarily due to a 72% increase in our production to 8.6 Bcfe during the year ended December 31, 2010 from 5.0 Bcfe during the year ended December 31, 2009, and approximately $1.3 million of the increase was due to increases in the average prices we received for both oil and natural gas over these respective periods. For the year ended December 31, 2010, we received an average natural gas price of $3.75 per Mcf and an average oil price of $76.39 per Bbl as compared to an average natural gas price of $3.59 per Mcf and an average oil price of $57.72 per Bbl for the year ended December 31, 2009. Our increased production during this period was primarily due to drilling operations in the Haynesville shale.

Realized gain (loss) on derivatives. Our realized gain on derivatives decreased by approximately $2.3 million to $5.3 million for the year ended December 31, 2010 from $7.6 million for the year ended December 31, 2009. This decrease was due primarily to a decrease of about $1.50 per MMBtu in the average price floor of our open natural gas costless collar contracts in 2010 as compared with 2009 and despite the fact that we had almost twice the natural gas volumes hedged in 2010 as compared to 2009.

Unrealized gain (loss) on derivatives. Our unrealized gain on derivatives was $3.1 million for the year ended December 31, 2010, compared to an unrealized loss of $2.4 million for the year ended December 31, 2009. During the period from December 31, 2009 to December 31, 2010, the net fair value of our open natural gas costless collar contracts increased from $1.0 million to $4.1 million, resulting in an unrealized gain on derivatives of $3.1 million for the year ended December 31, 2010. This increase in the net fair value of our open natural gas costless collar contracts was due primarily to lower natural gas prices at December 31, 2010 as compared to December 31, 2009. During the period from December 31, 2008 to December 31, 2009, the net fair value of our open natural gas costless collar contracts decreased from $3.4 million to $1.0 million, resulting in an unrealized loss on derivatives of $2.4 million for the year ended December 31, 2009. This decrease in the net fair value of our open natural gas costless collar contracts was due primarily to an approximate $2.00 per MMBtu decrease in the average floor price of our open contracts at December 31, 2009 as compared with December 31, 2008.

Year Ended December 31, 2009 as Compared to Year Ended December 31, 2008

Oil and natural gas revenues. Our oil and natural gas revenues decreased $11.6 million to $19.0 million, or a decrease of about 38%, during the year ended December 31, 2009 as compared to the year ended December 31, 2008. Although we increased our production by 51% from 3.3 Bcfe in 2008 to 5.0 Bcfe in 2009, the oil and natural gas revenues of approximately $5.8 million generated by these increased production volumes did not fully offset the $17.4 million decrease in oil and natural gas revenues attributable to a sharp decline in the prices we received for both oil and natural gas in 2009 as compared with 2008. For the year ended December 31, 2009, we received an average natural gas price of $3.59 per Mcf and an average oil price of $57.72 per Bbl as compared to an average natural gas price of $8.75 per Mcf and an average oil price of $98.59 per Bbl for the year ended December 31, 2008. Our increased production during this period was due primarily to drilling operations in the Haynesville shale.

Realized gain (loss) on derivatives. Our realized gain on derivatives increased approximately $8.9 million to $7.6 million during the year ended December 31, 2009 from a loss of $1.3 million during the year ended December 31, 2008. Natural gas futures prices closed above the price ceiling of many of our open natural gas costless collar contracts during the first half of 2008, and, as a result, we were required to pay the counterparty at settlement. Natural gas prices declined sharply beginning in August 2008 and continued to decline throughout much of 2009, and as a result, natural gas prices closed below the price floor of many of our open costless collar contracts during almost all of 2009. As a result, we received cash from the counterparty at settlement and our realized gain on derivatives increased significantly.

Unrealized gain (loss) on derivatives. Our unrealized loss on derivatives was $2.4 million for the year ended December 31, 2009 as compared to an unrealized gain of $3.6 million for the year ended December 31, 2008. During the period from December 31, 2008 to December 31, 2009, the net fair value of our open natural gas costless collar contracts decreased from $3.4 million to $1.0 million, resulting in an unrealized loss on derivatives of $2.4 million for the year ended December 31, 2009. This decrease in the net fair value of our open natural gas costless collar contracts was due primarily to an approximate $2.00 per MMBtu decrease in the average floor price of our open contracts at December 31, 2009 as compared with December 31, 2008. During the period from December 31, 2007 to December 31, 2008, the net fair value of our open natural gas costless collar contracts increased from a liability of $0.2 million to $3.4 million, resulting in an unrealized gain on derivatives of $3.6 million for the year ended December 31, 2008. This increase in the net fair value of our open natural gas costless collar contracts was due to a decrease in natural gas prices and an increase in the volume of natural gas hedged at December 31, 2008 as compared with December 31, 2007.

Expenses

Production taxes and marketing. Production taxes are paid on produced oil and natural gas based on a percentage of revenues from products sold at market prices (not hedged prices) or at fixed rates established by federal, state or local taxing authorities. We attempt to take advantage of all credits and exemptions in our various taxing jurisdictions. In general, the production taxes we pay tend to correlate to the changes in our oil and natural gas revenues. Marketing expenses are fees charged by the purchasers of the oil and natural gas we produce and sell and principally include marketing, compression and transportation fees.

Lease operating expenses. Lease operating expenses are the daily costs incurred to produce oil and natural gas, as well as the daily costs incurred to maintain our producing properties. Such costs also include field personnel costs, utilities, chemical additives, salt water disposal, maintenance, repairs and occasional workover expenses related to our oil and natural gas properties.

Depletion, depreciation and amortization. Depletion, depreciation and amortization includes the systematic expensing of the capitalized costs incurred in the acquisition, exploration and development of oil and natural gas. We use the full-cost method of accounting and accordingly, we capitalize all costs associated with the acquisition, exploration and development of oil and natural gas properties, including unproved and unevaluated property costs. Internal costs are capitalized only to the extent they are directly related to acquisition, exploration or development activities and do not include any costs related to production, selling or general corporate administrative activities. Capitalized costs of oil and natural gas properties are amortized using the unit-of-production method based upon production and estimates of proved oil and natural gas reserves quantities. Unproved and unevaluated property costs are excluded from the amortization base used to determine depletion, depreciation and amortization.

Accretion of asset retirement obligations. Asset retirement obligations relate to the future costs associated with plugging and abandonment of oil and natural gas wells, removal of equipment and facilities from leased acreage and returning such land to its original condition. We recognize the fair value of an asset retirement obligation in the period it is incurred if a reasonable estimate of fair value can be made. The asset retirement obligation is recorded as a liability at its estimated present value, with an offsetting increase recognized in oil and natural gas properties or support equipment and facilities on the balance sheet. Periodic accretion of the discounted value of the estimated liability is recorded as an expense in our statement of operations.

Full-cost ceiling impairment. The net capitalized costs of oil and natural gas properties are limited to the lower of unamortized costs less related deferred income taxes or the cost center ceiling, with any excess above the cost center ceiling charged to operations as a full-cost ceiling impairment. The cost center ceiling is defined as the sum of (a) the present value discounted at 10 percent of future net revenues of proved oil and natural gas reserves, plus (b) unproved and unevaluated property costs not being amortized, plus (c) the lower of cost or estimated fair value of unproved and unevaluated properties included in the costs being amortized, if any, less (d) income tax effects related to differences between the book and tax basis of the properties involved. Future net revenues from proved non-producing and proved undeveloped reserves are reduced by the estimated costs of developing these reserves. The fair value of our derivative instruments is not included in the ceiling test computation as we do not designate these instruments as hedge instruments for accounting purposes.

General and administrative expenses. General and administrative expenses include, but are not limited to, compensation and benefits for our employees, costs of renting and maintaining our headquarters, office service contracts, board of directors fees, franchise taxes, stock-based compensation expense and accounting, legal and other professional fees.

Other Income (Expense)

Net gain (loss) on asset sales and inventory impairment. This other income (expense) item includes the net gain or loss we experience on infrequent asset sales or impairment charges associated with certain equipment held in inventory. This item also includes infrequent sales of oil and natural gas properties that we consider to be extraordinary when considered in relation to the normal course of our business.

Interest and other income. Interest income includes interest earned periodically on the cash and cash equivalents we hold in money market accounts composed of United States Treasury securities offering daily liquidity and the interest earned periodically on our certificates of deposit. Other income includes income we receive for providing salt water disposal and natural gas transportation services to other working interest participants in wells that we operate.

Interest expense. Interest expense includes interest paid to our lenders as a result of borrowings under our revolving credit agreement. We finance a portion of our working capital requirements, capital expenditures and acquisitions with borrowings under the credit agreement, and as a result, we incur interest expense that is affected by both fluctuations in interest rates and our financing decisions. In addition, we include any amortization of deferred financing costs (including origination and amendment fees), commitment fees and annual agency fees as interest expense.

Total income tax provision (benefit). Total income tax provision (benefit) includes the net current and deferred portions of our estimated income tax liabilities. We file a United States federal income tax return and state tax returns in those states where we conduct oil and natural gas operations. The current portion of our income tax provision (benefit) reflects actual income tax payments made or refunds received by us as a result of filing these income tax returns. The deferred portion of our income tax provision is the result of temporary timing differences between the financial statement carrying values and the tax bases of our assets and liabilities.

The following table summarizes our operating expenses and other income (expense) for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2010	2009	2008	2011	2010
				(Unaudited)	(Unaudited)
(In thousands, except expenses per Mcfe)					
Expenses:					
Production taxes and marketing	$ 1,982	$ 1,077	$ 1,639	$ 2,953	$ 820
Lease operating	5,284	4,725	4,667	3,574	2,415
Depletion, depreciation and amortization	15,596	10,743	12,127	15,291	7,064
Accretion of asset retirement obligations	155	137	91	96	68
Full-cost ceiling impairment	–	25,244	22,195	35,673	–
General and administrative	9,702	7,115	8,252	5,712	4,520
Total expenses	32,719	49,041	48,972	63,299	14,886
Operating income (loss)	9,761	(24,752)	(16,061)	(27,271)	6,929
Other income (expense):					
Net gain (loss) on asset sales and inventory impairment	(224)	(379)	136,978	–	–
Interest and other income	364	781	2,984	166	222
Interest expense	(3)	–	–	(290)	–
Total other income (expense)	137	402	139,962	(124)	222
Income (loss) before income taxes	9,898	(24,350)	123,901	(27,395)	7,151
Total income tax provision (benefit)	3,521	(9,925)	20,023	(6,952)	2,459
Net income (loss)	$ 6,377	$(14,425)	$103,878	$ (20,443)	$ 4,692
Expenses per Mcfe:					
Production taxes and marketing	$ 0.23	$ 0.22	$ 0.50	$ 0.38	$ 0.21
Lease operating	$ 0.61	$ 0.94	$ 1.41	$ 0.46	$ 0.62
Depletion, depreciation and amortization	$ 1.81	$ 2.15	$ 3.67	$ 1.97	$ 1.82
General and administrative	$ 1.13	$ 1.42	$ 2.50	$ 0.73	$ 1.16

Six Months Ended June 30, 2011 Compared to Six Months Ended June 30, 2010

Production taxes and marketing. Our production taxes and marketing expenses increased by $2.1 million to $3.0 million, or an increase of approximately 260% for the six months ended June 30, 2011, as compared to the six months ended June 30, 2010. The increase in our production taxes and marketing expenses was due primarily to the increases in both our oil and natural gas production and revenues by 100% and 107%, respectively, during the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. The majority of this increase was due to higher marketing, transportation and compression charges on non-operated Haynesville shale production in the first six months of 2011 as compared to the same period in 2010. Some of this increase was also due to recently completed Haynesville shale wells, several of which were turned to sales or produced their first significant production volumes during the first six months of 2011. Although we or our outside operating partners have applied for exemptions from initial production taxes on these recently completed Haynesville shale wells, and although we expect these applications will be approved by the state of Louisiana, some of these wells had not yet been approved for production tax exemptions at June 30, 2011. Thus, we have paid and/or accrued for the associated production taxes on these wells during the first six months of 2011, although we expect these production taxes will be refunded to us in future periods. We will adjust our production taxes and marketing expenses accordingly when and if these production tax exemptions are approved. The remainder of the increase in production taxes and marketing expenses for the six months ended June 30, 2011 was due to production taxes paid on initial production from our first two operated Eagle Ford shale wells in south Texas.

Lease operating expenses. Our lease operating expenses increased by $1.2 million to $3.6 million, or an increase of about 48%, for the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. During these respective periods, however, our oil and natural gas production doubled from 3.9 Bcfe to 7.8 Bcfe. As a result, our lease operating expenses per unit of production decreased by 26% to $0.46 per Mcfe for the six months ended June 30, 2011 as compared to $0.62 per Mcfe for the six months ended June 30, 2010. During the first six months of 2011, the percentage of our production attributed to the Haynesville shale continued to increase. The unit lease operating costs associated with the Haynesville production are much less than those associated with our Cotton Valley natural gas production, primarily due to the greater salt water disposal costs associated with the Cotton Valley production.

Depletion, depreciation and amortization. Our depletion, depreciation and amortization expenses increased by $8.2 million to $15.3 million, or an increase of about 116%, for the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. The increase in our depletion, depreciation and amortization expenses was due primarily to the doubling of our oil and natural gas production from 3.9 Bcfe to 7.8 Bcfe during the respective time periods. A portion of this increase was also due to an 8% increase in our depletion, depreciation and amortization expenses on a unit-of-production basis from $1.82 per Mcfe for the six months ended June 30, 2010 to $1.97 per Mcfe for the six months ended June 30, 2011. This increase reflects increases in drilling and completion costs for wells drilled to the Haynesville shale during the past year. This increase is also due, in part, to higher finding and development costs on a per Mcfe basis associated with our initial wells drilled and completed in the Eagle Ford shale.

Accretion of asset retirement obligations. Our accretion of asset retirement obligations expenses increased by approximately $28,000 to approximately $96,000, or an increase of about 41%, for the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. The increase in our accretion of asset retirement obligations was due primarily to the addition of new wells through our drilling of operated wells and our participation in the drilling of non-operated wells, although, on the whole, this item is an insignificant component of our overall expenses.

Full-cost ceiling impairment. No impairment to the net carrying value of our oil and natural gas properties on the balance sheet resulting from the full-cost ceiling limitation was recorded at June 30, 2010. At March 31, 2011, the net capitalized costs of our oil and natural gas properties less related deferred income taxes exceeded the cost center ceiling by $23.0 million. As a result, we recorded an impairment charge of $35.7 million to the net capitalized costs of our oil and natural gas properties and a deferred income tax credit of $12.7 million, which is also reflected in our expenses for the six months ended June 30, 2011.

General and administrative. Our general and administrative expenses increased by $1.2 million to $5.7 million, or an increase of about 26%, for the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. The increase in our general and administrative expenses was due primarily to increased compensation expenses and increased accounting and legal expenses for the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. As a result of our increased oil and natural gas production, however, our general and administrative expenses decreased by 37% on a unit-of-production basis to $0.73 per Mcfe for the six months ended June 30, 2011 as compared to $1.16 per Mcfe for the six months ended June 30, 2010.

Net gain (loss) on asset sales and inventory impairment. We did not incur gains or losses on asset sales and inventory impairment during the six months ended June 30, 2011 or during the six months ended June 30, 2010.

Interest expense. At June 30, 2011, we had borrowed $85.0 million under our credit agreement, including a term loan of $25.0 million, to finance a portion of our working capital requirements and capital expenditures and had incurred total interest expense of $559,000. We capitalized $269,000 of our interest expense on certain qualifying projects for the six months ended June 30, 2011 and expensed the remaining $290,000 to operations. At June 30, 2011, the interest rate on the term loan was approximately 5.3% and the interest rate on the other outstanding borrowings was approximately 2.1%. We had no borrowings under the credit agreement at June 30, 2010, and as a result, we incurred no interest expense for the six months ended June 30, 2010.

Interest and other income. Our interest and other income decreased by approximately $56,000 to approximately $66,000, or a decrease of about 25%, for the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. The decrease in our interest and other income was due primarily to a significant decrease in the average balances of our cash and cash equivalents and certificates of deposit on which we received interest income between the two periods. Our cash and cash equivalents and certificates of deposit decreased to $12.0 million at June 30, 2011 from $76.2 million at June 30, 2010, as we used cash to acquire additional leasehold acreage in the Eagle Ford shale play in south Texas and in the core area of the Haynesville shale play in northwest Louisiana and to fund our operated and non-operated drilling and completion activities in both areas.

Total income tax provision (benefit). We recorded a total income tax benefit of approximately $7.0 million for the six months ended June 30, 2011 as compared to a total income tax provision of approximately $2.5 million for the six months ended June 30, 2010. The total income tax benefit or provision for both periods reflect deferred income taxes almost entirely, with the exception of a state of Louisiana income tax refund of approximately $46,000 recorded during the six months ended June 30, 2011. At March 31, 2011, the net capitalized costs of our oil and natural gas properties less related deferred income taxes exceeded the cost center ceiling by $23.0 million. As a result, we recorded an impairment charge of $35.7 million to the net capitalized costs of our oil and natural gas properties and a deferred income tax credit of $12.7 million. This deferred income tax credit exceeded our deferred tax liabilities at March 31, 2011, and as a result, we reduced our net deferred tax liabilities by $6.9 million and established a net valuation allowance due to uncertainties regarding the future realization of our deferred tax assets. We retained a net valuation allowance in the amount of approximately $2.8 million at June 30, 2011. We will continue to assess the valuation allowance on a periodic basis and to the extent we determine that the allowance is no longer required, the tax benefit of the remaining deferred tax assets will be recognized in the future. For the six months ended June 30, 2010, the deferred income tax provision was consistent with our income before income taxes, which included approximately $3.3 million in unrealized hedging gains. We had a net loss for the six months ended June 30, 2011, and our effective tax rate for the six months ended June 30, 2010 was 34.39%.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Production taxes and marketing. Our production taxes and marketing expenses increased by $0.9 million to $2.0 million, or an increase of about 84%, for the year ended December 31, 2010 as compared to the year ended December 31, 2009. The increase in our production taxes and marketing expenses was due primarily to the increase in our oil and natural gas revenues from $19.0 million to $34.0 million, or an increase of about 79%, during the respective time periods. On a unit-of-production basis, our production taxes and marketing expenses remained relatively constant year-over-year, increasing to $0.23 per Mcfe for the year ended December 31, 2010 from $0.22 per Mcfe for the year ended December 31, 2009.

Lease operating expenses. Our lease operating expenses increased by $0.6 million to $5.3 million, or an increase of about 12%, for the year ended December 31, 2010 as compared to the year ended December 31, 2009. During these respective periods, however, our oil and natural gas production increased 72% to 8.6 Bcfe from 5.0 Bcfe. As a result, our lease operating expenses per unit of production decreased by 35% to $0.61 per Mcfe for the year ended December 31, 2010 as compared to $0.94 per Mcfe for the year ended December 31, 2009. In 2010, the percentage of our production attributed to the Haynesville shale continued to increase. The unit lease operating costs associated with the Haynesville production are much less than those associated with our Cotton Valley natural gas production, primarily due to the greater salt water disposal costs associated with the Cotton Valley production.

Depletion, depreciation and amortization. Our depletion, depreciation and amortization expenses increased by $4.9 million to $15.6 million, or an increase of about 45%, for the year ended December 31, 2010 as compared to the year ended December 31, 2009. The increase in our depletion, depreciation and amortization expenses was due primarily to the increase in our natural gas production to 8.6 Bcfe from 5.0 Bcfe during the respective time periods. The finding and development costs associated with our Haynesville shale reserves have been less than finding and development costs associated with our reserves producing from the Cotton Valley and other formations. As a result, our depletion, depreciation and amortization expenses on a unit-of-production basis have continued to decrease as our Haynesville production has increased; these expenses decreased to $1.81 per Mcfe during the year ended December 31, 2010 from $2.15 per Mcfe during the year ended December 31, 2009.

Accretion of asset retirement obligations. Our accretion of asset retirement obligations expenses increased by approximately $18,000 to approximately $155,000, or an increase of about 13%, for the year ended December 31, 2010 as compared to the year ended December 31, 2009. The increase in our accretion of asset retirement obligations was due primarily to the addition of new wells through our drilling of operated wells and our participation in the drilling of non-operated wells.

Full-cost ceiling impairment. No impairment to the net carrying value of our oil and natural gas properties on the balance sheet resulting from the full-cost ceiling limitation was recorded at December 31, 2010. At December 31, 2009, the net capitalized costs of our oil and natural gas properties less related deferred income taxes exceeded the cost center ceiling by $16.3 million. As a result, we recorded an impairment charge of $25.2 million to the net capitalized costs of our oil and natural gas properties and a deferred income tax credit of $8.9 million. A corresponding charge of $25.2 million was also recorded to the consolidated statement of operations for the year ended December 31, 2009.

General and administrative. Our general and administrative expenses increased by $2.6 million to $9.7 million, or an increase of about 36%, for the year ended December 31, 2010 as compared to the year ended December 31, 2009. Approximately $1.0 million of this increase was due to legal and other due diligence fees resulting from an unsuccessful effort to acquire oil and natural gas producing properties and associated acreage. The remainder of the increase was due primarily to increased compensation expenses resulting from both increased salaries and retention and performance bonuses paid to certain employees during the year ended December 31, 2010. As a result of our increased oil and natural gas production, however, our general and administrative expenses decreased by 20% on a unit-of-production basis to $1.13 per Mcfe for the year ended December 31, 2010 as compared to $1.42 per Mcfe for the year ended December 31, 2009.

Net gain (loss) on asset sales and inventory impairment. During the year ended December 31, 2010, we wrote off the Boise South Pipeline asset in Orange County, Texas and recognized a net loss of $173,690. We also recognized an impairment of $50,000 to some of our equipment held in inventory following a determination that the market value of the equipment, consisting primarily of drilling rig parts, was less than the cost. During the year ended December 31, 2009, we recognized impairments to these drilling rig parts and tubular goods held in inventory and sold rod parts held in inventory, recognizing a net loss of $0.4 million.

Interest expense. In December 2010, we borrowed $25.0 million under our revolving credit agreement to finance a portion of our working capital requirements and capital expenditures. At December 31, 2010, the interest rate on the outstanding borrowings was approximately 1.6%. We had no borrowings under the credit agreement in 2009, and as a result, we incurred no interest expense for the year ended December 31, 2009.

Interest and other income. Our interest and other income decreased by approximately $0.4 million to approximately $0.4 million, or a decrease of about 53%, for the year ended December 31, 2010 as compared to the year ended December 31, 2009. The decrease in our interest and other income was due primarily to a decrease in the average balances of our cash and cash equivalents and certificates of deposit on which we receive interest income during the year ended December 31, 2010 as compared to the year ended December 31, 2009. Our cash and cash equivalents and certificates of deposit decreased to $23.4 million at December 31, 2010 from $119.9 million at December 31, 2009, as we used cash during this period primarily to acquire additional leasehold acreage in the Eagle Ford shale play in south Texas and in the core area of the Haynesville shale play in northwest Louisiana and to fund our operated and non-operated drilling and completion activities in both areas.

Total income tax provision (benefit). We recorded a total income tax provision of approximately $3.5 million for the year ended December 31, 2010 as compared to a total income tax benefit of approximately $9.9 million recorded for the year ended December 31, 2009. For the year ended December 31, 2010, we recorded a current income tax benefit of approximately $1.4 million, which was attributable to a refund of U.S federal income taxes received by us, and we also recorded a deferred income tax provision of $4.9 million consistent with the increase in our income before income taxes for that year. For the year ended December 31, 2009, we recorded a current income tax benefit of approximately $2.3 million, primarily attributable to a net refund of U.S. federal income taxes and a refund of income taxes from the state of Louisiana. We also recorded a deferred income tax benefit of approximately $7.6 million, primarily attributable to the full-cost ceiling impairment recorded in 2009. Our effective tax rate for the year ended December 31, 2010 was 35.57%, and we had a net loss for the year ended December 31, 2009.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Production taxes and marketing. Our production taxes and marketing expenses decreased approximately $0.6 million to $1.1 million, or a decrease of about 34%, during the year ended December 31, 2009 as compared to the year ended December 31, 2008. The decrease in our production taxes and marketing expenses was due primarily to a decrease of about 38% in our oil and natural gas revenues to $19.0 million for the year ended December 31, 2009 from $30.6 million for the year ended December 31, 2008. Because our production increased 51% from 3.3 Bcfe to 5.0 Bcfe during these respective periods, our production taxes and marketing expenses on a unit-of-production basis decreased to $0.22 per Mcfe during the year ended December 31, 2009 from $0.50 per Mcfe for the year ended December 31, 2008.

Lease operating expenses. Our lease operating expenses increased approximately $58,000 to $4.7 million, or an increase of about 1%, during the year ended December 31, 2009 as compared to the year ended December 31, 2008. During these respective periods, however, our production increased 51%, from 3.3 Bcfe to 5.0 Bcfe. We began producing natural gas from the Haynesville shale in June 2009 and additional Haynesville wells began producing with corresponding sales during the latter part of 2009. Despite this production growth in 2009, our lease operating expenses increased only slightly due to the fact that the unit lease operating costs associated with the Haynesville production were much less than those associated with the Cotton Valley production, which made up the majority of our production during 2008. This is primarily due to the greater salt water disposal costs associated with the Cotton Valley production. As a result, our unit lease operating costs decreased to $0.94 per Mcfe during the year ended December 31, 2009 from $1.41 per Mcfe during the year ended December 31, 2008, or a decrease of about 33%.

Depletion, depreciation and amortization. Our depletion, depreciation and amortization expenses decreased $1.4 million to $10.7 million, or a decrease of about 11%, during the year ended December 31, 2009 as compared to the year ended December 31, 2008. Our depletion, depreciation and amortization expenses decreased despite the fact that our production grew 51% from 3.3 Bcfe to 5.0 Bcfe during these respective periods. This decrease was due to the fact that the finding and development costs associated with our Haynesville shale production have been less than the finding and development costs associated with our production from the Cotton Valley and other formations. As a result, our depletion, depreciation and amortization expenses on a unit-of-production basis decreased to $2.15 per Mcfe for the year ended December 31, 2009 from $3.67 per Mcfe for the year ended December 31, 2008.

Accretion of asset retirement obligations. Our accretion of asset retirement obligations expenses increased approximately $46,000 to $137,000, or an increase of about 51%, during the year ended December 31, 2009 as compared to the year ended December 31, 2008. The increase in our accretion of asset retirement obligations was due primarily to the addition of new wells through our drilling of operated wells and our participation in the drilling of non-operated wells.

Full-cost ceiling impairment. At December 31, 2009, the net capitalized costs of our oil and natural gas properties less related deferred income taxes exceeded the cost center ceiling by $16.3 million. As a result, we recorded an impairment charge of $25.2 million to the net capitalized costs of our oil and natural gas properties and a deferred income tax credit of $8.9 million. A corresponding charge of $25.2 million was also recorded to the consolidated statement of operations for the year ended December 31, 2009. At December 31, 2008, the net capitalized costs of our oil and natural gas properties less related deferred income taxes exceeded the cost center ceiling by $14.3 million. As a result, we recorded an impairment charge of $22.2 million to the net capitalized costs of our oil and natural gas properties and a deferred income tax credit of $7.9 million. A corresponding charge of $22.2 million was also recorded in the consolidated statement of operations for the year ended December 31, 2008.

General and administrative. Our general and administrative expenses decreased by $1.1 million to $7.1 million, or a decrease of about 14%, for the year ended December 31, 2009 as compared to the year ended December 31, 2008. The decrease in our general and administrative expenses was due primarily to a decrease in compensation expenses between the respective periods. In July 2008, we paid a special cash performance bonus of approximately $1.7 million to eligible employees in recognition of the significant increase in the value of our assets resulting from the sale of a portion of our Haynesville shale exploration and development rights in northwest Louisiana. We did not make any such extraordinary cash bonus payments to our employees during the year ended December 31, 2009; however, the decrease in bonus compensation in 2009 as compared to 2008 was offset to some degree by additional compensation expense associated with the hiring of new staff and the general increase in the costs to conduct our business during the year ended December 31, 2009. As a result of our increased oil and natural gas production, however, our general and administrative expenses decreased by 43% on a unit-of-production basis to $1.42 per Mcfe for the year ended December 31, 2009 as compared to $2.50 per Mcfe for the year ended December 31, 2008.

Net gain (loss) on asset sales and inventory impairment. Our net gain (loss) on asset sales and inventory impairment decreased by $137.4 million to a net loss of approximately $0.4 million for the year ended December 31, 2009 as compared to a net gain of $137.0 million for the year ended December 31, 2008. During the year ended December 31, 2009, we recognized impairments to drilling rig parts and tubular goods held in inventory and sold rod parts held in inventory, recognizing a net loss of $0.4 million. During the year ended December 31, 2008, we sold a portion of our Haynesville shale exploration and development rights in northwest Louisiana to a subsidiary of Chesapeake Energy Corporation and recognized a gain of $137.0 million on the sale. We also recognized a loss of about $44,000 on the sale of tubular goods held in inventory during 2008.

Interest expense. We had no borrowings under our credit agreement in 2009 or 2008. As a result, we had no interest expense for the years ended December 31, 2009 and 2008.

Interest and other income. Our interest and other income expenses decreased by $2.2 million to $0.8 million, or a decrease of about 74%, for the year ended December 31, 2009 as compared to the year ended December 31, 2008. The decrease in our interest and other income expenses was due primarily to a decrease in the average balances of our cash and cash equivalents and certificates of deposit on which we receive interest income during the respective periods. Our cash and cash equivalents and certificates of deposit decreased to $119.9 million at December 31, 2009 from $171.6 million at December 31, 2008, as we used cash during this period primarily to acquire additional leasehold acreage in the core area of the Haynesville shale play in northwest Louisiana and to fund our operated and non-operated drilling and completion activities.

Total income tax provision (benefit). We recorded a total income tax benefit of approximately $9.9 million for the year ended December 31, 2009 as compared to a total income tax provision of approximately $20.0 million for the year ended December 31, 2008. For the year ended December 31, 2009, we recorded a current income tax benefit of approximately $2.3 million, primarily attributable to a net refund of U.S. federal income taxes and a refund of income taxes from the state of Louisiana. We also recorded a deferred income tax benefit of approximately $7.6 million, primarily attributable to the full-cost ceiling impairment recorded in 2009. For the year ended December 31, 2008, we recorded a current income tax provision of approximately $10.4 million which reflects the payment of $9.4 million in U.S. federal alternative minimum tax and approximately $1.0 million in income tax to the state of Louisiana. The alternative minimum tax payment resulted from exhausting our alternative minimum tax net operating loss due to the gain realized from the sale of certain of our Haynesville shale assets. See “Business — Other Significant Prior Events.” We also recorded a deferred income tax provision of approximately $9.6 million, reflecting both the large increase in our income before income taxes for the year, partially offset by the deferred income tax benefit attributable to the full-cost ceiling impairment recorded in 2008, and by the reversal of a previously established valuation allowance of approximately $24.7 million. We had a net loss for the year ended December 31, 2009, and our effective tax rate for the year ended December 31, 2008 was 16.16%.

Liquidity and Capital Resources

Our primary sources of liquidity to date have been capital contributions from private investors, our cash flows from operations and the proceeds from a significant sale of a portion of our assets in 2008. See “Business — Other Significant Prior Events.” Our primary use of capital has been for the acquisition, exploration and development of oil and natural gas properties. We continually evaluate potential capital sources, including equity and debt financings, in order to meet our planned capital expenditures and liquidity requirements. Our future success in growing proved reserves and production will be highly dependent on our ability to access outside sources of capital. At September 30, 2011, we had cash and certificates of deposits totaling approximately $9.9 million.

In March 2008, we entered into a credit agreement which was amended and restated in May 2011. Our credit agreement had a borrowing base of $80.0 million at September 30, 2011. At October 31, 2011, we had $60.0 million in revolving borrowings outstanding and approximately $1.3 million in outstanding letters of credit issued pursuant to the credit agreement. Approximately $18.7 million remained available for additional borrowings. Any borrowings under the credit agreement are secured by mortgages on a significant portion of our oil and natural gas producing properties and by the equity interests of all our subsidiaries. At September 30, 2011, our outstanding revolving borrowings bore interest at the rate of 2.2%. For more information regarding our credit agreement, see "— Credit Agreement."

In addition to our revolving borrowings under the credit agreement, in May 2011, we borrowed $25 million in a term loan pursuant to the credit agreement. The term loan is due and payable on December 31, 2011, and there is no penalty for prepayment. The term loan bears interest at an annual rate of 5% plus a Eurodollar-based rate, which equated to approximately 5.3% at September 30, 2011. For more information regarding our term loan, see "— Credit Agreement."

We actively review acquisition opportunities on an ongoing basis. While we believe the net proceeds we receive from this offering, together with our cash flows and future potential borrowings under our revolving credit agreement, will be adequate to fund our capital expenditure requirements and any acquisitions of interests and acreage for 2012, funding for future acquisitions of interests and acreage or our future capital expenditure requirements may require additional sources of financing, which may not be available. See "Use of Proceeds."

Our cash flows for the years ended December 31, 2010, 2009 and 2008 and the six months ended June 30, 2011 and 2010, are presented below:

	Year Ended December 31,			Six Months Ended June 30,	
	2010	2009	2008	2011	2010
(In thousands)				(Unaudited)	(Unaudited)
Net cash provided by operating activities	$ 27,273	$ 1,791	$ 25,851	$ 19,531	$ 33,725
Net cash provided by (used in) investing activities	(147,334)	(49,415)	115,481	(91,089)	(63,827)
Net cash provided by (used in) financing activities	36,891	1,086	419	60,422	(8,265)
Net change in cash and cash equivalents	$ (83,170)	$(46,538)	$141,751	$ (11,136)	$ (38,367)

Cash Flows Provided by Operating Activities

Net cash provided by operating activities decreased by $14.2 million to $19.5 million for the six months ended June 30, 2011 as compared to net cash provided by operating activities of $33.7 million for the six months ended June 30, 2010. Net cash provided by oil and natural gas operations actually increased significantly to $25.2 million for the six months ended June 30, 2011 from $11.4 million for the six months ended June 30, 2010. This increase reflects primarily the doubling of our oil and natural gas production to 7.8 Bcfe from 3.9 Bcfe between the respective periods. The decrease in cash flows provided by operating activities resulted from changes in our operating assets and liabilities totaling approximately $28.1 million between June 30, 2010 and June 30, 2011. Specifically, our accounts payable and accrued liabilities decreased to approximately $10.6 million at June 30, 2011 from approximately $29.6 million at June 30, 2010. Our accounts receivable increased to $15.2 million at June 30, 2011 as compared to $7.9 million at June 30, 2010.

Net cash provided by operating activities increased by $25.5 million to $27.3 million for the year ended December 31, 2010 as compared to net cash provided by operating activities of $1.8 million for the year ended December 31, 2009. The increase in cash flows provided by operations reflects an increase in our production to 8.6 Bcfe from 5.0 Bcfe and an increase in the average prices we received for oil and natural gas production for the year ended December 31, 2010 as compared to the year ended December 31, 2009. Our accounts payable and accrued liabilities were approximately $26.8 million at December 31, 2010 as a result of operated horizontal wells that we were drilling and/or completing in the Haynesville and Eagle Ford shale plays and in the Cotton Valley formation during the fourth quarter of 2010. Our accounts payable and accrued liabilities were $7.3 million at December 31, 2009 as we were drilling and completing only one operated horizontal Haynesville shale well at that time.

Net cash provided by operating activities decreased by $24.1 million to $1.8 million for the year ended December 31, 2009 from $25.9 million for the year ended December 31, 2008. Although our production increased to 5.0 Bcfe for the year ended December 31, 2009 from 3.3 Bcfe for the year ended December 31, 2008, the average prices we received for oil and natural gas declined sharply between the respective periods. Our accounts payable and accrued liabilities were approximately $7.3 million at December 31, 2009 as we were drilling and/or completing only one operated horizontal Haynesville shale well at that time. Our accounts payable and accrued liabilities were approximately $25.2 million at December 31, 2008 as we were drilling and/or completing both operated vertical Cotton Valley wells and our first operated horizontal wells in the Haynesville shale play at that time.

Our operating cash flows are sensitive to a number of variables, including changes in our production and volatility of oil and natural gas prices between reporting periods. Regional and worldwide economic activity, weather, infrastructure capacity to reach markets and other variable factors significantly impact the prices of oil and natural gas. These factors are beyond our control and are difficult to predict. For additional information on the impact of changing prices on our financial position, see "— Quantitative and Qualitative Disclosures About Market Risk" below. See also "Risk Factors — Our success is dependent on the prices of oil and natural gas. The substantial volatility in these prices may adversely affect our financial condition and our ability to meet our capital expenditure requirements and financial obligations."

Cash Flows Provided by (Used in) Investing Activities

Net cash used in investing activities increased by $27.3 million to $91.1 million for the six months ended June 30, 2011 from $63.8 million for the six months ended June 30, 2010. This increase in net cash used in investing activities reflected primarily an increase of $21.3 million in our oil and natural gas properties capital expenditures for the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. The increased oil and natural gas properties capital expenditures for the six months ended June 30, 2011 were primarily due to increased expenditures associated with our operated and non-operated drilling and completion activities in the Eagle Ford and Haynesville plays and our acreage acquisition in Karnes, DeWitt, Wilson and Gonzales Counties, Texas, as compared to the six months ended June 30, 2010.

Net cash used in investing activities increased by $97.9 million to $147.3 million for the year ended December 31, 2010 from $49.4 million for the year ended December 31, 2009. This increase in net cash used in investing activities reflects primarily an increase of $104.1 million in our oil and natural gas properties capital expenditures for the year ended December 31, 2010 as compared to the year ended December 31, 2009. The increased oil and natural gas properties capital expenditures for the year ended December 31, 2010 are due to the acquisition of leasehold acreage in the Eagle Ford shale play and the acquisition of additional leasehold acreage in the Haynesville shale play, as well as expenditures associated with our operated and non-operated drilling and completion activities in both plays, as compared to the year ended December 31, 2009.

Net cash used in investing activities was $49.4 million for the year ended December 31, 2009 as compared to net cash provided by investing activities of $115.5 million for the year ended December 31, 2008. This decrease of $164.9 million in net cash provided by investing activities between the respective periods reflects primarily the proceeds received from the sale of a portion of our Haynesville rights in northwest Louisiana to a subsidiary of Chesapeake Energy Corporation in 2008. In addition, our oil and natural gas properties capital expenditures decreased by $49.9 million between the two periods owing to a decrease in our operated drilling activity and related capital expenditures in 2009.

Expenditures for the acquisition, exploration and development of oil and natural gas properties are the primary use of our capital resources. We anticipate investing $307.3 million in capital for acquisition, exploration and development activities in 2012 as follows:

	Amount (in millions)
Exploration and development drilling and associated infrastructure	$ 278.8
Leasehold acquisition	24.0
Other capital expenditures, 2-D and 3-D seismic data and recompletions of existing wells	4.5
Total	$ 307.3

For further information regarding our anticipated capital expenditure budget in 2012, see “Business—Overview.”

Our 2012 capital expenditures may be adjusted as business conditions warrant. The amount, timing and allocation of capital expenditures is largely discretionary and within our control. If oil or natural gas prices decline or costs increase significantly, we could defer a significant portion of our anticipated capital expenditures until later periods to conserve cash or to focus on those projects that we believe have the highest expected returns and potential to generate near-term cash flows. We routinely monitor and adjust our capital expenditures in response to changes in prices, availability of financing, drilling, completion and acquisition costs, industry conditions, the timing of regulatory approvals, the availability of rigs, success or lack of success in our exploration and development activities, contractual obligations and other factors both within and outside our control.

Cash Flows Provided by (Used in) Financing Activities

Net cash provided by financing activities was $60.4 million for the six months ended June 30, 2011 as compared to net cash used in financing activities of $8.3 million for the six months ended June 30, 2010. The net cash provided by financing activities for the six months ended June 30, 2011 was due almost entirely to additional borrowings of $60.0 million under our credit agreement to fund our working capital requirements as well as our acquisition of acreage prospective for the Eagle Ford shale play in Karnes, DeWitt, Wilson and Gonzales Counties, Texas. In addition, in January 2011, we sold 53,772 shares of our Class A common stock in a private placement and received net proceeds of approximately $0.6 million. The net cash used in financing activities of $8.3 million for the six months ended June 30, 2010 reflected primarily our repurchase of 1,000,000 shares of Class A common stock in April 2010 at $9.00 per share for a total of $9.0 million.

Net cash provided by financing activities was $36.9 million for the year ended December 31, 2010 as compared to net cash provided by financing activities of $1.1 million for the year ended December 31, 2009.

For the year ended December 31, 2010, the most significant financing activities occurred in the fourth quarter of 2010. During that time, we sold approximately 1.9 million shares of our Class A common stock in a private placement and received net proceeds of approximately $21.0 million, and we borrowed $25.0 million under our revolving credit agreement. In addition, in April 2010, we repurchased 1,000,000 shares of Class A common stock from five shareholders, all advised by Wellington Management Company, for a total of $9.0 million. We also received proceeds of approximately $2.0 million from the periodic exercise of stock options for the year ended December 31, 2010. For the year ended December 31, 2009, the most significant financing activities occurred in April 2009 when we repurchased approximately 5.4 million shares of Class A common stock from Gandhara Capital, one of our largest shareholders at the time, for a total of $27.1 million and in May through September 2009 when we sold approximately 5.0 million shares of Class A common stock in a private placement and received net proceeds of approximately $28.0 million. We also received proceeds of approximately $1.3 million from the periodic exercise of stock options for the year ended December 31, 2009.

Net cash provided by financing activities was $1.1 million for the year ended December 31, 2009 as compared to $0.4 million for the year ended December 31, 2008. For the year ended December 31, 2009, the most significant financing activities occurred in April 2009 when we repurchased approximately 5.4 million shares of Class A common stock from Gandhara Capital, one of our largest shareholders at the time, at $5.00 per share for a total of $27.1 million and in May through September 2009 when we sold approximately 5.0 million shares of Class A common stock in a private placement and received net proceeds of approximately $28.0 million. We also received proceeds of approximately $1.3 million from the periodic exercise of stock options for the year ended December 31, 2009. For the year ended December 31, 2008, the most significant financing activities were the periodic exercise of stock options for which we received aggregate net proceeds of approximately $1.0 million.

Credit Agreement

In March 2008, we entered into a senior secured revolving credit agreement with Comerica Bank to establish a secured revolving credit facility for a term of five years, and in May 2011 we entered into an amended and restated credit agreement with Comerica Bank. Any borrowings under the credit agreement are secured by mortgages on a significant portion of our oil and natural gas producing properties and by the equity interests of all our subsidiaries. In addition, all obligations under the credit agreement are guaranteed by our subsidiaries. The credit agreement matures in March 2013. As a result of the corporate reorganization, MRC Energy Company is the borrower under the credit agreement. Matador Resources Company has guaranteed MRC Energy Company’s obligations under the credit agreement and pledged its stock in MRC Energy Company as collateral.

The amount of the borrowings under the agreement is limited to the lesser of $150.0 million or the borrowing base, which is determined semi-annually on May 1 and November 1 by the lenders based primarily on estimates of our proved oil and natural gas reserves, but also on external factors, such as the bank’s lending policies and the bank’s estimates of future oil and natural gas prices, over which we have no control. At September 30, 2011, the borrowing base was $80.0 million. Both we and the bank may each request an unscheduled redetermination of the borrowing base one time during any 12-month period. In the event of a borrowing base increase, we pay a fee to the bank equal to 0.25% of the amount of the increase. If the borrowing base were to be less than the outstanding borrowings under the credit agreement at any time, we would be required to provide additional collateral satisfactory in nature and value to the bank to increase the borrowing base to an amount sufficient to cover such excess or to repay the deficit in equal installments over a period of six months.

If we borrow funds as a base rate loan, such borrowings will bear interest at a rate equal to the higher of (i) the weighted average of rates used in overnight federal funds transactions with members of the Federal Reserve System plus 1.0% or (ii) the prime rate for Comerica Bank then in effect. If we borrow funds as a Eurodollar loan, such borrowings will bear interest at a rate equal to (i) the quotient obtained by dividing (A) the interest rate appearing on Page BBAM of the Bloomberg Financial Markets Information Service by (B) a percentage equal to 1.00 minus the maximum rate during such interest calculation period at which Comerica Bank is required to maintain reserves on Euro-currency Liabilities (as defined in Regulation D of the Board of Governors of the Federal Reserve System), plus (ii) an amount from 1.25% to 1.875% of such outstanding loan depending on the level of borrowings under the agreement. The interest period for Eurodollar borrowings may be one, two, three, six or twelve months as designated by us. An unused facility fee of 0.25% to 0.375%, depending on the unused portion of the borrowing base, is paid quarterly in arrears.

Key financial covenants under the credit agreement require us to maintain (1) a minimum current ratio, which is defined as consolidated total current assets plus the unused availability under the credit agreement divided by consolidated total current liabilities, of 1.0 or greater, and (2) a debt to EBITDA ratio, which is defined as total debt outstanding divided by a rolling four quarter EBITDA calculation, of 4.0 to 1.0 or less.

Our revolving credit agreement contains various covenants that limit our ability to take certain actions, including, but not limited to, the following:

- incur indebtedness;
- enter into commodity hedging agreements;
- declare or pay dividends, distributions or redemptions;
- merge or consolidate; and
- engage in certain asset dispositions, including a sale of all or substantially all of our assets.

If an event of default exists under the credit agreement, the lenders will be able to accelerate the maturity of the credit agreement and exercise other rights and remedies. Events of default include, but are not limited to, the following events:

- failure to pay any principal or interest on the notes or any reimbursement obligation under any letter of credit when due or any fees or other amount within certain grace periods;
- failure to perform or otherwise comply with the covenants and obligations in the credit agreement or other loan documents, subject, in certain instances, to certain grace periods;
- bankruptcy or insolvency events involving us or our subsidiaries; and
- a change of control, as defined in the credit agreement.

We had no borrowings under the credit agreement at December 31, 2009 and 2008. In December 2010, the credit agreement was amended to increase the borrowing base to $55.0 million. At December 31, 2010, we had $25.0 million of outstanding borrowings and $50,000 in letters of credit issued pursuant to the credit agreement. At December 31, 2010, all borrowings under the credit agreement were Eurodollar loans, and the interest rate on the outstanding borrowings was approximately 1.6%. We had an additional $325,000 in letters of credit secured by certificates of deposit at Comerica Bank at December 31, 2010.

We believe that we were in compliance with the terms of our credit agreement and with all our bank covenants at December 31, 2010, 2009 and 2008. We obtained a written extension from Comerica Bank until July 15, 2011 to comply with a covenant under the credit agreement requiring submission of audited financial statements within 120 days of the prior year end and the submission of quarterly financial statements within 45 days of the prior quarter end. We submitted both sets of financial statements to Comerica Bank prior to this deadline.

At September 30, 2011, the borrowing base available for revolving borrowings was $80.0 million, and we had $60.0 million in revolving borrowings outstanding under the credit agreement, approximately $1.3 million in outstanding letters of credit issued pursuant to the credit agreement and approximately $18.7 million available for additional borrowings. At September 30, 2011, our outstanding revolving borrowings bore interest at the rate of approximately 2.2%. The outstanding revolving borrowings under our credit agreement mature in March 2013.

In addition to our revolving borrowings, in May 2011, we also borrowed $25.0 million in a term loan pursuant to the credit agreement to help finance the acquisition of the Eagle Ford shale acreage from Orca ICI Development, JV in Karnes, DeWitt, Wilson and Gonzales Counties, Texas. The term loan is due and payable on December 31, 2011 and there is no penalty for prepayment. The term loan bears interest at an annual rate of 5% plus a Eurodollar-based rate, which equated to approximately 5.3% at September 30, 2011, and while any principal and interest under the term loan is outstanding, the revolving borrowings under the credit agreement bear interest at the maximum annual rate of 1.875% plus a Eurodollar-based rate which equated to approximately 2.2% at September 30, 2011. We intend to repay the term loan in full with the net proceeds we receive from this offering. We also intend to use a portion of the net proceeds we receive from this offering to repay our outstanding revolving borrowings under the credit agreement in full. We anticipate that we may need to access future borrowings under our credit agreement within 60 to 90 days following completion of this offering to fund a portion of our 2012 capital expenditure requirements in excess of amounts available from our cash flows and the proceeds of this offering.

Obligations and Commitments

We had the following material contractual obligations and commitments at June 30, 2011 except as indicated:

	Payments Due by Period				
(in thousands)	**Total**	**Less Than 1 Year**	**1 -3 Years**	**3 -5 Years**	**More Than 5 Years**
Contractual Obligations:					
Revolving credit borrowings and term loan, including letters of credit[1]	$ 86,263	$ 26,263	$60,000	$ –	$ –
Office lease	6,243	–	1,150	1,178	3,915
Non-operated drilling commitments[2]	4,000	4,000	–	–	–
Drilling rig contracts[3]	5,100	5,100	–	–	–
Geological and geophysical contracts[4]	404	404	–	–	–
Employee bonuses	1,240	–	1,240	–	–
Asset retirement obligations	3,809	335	442	822	2,210
Total contractual cash obligations	$107,059	$ 36,102	$62,832	$ 2,000	$ 6,125

[1] At September 30, 2011, we had $60.0 million in revolving borrowings outstanding under our credit agreement, approximately $1.3 million in outstanding letters of credit issued pursuant to the credit agreement and $25.0 million outstanding under the term loan. The term loan matures on December 31, 2011, and our borrowings under our revolving credit agreement mature in March 2013. These amounts do not include estimated interest on the obligations, because our revolving borrowings have short-term interest periods, and we are unable to determine what our borrowing costs may be in future periods.

(2) At June 30, 2011, we had outstanding commitments to participate in the drilling and completion of 46 gross and 1.3 net non-operated wells in the Haynesville shale play. Our working interest in these wells varies from 0.05% to 18.7%, and most of these wells were in progress at June 30, 2011. If all these wells are drilled and completed, we estimate that we will have a minimum remaining commitment for our participation in these wells of approximately $4.0 million at June 30, 2011, which we expect to incur within the next 12 months.

(3) At September 30, 2011, we had entered into two drilling rig contracts to explore and develop our Eagle Ford acreage in south Texas. The first rig began drilling operations on our acreage in September 2011 and we anticipate that the second rig will begin drilling operations on our acreage in November 2011. Both contracts are for a term of six months. Should we elect to terminate both contracts and if the drilling contractor were unable to secure work for both rigs prior to the end of their respective contract terms, we would incur an aggregate termination obligation of approximately $5.1 million as of September 30, 2011.

(4) Includes fees pending for two 3-D seismic acquisition projects across our Eagle Ford acreage in south Texas and for core analysis to be provided by a division of Core Laboratories, LP.

Critical accounting policies and estimates

We have outlined below certain accounting policies that are of particular importance to the presentation of our financial condition and results of operations and require the application of significant judgment or estimates by our management.

Basis of Presentation

The consolidated financial statements include the accounts of Matador Resources Company and its four wholly owned subsidiaries, Matador Production Company, Longwood Gathering and Disposal Systems GP, Inc., MRC Permian Company and MRC Rockies Company, as well as the accounts of Longwood Gathering and Disposal Systems, LP (our consolidated financial statements for the years ended December 31, 2010, 2009 and 2008 reflect our organizational structure prior to the consummation of the holding company merger; see “Corporate Reorganization”). Our consolidated financial statements have been prepared in accordance with GAAP. Our operations are conducted in one segment, generally referred to as the exploration and production industry. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements. The preparation of our financial statements requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates and assumptions may also affect 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. We evaluate our estimates and assumptions on a regular basis. We base our estimates on historical experience and various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. While we believe our estimates are reasonable, changes in facts and assumptions or the discovery of new information may result in revised estimates. Actual results could differ from these estimates and assumptions used in preparation of our consolidated financial statements.

Our consolidated financial statements are based on a number of significant estimates. These include estimates of oil and natural gas revenues, accrued assets and liabilities, stock-based compensation, valuation of derivative financial instruments and oil and natural gas reserves. The estimates of oil and natural gas reserves quantities and future net cash flows are the basis for the calculations of depletion and impairment of oil and natural gas properties, as well as estimates of asset retirement obligations and certain tax accruals.

Our oil and natural gas reserves estimates, which are inherently imprecise and based upon many factors beyond our control, are prepared by our engineering staff in accordance with guidelines established by the SEC and then audited for their reasonableness by independent petroleum engineers, except for certain interim periods as noted.

Accounts Receivable

We sell our oil and natural gas production to various purchasers. Due to the nature of the markets for oil and natural gas, we do not believe that the loss of any one purchaser would significantly impact operations. In addition, we may participate with industry partners in the drilling, completion and operation of oil and natural gas wells. Substantially all of our accounts receivable are due from either purchasers of oil and natural gas or participants in oil and natural gas wells for which we serve as the operator. Accounts receivable are due within 30 to 45 days of the production or billing date and are stated at amounts due from purchasers and industry partners.

We review our need for an allowance for doubtful accounts on a periodic basis, and determine the allowance, if any, by considering the length of time past due, previous loss history, future net revenues of the debtor’s ownership interest in oil and natural gas properties we operate and the debtor’s ability to pay its obligations, among other things. We have no allowance for doubtful accounts related to our accounts receivable for any reporting period presented.

Property and Equipment

We use the full-cost method of accounting for our investments in oil and natural gas properties. Under this method of accounting, all costs associated with the acquisition, exploration and development of oil and natural gas properties and reserves, including unproved and unevaluated property costs, are capitalized as incurred and accumulated in a single cost center representing our activities, which are undertaken exclusively in the United States. Such costs include lease acquisition costs, geological and geophysical expenditures, lease rentals on undeveloped properties, costs of drilling both productive and non-productive wells, capitalized interest on qualifying projects and general and administrative expenses directly related to exploration and development activities, but do not include any costs related to production, selling or general corporate administrative activities.

The net capitalized costs of oil and natural gas properties are limited to the lower of unamortized costs less related deferred income taxes or the cost center ceiling, with any excess above the cost center ceiling charged to operations as a full-cost ceiling impairment. The cost center ceiling is defined as the sum of (a) the present value discounted at 10 percent of future net revenues of proved oil and natural gas reserves, plus (b) unproved and unevaluated property costs not being amortized, plus (c) the lower of cost or estimated fair value of unproved and unevaluated properties included in the costs being amortized, if any, less (d) income tax effects related to differences between the book and tax basis of the properties involved. Future net revenues from proved non-producing and proved undeveloped reserves are reduced by the estimated costs of developing these reserves. The fair value of our derivative instruments is not included in the ceiling test computation as we do not designate these instruments as hedge instruments for accounting purposes.

The estimated present value of after-tax future net cash flows from proved oil and natural gas reserves is highly dependent on the commodity prices used in these estimates. These estimates are determined in accordance with guidelines established by the SEC for estimating and reporting oil and natural gas reserves. Under these guidelines, oil and natural gas reserves are estimated using then-current operating and economic conditions, with no provision for price and cost escalations in future periods except by contractual arrangements. In 2009, the SEC provided new guidelines for estimating and reporting oil and natural gas reserves. Under these new guidelines, the commodity prices used to estimate oil and natural gas reserves were changed from last-day-of-the-year prices to an unweighted, arithmetic average of first-day-of-the-month prices for the previous 12-month period.

Capitalized costs of oil and natural gas properties are amortized using the unit-of-production method based upon production and estimates of proved reserves quantities. Unproved and unevaluated property costs are excluded from the amortization base used to determine depletion. Unproved and unevaluated properties are assessed for impairment on a periodic basis based upon changes in operating or economic conditions. This assessment includes consideration of the following factors, among others: the assignment of proved reserves, geological and geophysical evaluations, intent to drill, remaining lease term and drilling activity and results. Upon impairment, the costs of the unproved and unevaluated properties are immediately included in the amortization base. Exploratory dry holes are included in the amortization base immediately upon the determination that the well is not productive.

Sales of oil and natural gas properties are accounted for as adjustments to net capitalized costs with no gain or loss recognized, unless such adjustments would significantly alter the relationship between net capitalized costs and proved reserves of oil and natural gas. All costs related to production activities and maintenance and repairs are expensed as incurred. Significant workovers that increase the properties' reserves are capitalized.

Other property and equipment are stated at cost. Computer equipment, furniture, software and other equipment are depreciated over their useful life (five to seven years) using the straight-line method. Support equipment and facilities include the pipelines and salt water disposal systems owned by Longwood Gathering and Disposal Systems, LP and are depreciated over a 30-year useful life using the straight-line, mid-month convention method. Leasehold improvements are depreciated over the lesser of their useful life or the term of the lease.

Asset Retirement Obligations

We recognize the fair value of an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. The asset retirement obligation is recorded as a liability at its estimated present value, with an offsetting increase recognized in oil and natural gas properties or support equipment and facilities on the balance sheet. Periodic accretion of the discounted value of the estimated liability is recorded as an expense in the consolidated statement of operations. In general, our future asset retirement obligations relate to future costs associated with plugging and abandonment of our oil and natural gas wells, removal of equipment and facilities from leased acreage and returning such land to its original condition. The amounts recognized are based on numerous estimates and assumptions, including future retirement costs, future recoverable quantities of oil and natural gas, future inflation rates and the credit-adjusted risk-free interest rate. Revisions to the liability can occur due to changes in our estimate or if federal or state regulators enact new plugging and abandonment requirements. At the time of actual plugging and abandonment of our oil and natural gas wells, we include any gain or loss associated with the operation in the amortization base to the extent that the actual costs are different from the estimated liability.

Derivative Financial Instruments

From time to time, we use derivative financial instruments to hedge our exposure to commodity price risk associated with natural gas prices. These instruments consist of put and call options in the form of costless collars. Our derivative financial instruments are recorded on the balance sheet as either an asset or a liability measured at fair value. We have elected not to apply hedge accounting for our existing derivative financial instruments, and as a result, we recognize the change in derivative fair value between reporting periods currently in our consolidated statement of operations. The fair value of our derivative financial instruments is determined based on our counterparty's valuation model which we verify for its reasonableness with an independent third party valuation using observable, market-corroborated inputs. Realized gains and realized losses from the settlement of derivative financial instruments and unrealized gains and unrealized losses from valuation changes in the remaining unsettled derivative financial instruments are reported under "Revenues" in our consolidated statement of operations.

Revenue Recognition

We follow the sales method of accounting for our oil and natural gas revenue, whereby we recognize revenue, net of royalties, on all oil or natural gas sold to purchasers regardless of whether the sales are proportionate to our ownership in the property. Under this method, revenue is recognized at the time the oil and natural gas are produced and sold, and we accrue for revenue earned but not yet received.

Stock-based Compensation

In 2003, our board of directors and shareholders approved the Matador Resources Company 2003 Stock and Incentive Plan, or the 2003 Plan. See "Compensation of Named Executive Officers — Stock Options." The persons eligible to receive awards under the 2003 Plan include our employees, directors, officers, consultants or advisors. The 2003 Plan is administered by our board of directors, which determines the number of options or restricted shares to be granted, the effective dates and terms of the grants, the option or restricted share price and the vesting period. In the absence of an established market for shares of our common stock as a private company, the board of directors determines the fair market value of our common stock for purposes of awards under the 2003 Plan. We typically use newly issued shares to satisfy option exercises or restricted share grants.

Prior to the completion of this offering, we anticipate adopting the 2011 Long-Term Incentive Plan. This plan will permit the granting of long-term equity and cash incentive awards to our Named Executive Officers, key employees, consultants and non-employee directors. See "Compensation of Named Executive Officers — Long-Term Incentive Plan."

Non-qualified stock option expense is recognized in our consolidated statement of operations on the date of the grant. Incentive stock options vest over four years, and the associated compensation expense is recognized on a straight-line basis over the vesting period. Prior to November 22, 2010, all of our outstanding stock options were classified as equity instruments, with all stock-based compensation expense measured on the date of grant and recognized over the vesting period, if any. On November 22, 2010, we changed our method of accounting for outstanding stock options, reclassifying all outstanding stock options from equity to liability instruments. This change was made as a result of purchasing shares from certain of our employees to assist them in the exercise of outstanding options of our Class A common stock. As a result, at December 31, 2010, we measured and recognized the fair value of the liability associated with our outstanding stock options using an estimated fair value of our Class A common stock. On occasion, the board of directors grants restricted shares to eligible participants under the 2003 Plan. The fair value of these restricted stock awards are recognized based upon the fair value of our stock as determined by the board of directors on the date of the grant. Depending on the terms of the restricted share grant, the fair value of the award may be recognized on the date of grant in our consolidated statement of operations, or in the case of a restricted share award that vests over time, the fair value of the award is measured on the date of grant and recognized on a straight-line basis over the vesting period.

Income Taxes

We file a United States federal income tax return and several state tax returns, a number of which remain open for examination. The tax years open for examination for the federal tax return are 2007, 2008, 2009 and 2010. The tax years open for examination by the state of Texas are 2008, 2009 and 2010. The tax years open for examination by the state of New Mexico are 2008, 2009 and 2010. The tax years open for examination by the state of Louisiana are 2007, 2008, 2009 and 2010. At November 14, 2011, our 2007, 2008 and 2009 income and franchise tax returns were under examination by the state of Louisiana. We have received preliminary findings from the state of Louisiana and do not currently believe that any final assessment will be significant.

We account for income taxes using the asset and liability approach for financial accounting and reporting. We evaluate the probability of realizing the future benefits of our deferred tax assets and provide a valuation allowance for the portion of any deferred tax assets where the likelihood of realizing an income tax benefit in the future does not meet the more likely than not criteria for recognition.

We account for uncertainty in income taxes by recognizing the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

We have evaluated all tax positions for which the statute of limitations remained open, and we believe that the material positions taken would more likely than not be sustained by examination. Therefore, at December 31, 2010, we had not established any reserves for, nor recorded any unrecognized tax benefits related to, uncertain tax positions. When necessary, we would include interest assessed by taxing authorities in “Interest expense” and penalties related to income taxes in “Other expense” on our consolidated statement of operations. At December 31, 2010, 2009 and 2008, we did not record any interest or penalties related to income tax.

Oil and Natural Gas Reserves Quantities and Standardized Measure of Future Net Revenue

Our engineers and technical staff prepare our estimates of oil and natural gas reserves and associated future net revenues. While the SEC has recently adopted rules which allow us to disclose proved, probable and possible reserves, we have elected to present only proved reserves in this prospectus. The SEC’s revised rules define proved reserves as the quantities of oil and natural gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible — from a given date forward, from known reservoirs, and under existing economic conditions, operating methods and government regulations — prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time. Our engineers and technical staff must make many subjective assumptions based on their professional judgment in developing reserves estimates. Reserves estimates are updated at least annually and consider recent production levels and other technical information about each well. Estimating oil and natural gas reserves is complex and is not exact because of the numerous uncertainties inherent in the process. The process relies on interpretations of available geological, geophysical, petrophysical, engineering and production data. The extent, quality and reliability of both the data and the associated interpretations can vary. The process also requires certain economic assumptions, including, but not limited to, oil and natural gas prices, revenues, development expenditures, operating expenses, capital expenditures and taxes. Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas will most likely vary from our estimates. Accordingly, reserves estimates are generally different from the quantities of oil and natural gas that are ultimately recovered. Any significant variance could materially and adversely affect our future reserves estimates, financial position, results of operations and cash flows. We cannot predict the amounts or timing of future reserves revisions. If such revisions are significant, they could significantly affect future amortization of capitalized costs and result in impairment of assets that may be material.

Recent Accounting Pronouncements

Subsequent Events. We incorporate the accounting and disclosure requirements for subsequent events in our financial statements. In accordance with GAAP, new terminology was introduced recently which defines the date through which management must evaluate subsequent events and lists the circumstances under which an entity must recognize and disclose events or transactions occurring after the balance sheet date. We adopted this guidance at December 31, 2009.

Oil and Natural Gas Reserves Reporting Requirements. In January 2009, the SEC issued *The Modernization of Oil and Gas Reporting, Final Rule*. In January 2010, the Financial Accounting Standards Board, or FASB, amended Topic 932, *Extractive Activities — Oil and Gas* to align with this rule. The changes are designed to modernize and update the oil and natural gas disclosure requirements to align them with current practices and changes in technology. The new rules made a number of important changes including the following: (i) expanded the definition of oil and natural gas producing activities to include the extraction of saleable hydrocarbons from oil sands, shale, coalbeds or other nonrenewable natural resources, (ii) amended the required price for estimating economic quantities for year-end reserves reporting to be the unweighted, arithmetic average of the first-day-of-the-month price for each month within the previous 12-month period, rather than the year-end price and (iii) permitted proved reserves to be claimed beyond those development spacing areas that are immediately adjacent to developed spacing areas if it can be established with reasonable certainty that these reserves are economically producible. At December 31, 2009, we adopted the provisions of this new rule, and we have applied this new guidance for the reserves estimates shown for December 31, 2010 and 2009 and June 30, 2011 included herein.

Derivative Financial Instruments. At December 31, 2008, we adopted new guidance to provide qualitative disclosures about our objectives and strategies for using derivative financial instruments and to provide a tabular presentation of quantitative information for derivatives designated as hedges, hedged items and other derivatives. This new guidance was effective for annual financial periods beginning after November 15, 2008. As its only requirement is to enhance disclosures, the new guidance had no material impact on our consolidated financial statements.

Fair Value. In May 2011, the FASB issued Accounting Standards Update, or ASU, 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*, or ASU 2011-04. ASU 2011-04 amends Accounting Standards Codification, or ASC, 820, *Fair Value Measurements*, or ASC 820, providing a consistent definition and measurement of fair value, as well as similar disclosure requirements between GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles, clarifies the application of existing fair value measurements and expands the ASC 820 disclosure requirements, particularly for Level 3 fair value measurements. The adoption of ASU 2011-04 is not expected to have a material impact on our consolidated financial statements, but may require certain additional disclosures. The amendments in ASU 2011-04 are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011.

In January 2010, the FASB issued authoritative guidance to update certain disclosure requirements and added two new disclosure requirements related to fair value measurements. The guidance requires a gross presentation of activities within the Level 3 roll forward and adds a new requirement to disclose details of significant transfers in and out of Level 1 and 2 measurements and the reasons for the transfers. The new disclosures are required for all companies that are required to provide disclosures about recurring and non-recurring fair value measurements, and are effective the first interim or annual reporting period beginning after December 15, 2009, except for the gross presentation of the Level 3 roll forward information, which is required for annual reporting periods beginning after December 15, 2010 and for interim reporting periods within those years. We adopted the first portion of this guidance beginning January 1, 2010. We do not expect the adoption of this new guidance to have a significant impact on our financial position, results of operations or cash flows.

In September 2006, the FASB issued authoritative guidance for using fair value to measure assets and liabilities. This guidance applies whenever other standards require or permit assets or liabilities to be measured at fair value, but it does not expand the use of fair value in any new circumstances. In February 2009, the FASB delayed the effective date by one year for non-financial assets and liabilities. We adopted this guidance effective January 1, 2008, but delayed guidance relating to non-financial assets and liabilities until January 1, 2009. The adoption of this guidance did not have a significant impact on our financial position, results of operations or cash flows.

In February 2007, the FASB issued authoritative guidance permitting entities to choose to measure certain financial instruments and other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Unrealized gains and losses on any items for which the fair value measurement option is elected are to be reported in the consolidated statement of operations. We adopted this guidance at January 1, 2008. We elected not to measure any eligible items using the fair value option in accordance with this guidance, and therefore, it did not have an impact on our financial position, results of operations or cash flows.

Uncertainty in Income Taxes. At January 1, 2008, we adopted the accounting guidance related to accounting for uncertainty in income taxes which provides for the financial statement benefit of a tax position as being recognized only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. Following adoption, we evaluated all tax positions for which the statute of limitations remained open, and management believes that the material positions taken would more likely than not be sustained by examination. We do not expect any change in unrecognized tax benefits in the next 12 months.

Internal Controls and Procedures

Prior to the completion of this offering, we have been a private company and have maintained internal controls and procedures in accordance with being a private company. We have maintained limited accounting personnel to perform our accounting processes and limited other supervisory resources with which to address our internal control over financial reporting. In connection with our audit for the year ended December 31, 2010, our independent registered public accountants identified and communicated material weaknesses related to accounting for deferred income taxes, impairment of oil and natural gas properties, assessment of unproved and unevaluated properties and the administration of our stock plan.

A material weakness is a control deficiency, or a combination of control deficiencies, in internal control over financial reporting, such that there is reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

We have begun the process of evaluating our internal control over financial reporting and will continue to work with our auditors to put into place new accounting process and control procedures to address the issues set forth above. However, we will not complete this process until well after this offering is completed. We cannot predict the outcome of this process at this time.

We are not currently required to comply with the SEC's rules implementing Section 404 of the Sarbanes-Oxley Act, and are therefore not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. Upon becoming a public company, we will be required to comply with the SEC's rules implementing Section 302 of the Sarbanes-Oxley Act, which will require our management to certify financial and other information in our quarterly and annual reports and to provide an annual management report on the effectiveness of our internal control over financial reporting. We will not be required to make our first assessment of our internal control over financial reporting until the year following the year that our first annual report is filed or required to be filed with the SEC. To comply with the requirements of being a public company, we will need to upgrade our systems, including information technology, implement additional financial and management controls, reporting systems and procedures and hire additional accounting and financial reporting staff.

Further, our independent registered public accountants are not yet required to formally attest to the effectiveness of our internal control over financial reporting until the year following the year that our first annual report is required to be filed with the SEC. Once it is required to do so, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed, operated or reviewed. Our remediation efforts may not enable us to remedy or avoid material weaknesses in the future.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to a variety of market risks including commodity price risk, interest rate risk and counterparty and customer risk. We address these risks through a program of risk management including the use of derivative financial instruments.

Commodity price exposure. We are exposed to market risk as the prices of oil and natural gas fluctuate as a result of changes in supply and demand and other factors. To partially reduce price risk caused by these market fluctuations, we have entered into derivative financial instruments in the past and expect to enter into derivative financial instruments in the future to cover a significant portion of our future production.

We use costless (or zero-cost) collars to manage risks related to changes in natural gas prices. A costless collar provides us with downside price protection through the purchase of a put option which is financed through the sale of a call option. Because the call option proceeds are used to offset the cost of the put option, this arrangement is initially "costless" to us. At December 31, 2010, 2009 and 2008 and at June 30, 2011, we used costless collar options to reduce the volatility of natural gas prices on a significant portion of our future expected natural gas production.

We record all derivative financial instruments at fair value. The fair value of our derivative financial instruments is determined based on our counterparty's valuation model which we verified for its reasonableness annually with an independent third party valuation using observable, market-corroborated inputs. Comerica Bank is the single counterparty for all of our derivative instruments. We have made no adjustments to the fair value amounts recognized on the balance sheet for these derivative instruments to account for the credit standing of Comerica Bank.

The following is a summary of our open costless collar contracts at September 30, 2011:

Commodity	Calculation Period	Notional Quantity	Price Floor	Price Ceiling	Fair Value of Asset
		(MMBtu/month)	($/MMBtu)	($/MMBtu)	(thousands)
Natural Gas	01/01/2010 — 12/31/2011	50,000	5.25	8.10	$ 218
Natural Gas	01/01/2010 — 12/31/2011	50,000	5.50	7.65	256
Natural Gas	01/01/2010 — 12/31/2011	50,000	5.00	8.65	181
Natural Gas	01/01/2010 — 12/31/2011	50,000	5.50	7.70	256
Natural Gas	01/01/2011 — 12/31/2011	90,000	5.50	7.85	460
Natural Gas	07/01/2011 — 12/31/2012	300,000	4.50	5.60	2,323
Natural Gas	07/01/2011 — 07/31/2013	150,000	4.50	5.75	1,356
Natural Gas	01/01/2012 — 12/31/2012	150,000	4.25	6.17	628
Total					$ 5,678

All of our existing natural gas derivative contracts will expire at varying times during 2011, 2012 and 2013. We currently have no derivative contracts in place for any of our oil and liquids production.

Effect of Recent Derivatives Legislation

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, which is intended to modernize and protect the integrity of the U.S. financial system. The Dodd-Frank Act, among other things, sets forth the new framework for regulating certain derivative products including the commodity hedges of the type used by us, but many aspects of this law are subject to further rulemaking and will take effect over several years. As a result, it is difficult to anticipate the overall impact of the Dodd-Frank Act on our ability or willingness to continue entering into and maintaining such commodity hedges and the terms thereof. Based upon the limited assessments we are able to make with respect to the Dodd-Frank Act, there is the possibility that the Dodd-Frank Act could have a substantial and adverse impact on our ability to enter into and maintain these commodity hedges. In particular, the Dodd-Frank Act could result in the implementation of position limits and additional regulatory requirements on our derivative arrangements, which could include new margin, reporting and clearing requirements. In addition, this legislation could have a substantial impact on our counterparties and may increase the cost of our derivative arrangements in the future. See “Risk Factors — The derivatives legislation adopted by Congress could have an adverse impact on our ability to hedge risks associated with our business.”

Interest rate risk. We do not use interest rate derivatives to alter interest rate exposure in an attempt to reduce interest rate expense on existing debt since we borrowed under our existing credit agreement for the first time in December 2010 and have $60.0 million in revolving debt outstanding at September 30, 2011 at an interest rate of 1.875% plus a Eurodollar-based rate, which equated to approximately 2.2% at September 30, 2011. In addition to our revolving borrowings, in May 2011, we borrowed $25.0 million in a term loan pursuant to the credit agreement. The term loan bears interest at an annual rate of 5% plus a Eurodollar-based rate, which equated to approximately 5.3% at September 30, 2011. If we incur any indebtedness in the future and at higher interest rates, we may use interest rate derivatives. Interest rate derivatives would be used solely to modify interest rate exposure and not to modify the overall leverage of the debt portfolio.

Counterparty and customer credit risk. Joint interest receivables arise from billing entities which own partial interest in the wells we operate. These entities participate in our wells primarily based on their ownership in leases on which we wish to drill. We have limited ability to control participation in our wells. We are also subject to credit risk due to concentration of our oil and natural gas receivables with several significant customers. The inability or failure of our significant customers to meet their obligations to us or their insolvency or liquidation may adversely affect our financial position, results of operations and cash flows. In addition, our oil and natural gas derivative arrangements expose us to credit risk in the event of nonperformance by counterparties.

While we do not require our customers to post collateral and we do not have a formal process in place to evaluate and assess the credit standing of our significant customers for oil and natural gas receivables and the counterparties on our derivative instruments, we do evaluate the credit standing of such counterparties as we deem appropriate under the circumstances. This evaluation may include reviewing a counterparty's credit rating, latest financial information and, in the case of a customer with which we have receivables, its historical payment record, the financial ability of the customer's parent company to make payment if the customer cannot and undertaking the due diligence necessary to determine credit terms and credit limits. The counterparty on our derivative instruments currently in place is Comerica Bank and we are likely to enter into any future derivative instruments with Comerica Bank.

Impact of Inflation. Inflation in the United States has been relatively low in recent years and did not have a material impact on our results of operations for the years ended December 31, 2010, 2009 and 2008. Although the impact of inflation has been generally insignificant in recent years, it is still a factor in the United States economy and we tend to specifically experience inflationary pressure on the cost of oilfield services and equipment with increases in oil and natural gas prices and with increases in drilling activity in our areas of operations, including the Eagle Ford shale and Haynesville shale plays. See "— Overview." See also "Risk Factors — The unavailability or high cost of drilling rigs, completion equipment and services, supplies and personnel, including hydraulic fracturing equipment and personnel, could adversely affect our ability to establish and execute exploration and development plans within budget and on a timely basis, which could have a material adverse effect on our financial condition, results of operations and cash flows."

Off-Balance Sheet Arrangements

At December 31, 2010 and June 30, 2011, we did not have any off-balance sheet arrangements.

Changes in Accountants

Grant Thornton LLP, or Grant Thornton, performed audits of our consolidated financial statements for the fiscal years ended December 31, 2008 and 2009. Grant Thornton's reports did not contain an adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles.

On or about June 1, 2010, following the completion of Grant Thornton's audit of our financial statements for the year ended December 31, 2009, our Audit Committee determined not to renew Grant Thornton's engagement as our independent accountant. On October 28, 2010, our board of directors unanimously approved the appointment of Ernst & Young, LLP, or Ernst & Young, as our independent accountant commencing with work to be performed in relation to our nine month period ended September 30, 2010. We had no occasion in 2008 and 2009 and any subsequent interim period prior to October 28, 2010 upon which we consulted with Ernst & Young on any matters.

During the fiscal years ended December 31, 2008 and 2009, and the subsequent interim period through June 1, 2010, there were (i) no disagreements with Grant Thornton on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreement(s), if not resolved to Grant Thornton's satisfaction, would have caused Grant Thornton to make reference to the subject matter of the disagreement(s) in connection with its reports for such years, and (ii) no reportable events within the meaning set forth in Item 304(a)(1)(v) of Regulation S-K.

Prior to the completion of Ernst & Young's audit of our financial statements for the nine month period ended September 30, 2010, on or about February 28, 2011, we mutually agreed with Ernst & Young to terminate our relationship. The decision to discontinue the audit services of Ernst & Young was mutual and was approved by our Board of Directors and Audit Committee effective at February 28, 2011. From October 28, 2010 through February 28, 2011, there were (i) no disagreements with Ernst & Young on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreement(s), if not resolved to Ernst & Young's satisfaction, would have caused Ernst & Young to make reference to the subject matter of the disagreement(s) in connection with its report for the nine-month period ended September 30, 2010, and (ii) no reportable events within the meaning set forth in Item 304(a)(1)(v) of Regulation S-K.

Effective at February 28, 2011, our Audit Committee unanimously approved the reappointment of Grant Thornton as our independent accountant to audit our financial statements for the year ended December 31, 2010. Prior to our reengagement of Grant Thornton, we had discussions with Grant Thornton regarding whether they had the capacity, availability and desire to reengage as our auditor going forward. Prior to these reengagement discussions, during the period from approximately the middle of December 2010 through the end of January 2011, there were also discussions regarding the accounting for our outstanding stock options, specifically regarding the liability versus equity classification of the outstanding stock options, and our accounting for income taxes related to the calculation of deferred taxes related to our statutory depletion calculation in 2008 and 2009. Based on discussions held prior to our reengagement of Grant Thornton, it was concluded that the accounting treatment continued to be appropriate with no adjustments to the previously issued financial statements necessary. The aforesaid discussions did not address any accounting issues related to the fiscal year 2010. We had no occasion between June 1, 2010 and February 28, 2011 upon which we consulted with Grant Thornton on any other matters.

Both Grant Thornton and Ernst & Young have been provided with a copy of this disclosure and have furnished to us a letter addressed to the Securities and Exchange Commission stating that they agree with the statements about such firms contained herein.

BUSINESS

Overview

We are an independent energy company engaged in the exploration, development, production and acquisition of oil and natural gas resources in the United States, with a particular emphasis on oil and natural gas shale plays and other unconventional resource plays. Our current operations are located primarily in the Eagle Ford shale play in south Texas and the Haynesville shale play in northwest Louisiana and east Texas. These plays are a key part of our growth strategy, and we believe they currently represent two of the most active and economically viable unconventional resource plays in North America. We expect the majority of our near-term capital expenditures will focus on increasing our production and reserves from the Eagle Ford and Haynesville shale plays as we seek to capitalize on the relative economics of each play. In addition to these primary operating areas, we have acreage positions in southeast New Mexico and west Texas and in southwest Wyoming and adjacent areas in Utah and Idaho where we continue to identify new oil and natural gas prospects.

We were founded in July 2003 by Joseph Wm. Foran, Chairman, President and CEO, and Scott E. King, Co-Founder and Vice President, Geophysics and New Ventures, with an initial equity investment of approximately $6.0 million. Shortly thereafter, investors contributed approximately $46.5 million to provide a total initial capitalization of approximately $52.5 million. Most of this initial capital was provided by the same institutional and individual investors who helped capitalize Mr. Foran’s previous company, Matador Petroleum Corporation.

Mr. Foran began his career as an oil and natural gas independent in 1983 when he founded Foran Oil Company with $270,000 in contributed capital from 17 friends and family members. Foran Oil Company was later contributed to Matador Petroleum Corporation upon its formation by Mr. Foran in 1988. Mr. Foran served as Chairman and Chief Executive Officer of that company from its inception until it was sold in June 2003 to Tom Brown, Inc., in an all cash transaction for an enterprise value of approximately $388.5 million.

With an average of more than 25 years of oil and natural gas industry experience, our management team has extensive expertise in exploring for and developing hydrocarbons in multiple U.S. basins. Members of our management team have participated in the assimilation of numerous lease positions and in the drilling and completion of hundreds of vertical and horizontal wells in unconventional resource plays.

Since our first well in 2004, we have drilled or participated in drilling 194 wells through June 30, 2011, including 64 Haynesville and six Eagle Ford wells. From December 31, 2008 through June 30, 2011, we grew our estimated proved reserves from 20.0 Bcfe to 157.8 Bcfe. At June 30, 2011, 34% of our estimated proved reserves were proved developed reserves and 97% of our estimated proved reserves were natural gas. We also grew our average daily production by approximately 162% from 9.0 MMcfe per day for the year ended December 31, 2008 to 23.6 MMcfe per day for the year ended December 31, 2010. In addition, as a result of production from several new wells that were completed in 2011, our daily production for the six months ended June 30, 2011 averaged approximately 42.9 MMcfe per day. We have achieved this growth while lowering operating costs (consisting of lease operating expenses and production taxes and marketing expenses) from $1.91 per Mcfe for the year ended December 31, 2008, to $0.84 per Mcfe for the six months ended June 30, 2010, or a decrease of approximately 55%.

The following table presents certain summary data for each of our operating areas as of and for the six months ended June 30, 2011:

		Producing Wells		Total Identified Drilling Locations[1]		Estimated Net Proved Reserves		Avg. Daily Production (MMcfe)
	Net Acreage	Gross	Net	Gross	Net	Bcfe[2]	% Developed	
South Texas:								
Eagle Ford	29,304	4.0	2.4	192.0	156.5	5.2	37.4	3.1
Austin Chalk	14,729	–	–	16.0	16.0	–	–	–
Area Total[3]	29,304	4.0	2.4	208.0	172.5	5.2	37.4	3.1
NW Louisiana/E Texas:								
Haynesville	14,624	64.0	10.3	557.0	106.2	135.9	25.6	32.3
Cotton Valley[4]	23,208	108.0	71.7	60.0	36.0	16.0	100.0	7.2
Area Total[5]	25,673	172.0	82.0	617.0	142.2	151.9	33.5	39.5
SW Wyoming, NE Utah, SE Idaho	135,862	–	–	–	–	–	–	–
SE New Mexico, West Texas	19,852	13.0	5.7	–	–	0.7	100.0	0.3
Total	210,691	189.0	90.1	825.0	314.7	157.8	33.9	42.9

[1] These locations have been identified for potential future drilling and are not currently producing. In addition, the total net identified drilling locations is calculated by multiplying the gross identified drilling locations in an operating area by our working interest participation in such locations. At June 30, 2011, these identified drilling locations included 2 gross and 2 net locations to which we have assigned proved undeveloped reserves in the Eagle Ford and 94 gross and 15 net locations to which we have assigned proved undeveloped reserves in the Haynesville. We have no proved undeveloped reserves assigned to identified drilling locations in the Austin Chalk or Cotton Valley at June 30, 2011.

[2] These estimates were prepared by our engineering staff and audited by independent reservoir engineers, Netherland, Sewell & Associates, Inc.

[3] Some of the same leases cover the net acres shown for the Eagle Ford formation and the Austin Chalk formation, a shallower formation than the Eagle Ford formation. Therefore, the sum of the net acreage for both formations is not equal to the total net acreage for south Texas. This total includes acreage that we are producing from or that we believe to be prospective for these formations.

[4] Includes shallower zones and also includes one well producing from the Frio formation in Orange County, Texas and two wells producing from the San Miguel formation in Zavala County, Texas.

[5] Some of the same leases cover the net acres shown for the Haynesville formation and the Cotton Valley formation, a shallower formation than the Haynesville formation. Therefore, the sum of the net acreage for both formations is not equal to the total net acreage for northwest Louisiana/east Texas. This total includes acreage that we are producing from or that we believe to be prospective for these formations.

At June 30, 2011, our properties included approximately 56,000 gross acres and 29,000 net acres in the Eagle Ford shale play in Atascosa, DeWitt, Dimmit, Karnes, LaSalle, Gonzales, Webb, Wilson and Zavala Counties in south Texas. We believe that approximately 85% of our Eagle Ford acreage is prospective predominantly for oil or liquids production. In addition, portions of the acreage are also prospective for other targets, such as the Austin Chalk, Olmos and Buda, from which we expect to produce predominantly oil and liquids. Approximately 80% of our Eagle Ford acreage is either held by production or not burdened by lease expirations before 2013. We have begun to explore and develop our Eagle Ford position and from November 2010 through September 2011, we completed our first four operated wells in this area (see “ — Recent Developments”). We have identified 192 gross locations and 157 net locations for potential future drilling on our Eagle Ford acreage. These locations have been identified on a property-by-property basis and take into account criteria such as anticipated geologic conditions and reservoir properties, estimated recoveries from nearby wells based on available public data, drilling densities observed from other operators, estimated drilling and completion costs, spacing and other rules established by regulatory authorities and surface considerations, among others. At June 30, 2011, we have identified potential drilling locations on approximately 75% of our net Eagle Ford acreage. As we explore and develop our Eagle Ford acreage further, we believe it is possible that we may identify additional locations for future drilling. At June 30, 2011, these identified potential future drilling locations in the Eagle Ford shale play included 2 gross and 2 net locations to which we have assigned proved undeveloped reserves.

In addition, at June 30, 2011, we had approximately 23,000 gross acres and 15,000 net acres in the Haynesville shale play in northwest Louisiana and east Texas. Based on our analysis of geologic and petrophysical information (including total organic carbon content and maturity, resistivity, porosity and permeability, among other information), well performance data and information available to us related to drilling activity and results from wells drilled across the Haynesville shale play, almost 5,500 of our net acres are located in what we believe is the core area of the play. We believe the core area of the play includes that area in which the most Haynesville wells have been drilled by operators and from which we anticipate natural gas recoveries would likely exceed 6 Bcf per well. Almost 90% of our Haynesville acreage is held by production from the Haynesville or other formations, and we believe much of it is also prospective for the Cotton Valley, Hosston (Travis Peak) and other shallower formations. In addition, we believe approximately 1,700 of these net acres are prospective for the Middle Bossier shale play.

At June 30, 2011, our Haynesville acreage was approximately 10% developed, and we have identified 557 gross locations and 106 net locations for potential future drilling in our Haynesville acreage. These locations have been identified on a property-by-property basis and take into account criteria such as anticipated geologic conditions and reservoir properties, estimated recoveries from our producing Haynesville wells and other nearby wells based on available public data, drilling densities observed from other operators including on some of our non-operated properties, estimated drilling and completion costs, spacing and other rules established by regulatory authorities and surface conditions, among others. Of the 557 gross locations identified for future drilling, 482 of these locations (55 net locations) have been identified within the 5,500 net acres that we believe are located in the core area of the Haynesville play. As we explore and develop our Haynesville acreage further, we believe it is possible that we may identify additional locations for future drilling. At June 30, 2011, these identified potential future drilling locations included 94 gross and 15 net locations in the Haynesville shale play to which we have assigned proved undeveloped reserves.

We also have a large unevaluated acreage position in southwest Wyoming and adjacent areas in Utah and Idaho where we began drilling our initial well in February 2011 to test the Meade Peak natural gas shale. We reached a depth of 8,200 feet, approximately 300 feet above the top of the Meade Peak shale, before having operations suspended for several months due to wildlife restrictions. We resumed operations on this initial test well in September 2011. In addition, we have leasehold interests in the Delaware and Midland Basins in southeast New Mexico and west Texas where we are developing new oil and natural gas prospects.

We are active both as an operator and as a co-working interest owner with larger industry participants including affiliates of Chesapeake Energy Corporation, EOG Resources, Inc., Royal Dutch Shell plc and others. Of the 194 gross wells we have drilled or participated in drilling, we drilled approximately half of these wells as the operator. At September 30, 2011, we were the operator for approximately 82% of our Eagle Ford and 71% of our Haynesville acreage, including approximately 23% of our acreage in what we believe is the core area of the Haynesville play. A large portion of our acreage in that core area is operated by a subsidiary of Chesapeake Energy Corporation. We also operate all of our acreage in southwest Wyoming and the adjacent areas of Utah and Idaho, as well as the vast majority of our acreage in southeast New Mexico and west Texas.

We are a non-operating working interest participant with affiliates of Chesapeake Energy Corporation, Royal Dutch Shell plc and several other companies in the Haynesville shale and with EOG Resources, Inc. in the Eagle Ford shale. We have entered into a joint operating agreement with an affiliate of Chesapeake Energy Corporation governing the Haynesville operations underlying our Elm Grove/Caspiana properties in southern Caddo Parish, Louisiana (see "–Other Significant Prior Events – Chesapeake Transaction") and a joint operating agreement with EOG Resources, Inc. governing all operations on our joint acreage in Atascosa County, Texas. We have not entered into a joint operating agreement with Royal Dutch Shell plc or certain other operators of wells in the Haynesville area in which we have a minority working interest. Particularly when our working interest is small, we do not always enter into formal operating agreements with the operators, and in such cases, we rely on applicable legal and statutory authority to govern our arrangement in accordance with industry standard practices.

Where we do have joint operating agreements with affiliates of Chesapeake Energy Corporation and EOG Resources, Inc., these agreements call for significant penalties should we elect not to participate in the drilling and completion of a well proposed by the operator, or a non-consent well. These non-consent penalties typically allow the operator to recover up to 400% of its costs to drill, complete and equip the non-consent well from the well's future net revenue prior to us being allowed to participate in the non-consent well for our original working interest. Ultimately, the amount of these penalties may result in us having no participation at all in the non-consent well. We also have the right to propose wells under these joint operating agreements, and the same non-consent penalties apply to the operator should it elect not to consent to a well that we propose.

While we do not have direct access to our operating partners' drilling plans with respect to future well locations, we do attempt to maintain ongoing communications with the technical staff of these operators in an effort to understand their drilling plans for purposes of our capital expenditure budget and our booking of any related proved undeveloped well locations. We review these locations with Netherland, Sewell & Associates, Inc., our independent reservoir engineers, on a periodic basis to ensure their concurrence with our estimates of these drilling plans and our approach to booking these reserves.

Our net proceeds from this offering, after discharging in full the $25.0 million term loan and repaying in full our outstanding borrowings under our revolving credit agreement, which were $60.0 million at October 31, 2011, when taken together with our cash flows and future potential borrowings under our credit agreement, will be used to fund our 2012 capital expenditure requirements and for potential acquisitions of interests and acreage. We anticipate that we may need to access future borrowings under our credit agreement within 60 to 90 days following completion of this offering to fund a portion of our 2012 capital expenditure requirements in excess of amounts available from our cash flows and the proceeds of this offering. See "Use of Proceeds."

The following table presents our 2012 anticipated capital expenditure budget of approximately $307.3 million segregated by target formation and by whether the wells are considered to be exploration or development wells.

	2012 Anticipated Drilling						2012 Anticipated Capital Expenditure Budget (in millions)[2]		
	Gross Wells[1]			Net Wells[1]					
	Exploration	Development	Total	Exploration	Development	Total	Exploration	Development	Total
South Texas									
Eagle Ford	15.0	11.0	26.0	14.1	10.1	24.2	147.9	97.3	$245.2
Austin Chalk	2.0	—	2.0	2.0	—	2.0	11.3	—	11.3
Area Total	17.0	11.0	28.0	16.1	10.1	26.2	159.2	97.3	256.5
NW Louisiana / E Texas									
Haynesville	5.0	18.0	23.0	0.2	2.0	2.2	1.5	18.3	19.8
Cotton Valley	—	—	—	—	—	—	—	—	—
Area Total	5.0	18.0	23.0	0.2	2.0	2.2	1.5	18.3	19.8
SW Wyoming, NE Utah, SE Idaho	1.0	—	1.0	0.4	—	0.4	2.5	—	2.5[3]
SE New Mexico, West Texas	—	—	—	—	—	—	—	—	—
Other	N/A	N/A	N/A	N/A	N/A	N/A	2.5	3.5	28.5[4]
Total	23.0	29.0	52.0	16.7	12.1	28.8	188.2	119.1	$307.3

[1] Includes wells we currently expect to drill and complete as operator, plus those wells in which we currently plan to participate as a non-operator in 2012.

[2] Our capital expenditure budget is based on our net working interests in the properties.

[3] We have a carried interest for $5.0 million of the cost of this well presuming the election of our joint venture partner to participate in the drilling of this well.

[4] Includes $20.0 million to acquire additional leasehold interests primarily prospective for oil and liquids production in southeast New Mexico and west Texas.

Although we intend to allocate a portion of our 2012 capital expenditure budget to financing exploration, development and acquisition of additional interests in the Haynesville shale play, we currently intend to allocate approximately 82% of our 2012 capital expenditure budget to the exploration, development and acquisition of additional interests in the Eagle Ford shale play. Including these anticipated capital expenditures in the Eagle Ford shale play, we plan to dedicate over 90% of our 2012 anticipated capital expenditure budget to opportunities prospective for oil and liquids production. While we have budgeted $307.3 million for 2012, the aggregate amount of capital we will expend may fluctuate materially based on market conditions and our drilling results. Since at September 30, 2011, approximately 90% of our Haynesville acreage was held by production and approximately 80% of our Eagle Ford acreage was either held by production or not burdened by lease expirations before 2013, we possess the financial flexibility to allocate our capital when we believe it is economical and justified.

Business Strategies

Our goal is to increase shareholder value by building reserves, production and cash flows at an attractive return on invested capital. We plan to achieve our goal by executing the following strategies:

- *Focus Exploration and Development Activity on Our Eagle Ford and Haynesville Shale Assets.*

  We have established core acreage positions in the Eagle Ford and Haynesville shale plays, which we believe are two of the most active and economically viable shale plays in North America. Although we intend to allocate a portion of our 2012 capital expenditure budget to financing exploration, development and acquisition of additional interests in the Haynesville shale play, we currently intend to allocate approximately 82% of our 2012 capital expenditure budget to the exploration, development and acquisition of additional interests in the Eagle Ford shale play. Since approximately 90% of our Haynesville acreage was held by production and approximately 80% of our Eagle Ford acreage was either held by production or not burdened by lease expirations before 2013 at September 30, 2011, we have the flexibility to develop our acreage in a disciplined manner in order to maximize the resource recovery from these assets. We believe the economics for development in these two areas are attractive at current commodity prices.

- *Identify, Evaluate and Exploit Oil Plays to Create a More Balanced Portfolio*.

  Although most of our current proved reserves are classified as natural gas, we have been evaluating various oil plays to find and execute upon opportunities that would fit well with our exploration and operating strategies. We believe our interests in the Eagle Ford shale play will enable us to create a more balanced commodity portfolio through the drilling of locations that are prospective for oil and liquids. We believe oil and liquids opportunities represent more than 90% of our anticipated 2012 capital expenditure budget. We expect to continue to create and acquire additional prospects and opportunities for the exploration and production of oil and liquids.

- *Pursue Opportunistic Acquisitions.*

  We believe our management team's familiarity with our key operating areas and their contacts with the operators and mineral owners in those regions enable us to identify high-return opportunities at attractive prices. We actively pursue opportunities to acquire unproved and unevaluated acreage, drilling prospects and low-cost producing properties within our core areas of operations where we have operational control and can enhance value and performance. We view these acquisitions as an important component of our business strategy and intend to selectively make acquisitions on attractive terms that complement our growth and help us achieve economies of scale.

- *Maintain Our Financial Discipline.*

  As an operator, we seek leverage advanced technologies and integrate the knowledge, judgment and experience of our management and technical teams. We believe our team demonstrates financial discipline that is achieved by our approach to evaluating and analyzing prospects and prior drilling and completion results before allocating capital and is reflected in the improvements our team has attained on reducing unit costs. When we are not the operator, we proactively engage with the operators in an effort to ensure similar financial discipline. Additionally, we conduct our own internal geological and engineering studies on these prospects and provide input on the drilling, completion and operation of many of these non-operated wells pursuant to our agreements and relationships with the operators. Through these methods and practices, we believe we are well-positioned to control the expenses and timing of development and exploitation of our properties.

- *Maintain Proactive and Ongoing Relationships with Other Industry Participants*.

  We believe maintaining proactive and ongoing relationships with other industry operators and vendors enhances our understanding of the shale plays and allows us to leverage their expertise without having to commit substantial capital. We currently participate in various drilling activities with larger industry participants, including affiliates of Chesapeake Energy Corporation, EOG Resources, Inc., Royal Dutch Shell plc and others. We are also active participants in three industry shale consortia: the North American Gas Shale, Haynesville and Bossier Shale and Eagle Ford Shale consortia organized by Core Laboratories, LP. As active members in various professional societies, our staff and board members also regularly interact on a professional basis with other industry participants.

Competitive Strengths

We believe our prior success is, and our future performance will be, directly related to the following combination of strengths that will enable us to implement our strategies:

- *High Quality Asset Base in Attractive Areas.*

  We have key acreage positions in active areas of the Eagle Ford and Haynesville shale plays. We believe our assets in these plays are characterized by low geological risk and similar repeatable drilling opportunities that we expect will result in a predictable production growth profile. The commodity mix of our production and reserves is expected to become more balanced as a result of our planned activities on our Eagle Ford and Austin Chalk acreage, which is located in oil and liquids prone areas of the plays. In addition to the Haynesville shale, our east Texas and north Louisiana assets have multiple, recognized geologic horizons, including the Middle Bossier shale, Cotton Valley and Hosston (Travis Peak) formations. We also believe there is additional resource potential in our oil and natural gas prospects in southeast New Mexico and west Texas, along with our natural gas prospects in southwest Wyoming and adjacent areas in Utah and Idaho.

- *Large, Multi-year, Development Drilling Inventory.*

  Within our northwest Louisiana/east Texas and south Texas regions, we have identified 825 gross and 315 net drilling locations, including 192 gross and 157 net locations in the Eagle Ford shale play and 557 gross and 106 net locations in the Haynesville shale play. At June 30, 2011, these identified drilling locations included 2 gross and 2 net locations to which we have assigned proved undeveloped reserves in the Eagle Ford shale play and 94 gross and 15 net locations to which we have assigned proved undeveloped reserves in the Haynesville shale play. We have identified 26 gross and 24 net locations in the Eagle Ford shale play and 23 gross and approximately 2 net locations in the Haynesville shale play that we expect to drill in 2012, the completion of which would represent approximately 14% and 4% of our identified gross drilling locations in these two areas at June 30, 2011, respectively. Additionally, we expect to identify and develop additional locations across our broad exploration portfolio as we evaluate our Cotton Valley, Austin Chalk, Meade Peak and Delaware and Midland Basin assets. We believe our multi-year, identified drilling inventory and exploration portfolio provide visible near-term growth in our production and reserves, and highlight the long-term resource potential across our asset base.

- *Financial Flexibility to Fund Expansion.*

  Historically, we have maintained financial flexibility by obtaining capital through shareholder investments and our operational cash flows while maintaining low levels of indebtedness, which has allowed us to take advantage of acquisition opportunities as they arise. Upon the completion of this offering and the repayment of our $25.0 million term loan in full and the outstanding borrowings under our revolving credit agreement in full ($60.0 million outstanding at October 31, 2011), we expect to have at least $— million in cash, cash equivalents and certificates of deposit and at least $78.7 million available for borrowings under our credit agreement after giving effect to outstanding letters of credit. Excluding any possible acquisitions, we expect to maintain our current financial flexibility by funding our entire 2012 capital expenditure budget through the net proceeds we receive from this offering, together with our operational cash flows and future potential borrowings under our credit agreement. We anticipate that we may need to access future borrowings under our credit agreement within 60 to 90 days following completion of this offering to fund a portion of our 2012 capital expenditure requirements in excess of amounts available from our cash flows and the proceeds of this offering. Our availability of capital as described above will also allow us to maintain our competitiveness in seeking to acquire additional oil and natural gas properties as opportunities arise. A strong balance sheet and interest savings should also reduce unit costs and increase profitability. In addition, since a large portion of our Eagle Ford and Haynesville acreage was held by production at September 30, 2011, we have the financial flexibility to allocate our capital when we believe it is economical and justified.

- *Experienced and Incentivized Management, Technical Team and Board*.

  Our management and technical teams possess extensive oil and natural gas expertise with an average of over 25 years of relevant industry experience from companies such as Matador Petroleum Corporation, S. A. Holditch & Associates, Inc., Schlumberger Limited, Conoco and ARCO, and we believe they have a demonstrated record of growth and financial discipline over many years. The management team has experience in drilling and completing hundreds of vertical and horizontal wells in unconventional resource plays, including the Cotton Valley, Bossier, Wilcox/Vicksburg, Austin Chalk, Haynesville and Eagle Ford plays. Our management team's experience is complemented by a strong technical team with deep knowledge of advanced geophysical, drilling and completion technologies who are active members of their professional societies. Additionally, we have a group of board members and special advisors with considerable experience and expertise in the oil and natural gas industry and in managing other successful enterprises who provide insight and perspective regarding our business and the evaluation, exploration, engineering and development of our prospects. In addition to its considerable experience, our management team currently owns and will continue to own a significant direct ownership interest in us immediately following the completion of this offering. We believe our management team's direct ownership interest, as well as their ability to increase their holdings over time through our long-term incentive plan, aligns management's interests with those of our shareholders.

- *Extensive Geologic, Engineering and Operational Experience in Unconventional Reservoir Plays.*

  The individuals on our technical team are highly experienced in analyzing unconventional reservoir plays and in horizontal drilling, completion and production operations in a number of geographic areas. Our geologists have extensive experience in analyzing unconventional reservoir plays throughout the United States, including our principal areas of interest, by using the latest imaging technology, such as 2-D and 3-D seismic interpretation, and petrophysical analysis. In addition, our technical team has been directly involved in over 26 different horizontal well drilling and/or operations programs in both onshore and offshore formations located in the United States and abroad. Our team's diverse and broad horizontal drilling experience includes most, if not all, techniques used in modern day drilling. Additionally, our team has in-depth experience with various horizontal completion techniques and their applications in various unconventional plays. We intend to leverage our team's geological expertise and horizontal drilling and completion experience to develop and exploit our large, multi-year development drilling inventory.

- *Multi-Disciplined Approach to New Opportunities*.

  Our process for evaluating and developing new oil and natural gas prospects is a result of what we believe is an organizational philosophy that is dedicated to a systematic, multi-disciplinary approach to new opportunities with an emphasis on incorporating petroleum systems, geosciences, technology and finance into the decision-making process. We recognize the importance of consulting multiple individuals in our organization across all disciplines and all levels of responsibility prior to making exploration, acquisition or development decisions and the formulation of key criteria for successful exploration and development projects in any given play to enhance our decision-making. We also conduct a post-completion review of our major decisions to determine what we did right and where we need to improve. At times, this approach results in a decision to accelerate our drilling program or expand our positions in certain areas. Other times, this approach results in a decision to mitigate risk associated with our exploration and development programs by sharing operational risks and costs with other industry participants or exiting an area altogether. We believe this multi-disciplined approach underpins our track record of value creation and represents the best way to deliver consistent, year-over-year results to our shareholders.

Recent Developments

In August 2011, we completed our fourth operated Eagle Ford horizontal well, the Lewton #1H in DeWitt County, Texas. The well was flowed briefly following a 17-stage hydraulic fracture treatment, but oil and natural gas flow rates and flowing pressures were not measured. The well is shut-in pending connection to a natural gas pipeline, and we anticipate that the well will begin producing to sales in December 2011. We are the operator of this well and paid 100% of the costs to drill and complete the well. We will have an 85% working interest in the well until we have recovered all of our acquisition, drilling and completion costs, after which time, our partner will receive 50% of the revenues attributable to the working interest in the well and we and our partner will each maintain a 50% working interest in the well.

Between March and July 2011, we acquired leasehold interests in approximately 6,300 gross and 4,800 net acres in DeWitt, Karnes, Wilson and Gonzales Counties, Texas in the Eagle Ford shale play from Orca ICI Development, JV. We believe that all of this acreage is in an oil and liquids prone area of the Eagle Ford play. We believe that the acreage in Wilson and Gonzales Counties and a portion of DeWitt County will be prospective for oil and liquids from the Austin Chalk formation in addition to the Eagle Ford. We paid approximately $31.5 million to acquire this acreage. We currently own a 50% working interest in the acreage (approximately 2,800 gross and 1,400 net acres) in DeWitt County and are the operator. We currently own a 100% working interest in the acreage (approximately 3,500 gross and 3,400 net acres) in Karnes, Wilson and Gonzales Counties and are the operator.

On May 19, 2011, the borrowing base under our credit agreement was increased to $80.0 million. On May 19, 2011, primarily to fund our acquisition of the new Eagle Ford acreage from Orca ICI Development, JV, we borrowed an additional $10.0 million under our credit agreement (bringing our total to $60.0 million), and borrowed an additional $25.0 million as a term loan. Out of the net proceeds we receive from this offering, we intend to repay the term loan and outstanding borrowings under our credit agreement in full. In addition, we are currently seeking an additional increase to our borrowing capacity under the credit agreement.

In March 2011, first sales of natural gas began from our Williams 17 H#1 well, located in what we believe to be the core area of the Haynesville shale play in northwest Louisiana. We began producing this well at a constrained rate of about 10.0 MMcf of natural gas. During September 2011, this well produced at an average daily rate of 5.2 MMcf of natural gas per day and had produced approximately 1.4 Bcf of natural gas at September 30, 2011. We are the operator and have a 100% working interest and a favorable 87.5% net revenue interest in this well.

In February 2011, we completed our third operated Eagle Ford horizontal well, the Affleck #1H, in eastern Dimmit County, Texas. This well tested at approximately 415 Bbls of oil and 5.4 MMcf of natural gas per day during an initial flow test. This well was shut-in for several months pending its connection to a natural gas pipeline. The well was turned to sales in late September 2011 and averaged 378 Bbls of oil and 2.1 MMcf of natural gas per day through September 30, 2011. We are the operator and have a 100% working interest in this well.

In January 2011, we completed a private placement offering of 1,922,199 shares of our Class A common stock at $11.00 per share for an aggregate amount of $21,144,189.

In January 2011, we completed our second operated Eagle Ford horizontal well, the Martin Ranch #1H, in northeastern LaSalle County, Texas. First sales of oil and natural gas from this well began in late March at approximately 700 Bbls of oil and 350 Mcf of natural gas per day. During September 2011, the well produced at an average daily rate of approximately 400 Bbls of oil and 0.7 MMcf of natural gas per day, and through September 30, 2011, had produced a total of approximately 99,000 Bbls of oil and 118 MMcf of natural gas. We are the operator and have a 100% working interest in this well.

In January 2011, first sales of oil and natural gas began from our first operated Eagle Ford horizontal well, the JCM Jr. Minerals #1H, in southern LaSalle County, at approximately 3.4 MMcf of natural gas and 135 Bbls of condensate per day. During September 2011, the well produced at an average daily rate of approximately 0.8 MMcf of natural gas and 14 Bbls of condensate per day, and through September 30, 2011, had produced a total of approximately 400 MMcf of natural gas and 10,300 Bbls of condensate. We are the operator and have a 100% working interest in this well.

In January 2011, we completed our first horizontal Cotton Valley well, the Tigner Walker H#1-Alt., in DeSoto Parish, Louisiana. First sales of natural gas from this well began in late January at approximately 4.6 MMcf of natural gas per day. During September 2011, the well produced at an average daily rate of approximately 2.2 MMcf of natural gas per day, and through September 30, 2011, had produced a total of approximately 800 MMcf of natural gas. We are the operator and have a 100% working interest in this well subject to a reversionary interest at payout.

On December 31, 2010, first sales of natural gas began from our L.A. Wildlife H#1 Alt. horizontal well, located in what we believe to be the core area of the Haynesville shale play in northwest Louisiana. We began producing this well at a constrained rate of about 10.0 MMcf of natural gas per day. During September 2011, the well produced at an average daily rate of approximately 10.5 MMcf of natural gas per day, and through September 30, 2011, had produced a total of approximately 2.6 Bcf of natural gas. We are the operator and have a 95% working interest in this well.

Other Significant Prior Events

Chesapeake Transaction

In July 2008, we consummated a transaction with a subsidiary of Chesapeake Energy Corporation for the sale of the deep rights underlying the acreage in our Elm Grove/Caspiana properties in southern Caddo Parish, Louisiana. We retained a carried interest in the initial well drilled in each of the sections in which we held leases. The deep rights were below the depth of any producing wells previously drilled by us and represented primarily the rights to explore for and develop the Haynesville shale underlying the Cotton Valley formation that was producing from the wells in our Elm Grove/Caspiana properties. The deep rights assigned to Chesapeake also included the Middle Bossier shale formation located between the base of the Cotton Valley formation and the top of the Haynesville shale. At the time of the Chesapeake transaction, we had no production from and no reserves assigned to the Haynesville shale play. We retained all rights to those depths above the base of the Cotton Valley formation, as well as all existing and future production and reserves from those formations. We reserved the right to be reassigned a proportionately reduced 25% working interest in each well drilled to the Haynesville shale by Chesapeake in each regular spacing unit established for the Haynesville shale which includes any of the rights we previously assigned to Chesapeake. Chesapeake agreed to carry us for all of the drilling and completion costs attributable to our interest in the first well drilled in each Haynesville spacing unit. In addition, we have the right to participate in subsequent wells drilled in each such spacing unit to the Haynesville shale on the basis of a proportionately reduced 25% non-carried working interest. We also reserved an overriding royalty interest in certain of the deep rights that were sold. At September 30, 2011, Chesapeake had paid all of our costs for drilling and completing 22 gross wells to the Haynesville shale, and we will have a carried interest in two additional gross wells that we expect will be completed before the end of 2011.

Stroud Transaction

In August 2009, we acquired from Stroud Exploration Company, L.L.C. and Stroud Petroleum, Inc. 95% of the deep rights below the base of the Cotton Valley formation underlying approximately 600 acres prospective for the Haynesville shale play to the immediate southwest of our Elm Grove/Caspiana acreage. We also took title to an existing vertical Haynesville well that was holding this acreage by production. We were obligated to reassign this vertical Haynesville well to Stroud following the completion of our first horizontal Haynesville well drilled on this acreage, at which time, Stroud would recomplete this vertical well in the Cotton Valley formation. On December 31, 2010, first sales of natural gas began from our L.A. Wildlife H #1 Alt. well, the first Haynesville horizontal well that we drilled on this acreage. We began producing this well at a constrained rate of about 10.0 MMcf of natural gas per day. During September 2011, the well produced at an average daily rate of approximately 10.5 MMcf of natural gas per day, and through September 30, 2011, had produced a total of approximately 2.6 Bcf of natural gas. We are the operator and have a 95% working interest in this well. In March 2011, we reassigned the vertical well to Stroud Exploration, reserving our rights below the base of the Cotton Valley formation.

Alliance Capital Participation Agreement

In May 2010, Roxanna Rocky Mountains, LLC and Alliance Capital Real Estate, Inc., an affiliate of AllianceBernstein L.P., entered into a participation agreement with our subsidiary, MRC Rockies Company, or MRC Rockies, regarding our Meade Peak shale prospect in southwest Wyoming and adjacent areas in Utah and Idaho. Under this agreement, Alliance Capital Real Estate agreed to pay up to $4.2 million of the cost to drill and core an initial test well in the Meade Peak shale and MRC Rockies agreed to pay up to an additional $630,000 to conclude such operations, if necessary. Each entity has agreed to pay 50% of any costs over $4.83 million. Roxanna Rocky Mountains elected to participate for up to a 10% working interest in the initial test well with the costs for its working interest to be carried by MRC Rockies. The 10% carried working interest participation by Roxanna Rocky Mountains in the initial test well was assigned from MRC Rockies’ 50% working interest in the leases within the 5,760 gross acres around the drill site.

After receipt of the laboratory analysis of the whole core data from the initial test well, Alliance Capital Real Estate has the option to purchase up to a 50% working interest in the balance of all the leases in the prospect owned by MRC Rockies, to elect to drill and complete a second test well in the prospect at an agreed upon location or to elect not to proceed with further exploration of the prospect. If it elects to drill a second test well, it will pay up to $5.0 million of the costs to drill and complete, and to perform a production test on, the well. Each entity will pay 50% of any costs over $5.0 million. After drilling and production testing the second test well, Alliance Capital Real Estate has a second option to purchase up to a 50% working interest in the balance of the leases owned by MRC Rockies in the prospect. If Alliance Capital Real Estate elects to drill a second test well, Roxanna Rocky Mountains will have a similar option to participate for up to a 10% carried working interest in the second test well, which will be assigned from MRC Rockies’ 50% working interest in the leases within the 5,760 gross acres around the second drill site. If Roxanna Rocky Mountains elects not to participate in the second test well, Roxanna Rocky Mountains will relinquish all of its rights in the leases within the 5,760 gross acres around the second drill site, other than its reserved 2.5% overriding royalty interest.

Roxanna Rocky Mountains will bear and pay its proportional working interest share of all lease maintenance costs on these two test wells and has the right to participate and pay its proportional working interest share of all costs, on a well-by-well basis, in the drilling of any subsequent well proposed to be drilled on the prospect, except that Roxanna Rocky Mountains will not have the right to participate in the 5,760 acres around any second test well if it relinquishes its working interest in the leases in that area because it elects not to participate.

The parties also agreed to a large area of mutual interest for the prospect over a 10-year period. All operations in the prospect are governed by the terms of a joint operating agreement, with the parties bearing their respective working interest shares of the costs of any subsequent wells drilled on the prospect after the first two test wells. All working interests owned by the parties in the prospect will be subject to a proportionally reduced 2.5% overriding royalty interest owned by Roxanna Rocky Mountains in the leases. We will be the operator of the first two test wells, if both are drilled, and are the operator for the project under the joint operating agreement. We began drilling the initial test well, the Crawford Federal #1 well in Lincoln County, Wyoming, in February 2011. We reached a depth of 8,200 feet, approximately 300 feet above the top of the Meade Peak shale, before having operations suspended for several months due to wildlife restrictions. We resumed operations on this initial test well in September 2011.

Acquisition of Bureau of Land Management Leases

In July 2010, we acquired approximately 850 gross and net acres in northwest Louisiana under two separate leases taken from the U.S. Bureau of Land Management that are primarily prospective for both the Haynesville and Middle Bossier shale plays. These leases have a ten-year primary term and a 12.5% lessor’s royalty. As part of the acquisition, we acquired the rights to one complete, approximately 640-acre, section in which we have a 100% working interest and are the operator. In March 2011, first sales of natural gas began from our Williams 17 H#1 well located in this section which we believe is in the core area of the Haynesville shale play. We began producing this well at a constrained rate of about 10.0 MMcf of natural gas per day. During September 2011, the well produced at an average rate of approximately 5.2 MMcf of natural gas per day and had produced approximately 1.4 Bcf of natural gas at September 30, 2011. We are the operator and have a 100% working interest in this well.

Glasscock Ranch Acquisition

On December 1, 2010, we acquired leasehold interests in approximately 8,900 gross and net acres in southeast Zavala County, Texas in the Eagle Ford shale play. We currently anticipate that this area of the Eagle Ford shale play will be predominantly prospective for oil and liquids. This acreage is also prospective for oil and liquids from other formations including the shallower Austin Chalk formation. We paid approximately $31.5 million to acquire this acreage. We own a 100% working interest in this property and are the operator.

Principal Areas of Interest

Our focus since inception has been the exploration for oil and natural gas in unconventional resource plays with a particular focus over the last few years in the Haynesville shale play and more recently in the Eagle Ford shale play. Our exploration efforts have concentrated primarily on known hydrocarbon-producing basins with well-established production histories offering the potential for multiple-zone completions. We have also sought to balance the risk profile of our prospects, as well as to explore for more conventional targets in addition to the unconventional resource plays.

At October 2011, our principal areas of interest consist of (1) the Eagle Ford shale play in south Texas, (2) the Haynesville shale play, including the Middle Bossier shale play, as well as the traditional Cotton Valley and Hosston (Travis Peak) formations in northwest Louisiana and east Texas, (3) the Meade Peak shale play in southwest Wyoming and the adjacent areas of Utah and Idaho and (4) southeast New Mexico and west Texas, including the Delaware and Midland Basins.

South Texas

Eagle Ford Shale and Other Formations

The Eagle Ford shale extends across portions of south Texas from the Mexican border into east Texas forming a band roughly 50 to 100 miles wide and 400 miles long. The Eagle Ford is an organically rich calcareous shale, in places transitioning to an organic, argillaceous lime-mudstone. It lies between the deeper Buda limestone and the shallower Austin Chalk formation. Most, if not all, of the oil found in the Austin Chalk and Buda formations is generally believed to be sourced from the Eagle Ford shale. In the prospective areas for the Eagle Ford shale, the interval averages 200 feet thick, is found at depths ranging from as shallow as 4,000 feet to as deep as 13,000 feet, and in much of the deeper portions of the play is overpressured. The Eagle Ford shale has a total organic carbon content of 1% to 7% that is comparable to the Haynesville shale, and is generally porous, with core-measured porosities ranging between 4% and 14%.

Along the entire length of the Eagle Ford trend the structural dip of the formation is consistently down to the south with relatively few, modestly sized structural perturbations. As a result, depth of burial increases consistently southwards along with the thermal maturity of the formation. Where the formation is shallow, it is less thermally mature and therefore more oil prone, and as it gets deeper and becomes more thermally mature, the Eagle Ford shale is more natural gas prone. The transition between being more oil prone and more natural gas prone includes an interval that typically produces wet gas with condensate. We believe that almost 85% of our Eagle Ford acreage lies within those portions of the Eagle Ford shale that are prone to produce oil or wet gas with condensate.

Most of the current Eagle Ford shale activity is concentrated in Atascosa, Bee, DeWitt, Dimmit, Frio, Gonzales, Karnes, LaSalle, Lavaca, Live Oak, Maverick, McMullen, Webb, Wilson and Zavala Counties in south Texas. The first horizontal wells drilled specifically for the Eagle Ford shale were drilled in 2008, leading to a discovery in LaSalle County. Since then, the play has expanded significantly across a large portion of south Texas.

Public information indicates that operators are typically drilling 3,500 to 7,000 feet horizontal laterals and applying hydraulic fracture stimulation in multiple stages along the full length of the horizontal laterals to complete the wells and establish production. Although production rates vary across the different areas of the play, initial production rates in the oil areas have been reported as high as 1,000 to 1,500 Bbls of oil per day with varying amounts of associated natural gas. In the natural gas areas of the Eagle Ford play, initial production rates as high as 5.0 to 15.0 MMcfe per day have been reported with varying amounts of associated oil and liquids.

At June 30, 2011, our aggregate leasehold interests consisted of approximately 56,000 gross acres and 29,000 net acres in the Eagle Ford shale play in Atascosa, DeWitt, Dimmit, Karnes, LaSalle, Gonzales, Webb, Wilson and Zavala Counties in south Texas. We believe portions of this acreage are also prospective for the Austin Chalk, Buda, Olmos and other formations, from which we expect to produce predominantly oil and liquids. In particular, the Austin Chalk formation, which is a naturally fractured carbonate ranging in thickness from 200 to 400 feet, has produced from several fields on or nearby portions of our acreage. Our Zavala County acreage, for example, is located within the historic Pearsall (Austin Chalk) field.

We believe that almost 85% of our Eagle Ford acreage is prospective predominantly for oil and liquids. We expect to use a portion of the net proceeds we receive from this offering to explore and develop this acreage and to acquire additional acreage in south Texas as we seek to actively grow the oil and liquids component of our production and reserves. We currently own a 100% working interest in approximately 26,000 gross acres and 23,000 net acres in Dimmit, Gonzales, Karnes, LaSalle, Webb, Wilson and Zavala Counties and a 50% working interest in approximately 2,800 gross and 1,400 net acres in DeWitt County and are the operator of this acreage. We also own an approximate 21% working interest in approximately 27,000 gross acres in Atascosa County operated by EOG Resources, Inc. At September 30, 2011, approximately 80% of our Eagle Ford acreage is either held by production or not burdened by lease expirations before 2013.

At September 30, 2011, we had drilled four Eagle Ford wells on our operated properties — three of these wells were producing, and one was completed and awaiting a natural gas pipeline connection. At that date, we had also participated in two Eagle Ford wells with EOG Resources, Inc. as operator, on the Atascosa County acreage. Our first operated Eagle Ford horizontal well, the JCM Jr. Minerals #1H in southern LaSalle County along the Edwards Reef, was completed in November 2010. First sales of oil and natural gas began from this well in late January 2011, and during September 2011, the well produced at an average daily rate of approximately 0.8 MMcf of natural gas and 14 Bbls of condensate per day. Our second operated Eagle Ford horizontal well, the Martin Ranch #1H in northeastern LaSalle County, was completed in January 2011 and tested approximately 1,200 Bbls of oil per day during an initial flow test. First sales of oil and natural gas from this well began in late March at approximately 700 Bbls of oil and 350 Mcf of natural gas per day. During September 2011, the well produced at an average daily rate of approximately 400 Bbls of oil and 0.7 MMcf of natural gas per day. Our third operated Eagle Ford horizontal well, the Affleck #1H, was completed in February 2011 in eastern Dimmit County, Texas, and tested at approximately 415 Bbls of oil and 5.4 MMcf of natural gas per day during an initial flow test. The well was turned to sales in late September 2011 following the completion of a natural gas pipeline connection. In August 2011, we completed our fourth operated Eagle Ford horizontal well, the Lewton #1H in DeWitt County, Texas, but did not flow test the well following completion. The well is shut-in pending connection to a natural gas pipeline, and we anticipate that the well will begin producing to sales in December 2011. At September 30, 2011, we were drilling our fifth operated Eagle Ford well, the Martin Ranch #2H in northeastern LaSalle County. As we are in the initial stages of our Eagle Ford operations, we have only a small amount of production and proved reserves attributable to this acreage.

Between March and July 2011, we acquired leasehold interests in approximately 6,300 gross and 4,800 net acres in DeWitt, Karnes, Wilson and Gonzales Counties, Texas in the Eagle Ford shale play from Orca ICI Development, JV. We paid approximately $31.5 million to acquire this acreage. We currently own a 50% working interest in the acreage (approximately 2,800 gross and 1,400 net acres) in DeWitt County and are the operator. We currently own a 100% working interest in the acreage (approximately 3,500 gross and 3,400 net acres) in Karnes, Wilson and Gonzales Counties and are the operator.

We will pay 100% of the costs to drill and complete the first six wells drilled on the acreage in DeWitt County. We will have an 85% working interest in these six wells until we have recovered all of our acquisition, drilling and completion costs from each well, at which time Orca's working interest will increase to 50%. When the cumulative production from each of the first six wells reaches 500,000 BOE, on a well-by-well basis, then Orca's working interest in that well increases to 55%. If the cumulative production from each of the first six wells reaches 750,000 BOE, on a well-by-well basis, then Orca's working interest in that well will increase to 70%. Both we and Orca will own a 50% working interest in all subsequent wells drilled after the first six wells on the acreage in DeWitt County.

We will have a 100% working interest in the first five wells drilled on the acreage in Karnes, Wilson and Gonzales Counties. When we have recovered all of our acquisition, drilling and completion costs from each of these five wells, Orca may elect, on a well-by-well basis, to back-in for a 25% working interest in these wells. In addition, Orca retains a one-time election for a short period of time after we complete these first five wells to participate for a 25% working interest in all subsequent wells drilled on this acreage by paying a purchase price equal to 25% of our costs to acquire the acreage in Karnes, Wilson and Gonzales Counties.

In addition to the Eagle Ford potential on our acreage, we believe that approximately 24,000 gross acres and 15,000 net acres in south Texas are prospective primarily for the Austin Chalk formation, which has historically been targeted by operators in south Texas. We have not yet drilled an Austin Chalk well, and although we believe that other prospective well locations exist on this acreage, we have only included 16 gross and net well locations in our total identified drilling locations at June 30, 2011.

Northwest Louisiana and East Texas

Most of our current production and proved reserves is attributable to our acreage in northwest Louisiana and east Texas. For the six months ended June 30, 2011 about 75% of our daily production, or 32.3 MMcfe per day, was produced from the Haynesville shale, with another 17%, or 7.2 MMcfe per day, produced from the Cotton Valley and other shallower formations in this area. At June 30, 2011, approximately 86% of our proved reserves, or 135.9 Bcfe, was attributable to the Haynesville shale underlying this acreage with another 10% of our proved reserves, or 16.0 Bcfe, associated with the Cotton Valley and shallower formations. In addition, we are evaluating the Bossier shale play which is generally encountered above the Haynesville shale and below the Cotton Valley formation.

We operate all of our Cotton Valley and shallower production under this acreage, as well as all of our Haynesville production on the acreage outside of what we believe to be the core area of the Haynesville play. Of the approximately 5,500 net acres that we consider to be in the core area of the Haynesville play, we operate about 22% of that acreage.

Haynesville and Middle Bossier Shales

The Haynesville shale is an organically rich, overpressured marine shale found below the Cotton Valley and Bossier formations and above the Smackover formation at depths ranging from 10,500 to 13,500 feet across a broad region throughout northwest Louisiana and east Texas, including principally Bossier, Caddo, DeSoto and Red River Parishes in Louisiana and Harrison, Rusk, Panola and Shelby Counties in Texas. The Haynesville shale has a typical thickness ranging from 100 to 300 feet. Total organic carbon ranges from 0.5% to 5.0%, with core-measured porosities from 3% to 15%. The Haynesville shale produces primarily dry natural gas with almost no associated liquids.

The oil and natural gas industry has focused significant attention on the Haynesville shale play over the last three years, and the play is currently one of the most active and economically viable in the United States. Operators are typically drilling 4,500 to 5,000 feet horizontal laterals and applying hydraulic fracture stimulation in multiple stages along the entire length of the horizontal laterals to complete the wells and establish production. Although initial production rates vary widely across the play, initial production rates as high as 20.0 to 25.0 MMcf per day of natural gas have been reported by operators from horizontal wells drilled and completed in the Haynesville shale.

The Bossier shale is overpressured and is often divided into lower, middle and upper units. The Middle Bossier shale appears to be productive for natural gas under large portions of DeSoto, Red River and Sabine Parishes in Louisiana and Shelby and Nacogdoches Counties in Texas, where it shares many similar productive characteristics to the deeper Haynesville shale. Typically, the Middle Bossier shale is found at depths ranging from 500 to 800 feet shallower than the Haynesville shale, has a typical thickness ranging from 150 to 300 feet, has core-measured porosities ranging between 5% and 14%, and total organic carbon values between 0.5% and 4%. Although there is some overlap between the Bossier and Haynesville shale plays, the two plays appear quite distinct and a separate horizontal wellbore is typically needed for each formation.

We have leasehold and mineral interests in approximately 23,000 gross and 15,000 net acres prospective for the Haynesville shale. Portions of our acreage are located in Caddo, DeSoto, Bossier and Red River Parishes, Louisiana and in Harrison County, Texas. This acreage includes just over 5,500 net acres in what we believe is the core area of the play. Approximately 90% of our Haynesville acreage is held by production and portions of it are also producing from and, we believe, prospective for the Cotton Valley, Hosston (Travis Peak) and other shallower formations. In addition, we believe that approximately 1,700 net acres are prospective for the Middle Bossier play as well. We have not yet drilled a Middle Bossier shale well, and although we believe that prospective well locations exist on this acreage, we have not yet included any Middle Bossier locations in our identified drilling locations at June 30, 2011.

Within the 5,500 net acres that we believe to be in the core area of the Haynesville shale play, we are the operator in two sections where we have working interests of 95% and 100% in all wells to be drilled. In October 2010, as operator, we drilled and completed our L.A. Wildlife H #1 horizontal Haynesville well in the section in which we have a 95% working interest and on December 31, 2010 first sales of natural gas began from this well. During September 2011, the well produced at an average daily rate of approximately 10.5 MMcf of natural gas per day, and through September 30, 2011, had produced a total of approximately 2.6 Bcf of natural gas. In March 2011, we completed our operated Williams 17 H #1 horizontal Haynesville well on the second section where we have a 100% working interest. During September 2011, this well produced at an average daily rate of 5.2 MMcf of natural gas per day and had produced approximately 1.4 Bcf of natural gas at September 30, 2011. We began producing both of these wells at a constrained rate of about 10.0 MMcf of natural gas per day. We have identified 12 gross and approximately 12 net potential additional Haynesville locations that we may drill and operate in the future in these two sections.

The remainder of our acreage in the core area of the Haynesville shale play, about 4,300 net acres, is operated by other companies. As described above in “Business—Other Significant Prior Events—Chesapeake Transaction,” just over half of our non-operated Haynesville acreage in this area of the play results from our transaction with Chesapeake in July 2008. The remainder of our non-operated Haynesville acreage is attributable to leasehold interests that we hold in approximately 75 sections in Caddo, DeSoto, Bossier and Red River Parishes. Our working interests in the Haynesville wells in these sections range from less than 1% to more than 30%. At June 30, 2011, we were participating in 90 non-operated Haynesville wells with Chesapeake and other operators, including producing wells and wells being drilled and completed at that time. At June 30, 2011, our production from these wells averaged approximately 19 MMcfe per day.

Cotton Valley, Hosston (Travis Peak) and Other Shallower Formations

Prior to initiating natural gas production from the Haynesville shale in 2009, almost all of our production and reserves in northwest Louisiana and east Texas were attributable to wells producing from the Cotton Valley formation. We own almost all of the shallow rights from the base of the Cotton Valley formation to the surface under our acreage in northwest Louisiana and east Texas.

All of the shallow rights underlying our acreage in our Elm Grove/Caspiana properties in northwest Louisiana, approximately 10,000 gross and net acres, is held by existing production from the Cotton Valley formation or the Haynesville shale. The Cotton Valley formation was the primary producing zone in the Elm Grove field prior to discovery of the Haynesville shale. The Cotton Valley formation is a low permeability gas sand that ranges in thickness from 200 to 300 feet and has porosites ranging from 6% to 10%.

In January 2011, we completed our first horizontal Cotton Valley well, the Tigner Walker H #1-Alt. in our Elm Grove/Caspiana properties, in DeSoto Parish and commenced sales of natural gas from this well. Prior to this time, we had only drilled and completed vertical Cotton Valley and Hosston wells on these properties. During September 2011, this well produced at an average daily rate of approximately 2.2 MMcf of natural gas per day and through September 30, 2011, had produced a total of approximately 800 MMcf of natural gas. We are the operator and have a 100% working interest in this well. We have identified 60 gross and 36 net additional drilling locations for future Cotton Valley horizontal wells in our Elm Grove/Caspiana properties. We do not plan to drill any of these locations in 2012. As all of this acreage is held by existing production, we expect to allocate our near-term capital expenditures primarily to exploration and development of our Eagle Ford shale acreage in south Texas and to additional exploration and development of our Haynesville acreage in northwest Louisiana.

We also continue to hold the shallow rights by existing production or by leases that are still in their primary terms in our central and southwest Pine Island, Longwood, Woodlawn and other prospect areas in northwest Louisiana and east Texas. We hold an estimated 11,500 net leasehold and mineral acres by existing production in these areas.

Southwest Wyoming, Northeast Utah and Southeast Idaho — Meade Peak Shale

The Meade Peak shale is an organic-rich source rock that has sourced much of the oil and natural gas in conventional reservoirs in the western Wyoming and eastern Utah area. The Meade Peak shale has an observed shale thickness of 70 to 350 feet, total organic carbon of 3% to 7%, and vitrinite reflectance values ranging from 1.8% to 2.7%. The Meade Peak shale is encountered at drill depths of 3,000 to 14,000 feet, with the majority of our acreage in the depth range of 3,000 to 10,000 feet. The shale has been penetrated by over 100 wells in the area, most of which have natural gas shows. Seismic and subsurface data show distinct, stacked thrust plates with areas of sediment prospective for natural gas.

Together with our joint venture partner, Roxanna Rocky Mountains, LLC, we have assembled approximately 144,000 gross, or approximately 136,000 net, acres in southwest Wyoming and adjacent areas in Utah and Idaho as part of a natural gas shale exploratory prospect targeting the Meade Peak shale. The majority of this acreage, with lease terms of 5 to 10 years, has been acquired by us within the past four years, and we are the operator of this prospect. We have no production and no proved reserves attributable to this acreage at September 30, 2011.

We believe there have been no previous attempts to drill horizontally or to hydraulically fracture the Meade Peak shale in this area. Our focus to date has been to confirm the structure of the Meade Peak shale, understand its characteristics and evaluate its potential. We have gathered well log data in the area and studied the petrophysical characteristics. In addition, we have purchased 2-D seismic data and have worked with a structural geologist that has experience in the immediate area to better understand the area's tectonic history.

As described in "Business — Other Significant Prior Events — Alliance Capital Participation Agreement," we are the operator of this prospect and have entered into a participation and joint operating agreement with other parties covering the initial exploration efforts and, if successful, the future development of this acreage. We began drilling the initial test well on this prospect, the Crawford Federal #1 well in Lincoln County, Wyoming, in February 2011. We reached a depth of 8,200 feet, approximately 300 feet above the top of the Meade Peak shale, before having operations suspended for several months due to wildlife restrictions. We resumed operations on this initial test well in September 2011.

Southeast New Mexico and West Texas — Delaware and Midland Basins

The Delaware and Midland Basins are mature exploration and production provinces with extensive developments in a wide variety of petroleum systems resulting in stacked target horizons in many areas. Historically, the majority of development in these basins has focused on relatively conventional reservoir targets, but we believe the combination of advanced formation evaluation, 3D seismic technology, horizontal drilling and hydraulic fracturing technology is enhancing the development potential of these basins.

One example of such an opportunity appears to be the so-called "Wolf-Bone" play of the Delaware Basin. Together, the Lower Permian age Bone Spring (also called Leonardian) and Wolfcamp formations span several thousand feet of stacked shales, sandstones, limestones and dolomites representing complex and dynamic submarine depositional systems that include several organic rich source rocks. Throughout these intervals, oil and natural gas have been produced primarily from conventional sandstone and carbonate reservoirs even though hydrocarbons are trapped in the tight sands, limestones and dolomites interbedded within organic rich shale. Recently, these hydrocarbon-bearing zones have been recognized by a number of operators as targets for horizontal drilling and multi-stage hydraulic fracturing techniques. As a result, several large industry players are expanding positions and conducting drilling programs throughout Lea and Eddy Counties in southeast New Mexico and Loving, Reeves and Ward Counties in west Texas.

Although the Delaware and Midland Basins have not been a primary focus of our recent operations or exploration efforts, we are currently developing new oil and natural gas prospects in these basins. Most notably, we have identified potential drilling opportunities on our acreage, particularly in southeast New Mexico, near old vertical wells, some of which have produced up to 1,000,000 BOE from the Wolfcamp formation and up to 500,000 BOE from the Bone Spring formation. These wells suggest a hydrocarbon-rich environment in the area of our acreage, and after completing our internal geologic studies, we may determine to drill a Wolfcamp or Bone Spring vertical well or to drill a horizontal well to test these formations on our acreage. At September 30, 2011, we had not included any potential drilling locations on our acreage in our total identified drilling locations, and we had not budgeted any capital expenditures to drill wells in southeast New Mexico or west Texas during 2012. We have budgeted $20.0 million of our anticipated 2012 capital expenditures to acquire additional leasehold interests primarily prospective for oil and liquids production in areas of southeast New Mexico and west Texas where we are developing new prospects. Although we do have existing leasehold interests in this area, we believe approximately 20,000 gross and 17,500 net acres are no longer prospective, and we plan to let them expire without drilling.

Operating Summary

The following table sets forth certain unaudited production data for the years ended December 31, 2010, 2009 and 2008 and the six months ended June 30, 2011 and 2010:

	Year Ended December 31,			Six Months Ended June 30,	
	2010	2009	2008	2011	2010
Unaudited Production Data					
Net Production Volumes:					
Oil (MBbls)	33	30	37	70	17
Natural gas (Bcf)	8.4	4.8	3.1	7.4	3.8
Total natural gas equivalents (Bcfe)[1]	8.6	5.0	3.3	7.8	3.9
Average daily production (MMcfe/d)	23.6	13.7	9.0	42.9	21.4
Average Sales Prices:					
Oil (per Bbl)	$76.39	$57.72	$98.59	$ 96.86	$ 73.89
Natural gas, with realized derivatives (per Mcf)	$ 4.38	$ 5.17	$ 8.32	$ 4.16	$ 4.57
Natural gas, without realized derivatives (per Mcf)	$ 3.75	$ 3.59	$ 8.75	$ 3.78	$ 4.09
Operating Expenses (per Mcfe):					
Production taxes and marketing	$ 0.23	$ 0.22	$ 0.50	$ 0.38	$ 0.21
Lease operating	$ 0.61	$ 0.94	$ 1.41	$ 0.46	$ 0.62
Depletion, depreciation and amortization	$ 1.81	$ 2.15	$ 3.67	$ 1.97	$ 1.82
General and administrative	$ 1.13	$ 1.42	$ 2.50	$ 0.73	$ 1.16

[1] Estimated using a conversion ratio of one Bbl per six Mcf.

The following table sets forth information regarding our average net daily production and total production for the year ended December 31, 2010 from our primary operating areas:

	Average Net Daily Production			Total Net Production (MMcfe)	Percentage of Total Net Production
	Gas (Mcf/d)	Oil (Bbls/d)	Gas Equivalent (Mcfe/d)		
South Texas:		–	–		
Eagle Ford	4	19	119	43	0.5
Austin Chalk[1]	–	–	–	–	–
Area Total	4	19	119	43	0.5
NW Louisiana/E Texas:					
Haynesville	17,127	1	17,132	6,253	72.7
Cotton Valley[2]	5,840	40	6,074	2,218	25.8
Area Total	22,967	41	23,206	8,471	98.5
SW Wyoming, NE Utah, SE Idaho[1]	–	–	–	–	–
SE New Mexico, West Texas	43	31	228	83	1.0
Total	23,014	91	23,553	8,597	100.0

[1] We currently have no production from our acreage in southwest Wyoming and adjacent areas of Utah and Idaho and insignificant production from the Austin Chalk formation in south Texas.

[2] Includes the Cotton Valley formation and shallower zones and also includes one well producing from the Frio formation in Orange County, Texas and two wells producing from the San Miguel formation in Zavala County, Texas.

The following table sets forth information regarding our average net daily production and total production for the six months ended June 30, 2011 from our primary operating areas:

	Average Net Daily Production			Total Net Production (MMcfe)	Percentage of Total Net Production
	Gas (Mcf/d)	Oil (Bbls/d)	Gas Equivalent (Mcfe/d)		
South Texas:					
Eagle Ford	1,382	288	3,109	563	7.2
Austin Chalk[1]	–	–	–	–	–
Area Total	1,382	288	3,109	563	7.2
NW Louisiana/E Texas:					
Haynesville	32,337	1	32,344	5,854	75.3
Cotton Valley[2]	6,804	73	7,244	1,311	16.9
Area Total	39,141	74	39,588	7,165	92.2
SW Wyoming, NE Utah, SE Idaho[1]	–	–	–	–	–
SE New Mexico, West Texas	95	25	245	44	0.6
Total	40,618	387	42,942	7,772	100.0

[1] We currently have no production from our acreage in southwest Wyoming and adjacent areas of Utah and Idaho and insignificant production from the Austin Chalk formation in south Texas.

[2] Includes the Cotton Valley formation and shallower zones and also includes one well producing from the Frio formation in Orange County, Texas and two wells producing from the San Miguel formation in Zavala County, Texas.

Our total production of 7.8 Bcfe for the six months ended June 30, 2011, was an increase of 100% over our total production of 3.9 Bcfe for the six months ended June 30, 2010. This increased production is primarily due to drilling operations in the Haynesville shale, but also reflects initial production from our first two operated wells in the Eagle Ford shale. Our total production of 8.6 Bcfe for the year ended December 31, 2010, was an increase of 72% over our total production of 5.0 Bcfe for the year ended December 31, 2009. Most of this increase is attributable to our drilling operations in the Haynesville shale play. Our 2009 total production of 5.0 Bcfe was a 51% increase over our total production of 3.3 Bcfe in 2008. Most of this increase is attributable to our drilling operations in the Haynesville shale. In addition, as a result of production from several new wells that were completed in 2011, our daily production for the six months ended June 30, 2011 averaged approximately 42.9 MMcfe per day.

Producing Wells

The following table sets forth information relating to producing wells at June 30, 2011. Wells are classified as oil or natural gas according to their predominant production stream. We do not have any currently active dual completions. We have an approximate average working interest of 92% in all wells that we operate. For wells where we are not the operator, our working interests range from less than 1% to as much as 44%, and average approximately 11%. In the table below, gross wells are the total number of producing wells in which we own a working interest, and net wells represent the total of our fractional working interests owned in the gross wells.

	Natural Gas Wells		Oil Wells		Total Wells	
	Gross	Net	Gross	Net	Gross	Net
South Texas:						
Eagle Ford	1.0	1.0	3.0	1.4	4.0	2.4
Austin Chalk[1]	–	–	–	–	–	–
Area Total	1.0	1.0	3.0	1.4	4.0	2.4
NW Louisiana/E Texas:						
Haynesville	64.0	10.3	–	–	64.0	10.3
Cotton Valley[2]	106.0	69.7	2.0	2.0	108.0	71.7
Area Total	170.0	80.0	2.0	2.0	172.0	82.0
SW Wyoming, NE Utah, SE Idaho[1]	–	–	–	–	–	–
SE New Mexico, West Texas	1.0	0.6	12.0	5.1	13.0	5.7
Total	172.0	81.6	17.0	8.5	189.0	90.1

[1] We currently have no producing wells on our acreage in southwest Wyoming and adjacent areas of Utah and Idaho and insignificant production from the Austin Chalk formation in south Texas.

[2] Includes shallower zones and also includes one well producing from the Frio formation in Orange County, Texas and two wells producing from the San Miguel formation in Zavala County, Texas.

Estimated Proved Reserves

The following table sets forth our estimated proved oil and natural gas reserves at December 31, 2010, 2009 and 2008 and at June 30, 2011. The reserves estimates at December 31, 2008 presented in the table below were based on evaluations prepared by our engineering staff and have been audited for their reasonableness by LaRoche Petroleum Consultants, Ltd., independent reservoir engineers. The reserves estimates at December 31, 2010 and 2009 and at June 30, 2011 were based on evaluations prepared by our engineering staff and have been audited for their reasonableness by Netherland, Sewell & Associates, Inc., independent reservoir engineers. These reserves estimates were prepared in accordance with the SEC's rules for oil and natural gas reserves reporting that were in effect at the time of the preparation of the reserves report. The estimated reserves shown are for proved reserves only and do not include any unproved reserves classified as probable or possible reserves that might exist for our properties, nor do they include any consideration that could be attributable to interests in unproved and unevaluated acreage beyond those tracts for which proved reserves have been estimated. Proved oil and natural gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Our total estimated proved reserves are estimated using a conversion ratio of one Bbl per six Mcf.

	At December 31,[1]			At June 30,
	2010	2009	2008	2011
Estimated Proved Reserves Data:[2]				
Estimated proved reserves:				
Natural gas (Bcf)	127.4	63.9	19.2	152.5
Oil (MBbls)	152	103	131	878
Total (Bcfe)	128.3	64.5	20.0	157.8
Estimated proved developed reserves:				
Natural gas (Bcf)	43.1	25.4	19.2	51.1
Oil (MBbls)	152	103	131	401
Total (Bcfe)	44.1	26.0	20.0	53.5
Percent developed	34.3%	40.3%	100.0%	33.9%
Estimated proved undeveloped reserves:				
Natural gas (Bcf)	84.3	38.6	–	101.4
Oil (MBbls)	–	–	–	478
Total (Bcfe)	84.3	38.6	–	104.3
PV-10[3] (in thousands)	$119,869	$70,359	$44,069	$ 144,429
Standardized Measure[4] (in thousands)	$111,077	$65,061	$43,254	$ 134,233

[1] Numbers in table may not total due to rounding.

[2] Our estimated proved reserves, PV-10 and Standardized Measure were determined using index prices for oil and natural gas, without giving effect to derivative transactions, and were held constant throughout the life of the properties. The index prices were $41.00 per Bbl for oil and $5.710 per MMBtu for natural gas at December 31, 2008. The unweighted arithmetic averages of the first-day-of-the-month prices for the 12 months ended December 31, 2009 were $57.65 per Bbl for oil and $3.866 per MMBtu for natural gas, for the 12 months ended December 31, 2010 were $75.96 per Bbl for oil and $4.376 per MMBtu for natural gas, and for the 12-month period from July 2010 to June 2011 were $86.60 per Bbl for oil and $4.209 per MMBtu for natural gas. These prices were adjusted by lease for quality, energy content, regional price differentials, transportation fees, marketing deductions and other factors affecting the price received at the wellhead.

[3] PV-10 is a non-GAAP financial measure and generally differs from Standardized Measure, the most directly comparable GAAP financial measure, because it does not include the effects of income taxes on future net revenues. PV-10 is not an estimate of the fair market value of our properties. We and others in the industry use PV-10 as a measure to compare the relative size and value of proved reserves held by companies and of the potential return on investment related to the companies' properties without regard to the specific tax characteristics of such entities. Our PV-10 at December 31, 2008, 2009, and 2010 and at June 30, 2011 may be reconciled to our

Standardized Measure of discounted future net cash flows at such dates by reducing our PV-10 by the discounted future income taxes associated with such reserves. The discounted future income taxes at December 31, 2008, 2009 and 2010 and at June 30, 2011 were, in thousands, $815, $5,298, $8,792 and $10,196 respectively.

(4) Standardized Measure represents the present value of estimated future net cash flows from proved reserves, less estimated future development, production, plugging and abandonment costs and income tax expenses, discounted at 10% per annum to reflect the timing of future cash flows. Standardized Measure is not an estimate of the fair market value of our properties.

In 2009, the SEC provided new guidelines for estimating and reporting oil and natural gas reserves. Included in these new guidelines were two important changes impacting our reserves estimates and value at December 31, 2009. First, proved undeveloped reserves can be assigned to well locations more than one offset location away from an existing well if supported by geologic continuity and existing technology. Second, under these new guidelines, oil and natural gas reserves at December 31, 2010 and 2009 and at June 30, 2011 were estimated using an unweighted, arithmetic average of the first-day-of-the-month oil and natural gas prices for the periods January through December 2009, January through December 2010, and July 2010 through June 2011, respectively, as further described in footnote two to the table above. Prior to these periods, SEC guidelines for estimating and reporting oil and natural gas reserves required using commodity prices at the date of the reserves estimate, or, in the cases above, at December 31, 2008, as further described in footnote two to the table above.

Our total proved oil and natural gas reserves increased from 128.3 Bcfe at December 31, 2010 to 157.8 Bcfe at June 30, 2011. Most of this increase is attributable to proved reserves added due to our drilling operations in the Haynesville shale play. The increase in proved oil reserves specifically from 152 MBbls at December 31, 2010 to 878 MBbls at June 30, 2011 is attributable to proved oil reserves added due to our drilling operations in the Eagle Ford shale play. Our proved reserves at June 30, 2011 were made up of approximately 97% natural gas and 3% oil. Our proved developed reserves increased from 44.1 Bcfe at December 31, 2010 to 53.5 Bcfe at June 30, 2011 due primarily to proved developed reserves added as a result of drilling operations in the Haynesville shale play. The increase in proved developed oil reserves specifically from 152 MBbls at December 31, 2010 to 401 MBbls at June 30, 2011 is attributable to proved developed oil reserves added due to our drilling operations in the Eagle Ford shale play. Our proved undeveloped reserves increased from 84.3 Bcfe at December 31, 2010 to 104.3 Bcfe at June 30, 2011 due primarily to our drilling operations in the Haynesville shale. The increase in our proved undeveloped oil reserves specifically from zero to 478 MBbls at June 30, 2011 is attributable to our drilling operations in the Eagle Ford shale play. The net increase of 20.0 Bcfe in our proved undeveloped reserves from December 31, 2010 to June 30, 2011 is composed of (1) additions of 25.3 Bcfe to proved undeveloped reserves identified through drilling operations, less (2) the conversion of 1.2 Bcfe of proved undeveloped reserves to proved developed reserves, less (3) the downward revisions of proved undeveloped reserves by 2.3 Bcfe in the period. During this period, we recorded no changes to proved undeveloped reserves as a result of the acquisition or divestment of reserves. We had no proved undeveloped reserves assigned to our properties at December 31, 2008, and hence, all of our proved undeveloped reserves have been added since that time. Thus, at June 30, 2011, we had no proved reserves in our estimates that remained undeveloped for five years or more following their initial booking.

Our total proved oil and natural gas reserves increased from 64.5 Bcfe at December 31, 2009 to 128.3 Bcfe at December 31, 2010. Taking into consideration the 8.6 Bcfe in production for the year ended December 31, 2010, we added approximately 72.4 Bcfe in proved reserves during 2010, which represents a gain of about 112%. Almost all of this increase is attributable to proved reserves added due to drilling operations in the Haynesville shale play. Our proved reserves at December 31, 2010 were made up of approximately 99% natural gas and 1% oil. Our proved developed reserves increased from 26.0 Bcfe at December 31, 2009 to 44.1 Bcfe at December 31, 2010 due primarily to proved developed reserves added as a result of drilling operations in the Haynesville shale play. Our proved undeveloped reserves increased from 38.6 Bcfe at December 31, 2009 to 84.3 Bcfe at December 31, 2010 due to drilling operations in the Haynesville shale play.

Our total proved oil and natural gas reserves increased from 20.0 Bcfe at December 31, 2008 to 64.5 Bcfe at December 31, 2009. Taking into consideration the 5.0 Bcfe in total production for 2009, we added approximately 49.5 Bcfe in proved reserves during 2009, which represents a gain of about 248%. The results from the Haynesville shale drilling program in our Elm Grove/Caspiana asset in northwest Louisiana during 2009 resulted in a significant increase in our total proved reserves at December 31, 2009. Our proved reserves at December 31, 2009 were made up of approximately 99% natural gas and 1% oil. Our proved developed reserves increased from 20.0 Bcfe at December 31, 2008 to 26.0 Bcfe at December 31, 2009, which is also attributable to the Haynesville shale drilling program in our Elm Grove/Caspiana asset during 2009. Our proved undeveloped reserves increased from zero at December 31, 2008 to 38.6 Bcfe at December 31, 2009 due entirely to proved undeveloped reserves added as a result of drilling operations in the Haynesville shale play during 2009.

The following table sets forth additional summary information by operating area with respect to our estimated proved reserves at June 30, 2011:

	Net Proved Reserves[1]				
	Oil (MBbls)	Gas (Bcf)	Gas Equivalent (Bcfe)	PV-10[2] (in millions)	Standardized Measure[3] (in millions)
South Texas:					
Eagle Ford	711	0.9	5.2	20.3	18.9
Austin Chalk[4]	–	–	–	–	–
Area Total	711	0.9	5.2	20.3	18.9
NW Louisiana/E Texas:					
Haynesville	–	135.9	135.9	98.4	91.5
Cotton Valley[5]	73	15.6	16.0	23.5	21.8
Area Total	73	151.5	151.9	121.9	113.3
SW Wyoming, NE Utah, SE Idaho[4]	–	–	–	–	–
SE New Mexico, West Texas	94	0.1	0.7	2.2	2.0
Total	878	152.5	157.8	144.4	134.2

(1) Numbers in table may not total due to rounding.

(2) PV-10 is a non-GAAP financial measure and generally differs from Standardized Measure, the most directly comparable GAAP financial measure, because it does not include the effects of income taxes on future net revenues. PV-10 is not an estimate of the fair market value of our properties. We and others in the industry use PV-10 as a measure to compare the relative size and value of proved reserves held by companies and of the potential return on investment related to the companies' properties without regard to the specific tax characteristics of such entities. Our PV-10 at June 30, 2011 may be reconciled to our Standardized Measure of discounted future net cash flows at such dates by reducing our PV-10 by the discounted future income taxes associated with such reserves. The discounted future income taxes at June 30, 2011 were approximately $10.2 million.

(3) Standardized Measure represents the present value of estimated future net cash flows from proved reserves, less estimated future development, production, plugging and abandonment costs and income tax expenses, discounted at 10% per annum to reflect the timing of future cash flows. Standardized Measure is not an estimate of the fair market value of our properties.

(4) At June 30, 2011, we had no proved reserves attributable to the Austin Chalk formation in south Texas or to our acreage in southwest Wyoming and adjacent areas of Utah and Idaho.

(5) Includes Cotton Valley and shallower zones and also includes one well producing from the Frio formation in Orange County, Texas and two wells producing from the San Miguel formation in Zavala County, Texas.

Technology Used to Establish Reserves

Under the new SEC rules, proved reserves are those quantities of oil and natural gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods and government regulations. The term "reasonable certainty" implies a high degree of confidence that the quantities of oil and/or natural gas actually recovered will equal or exceed the estimate. Reasonable certainty can be established using techniques that have been proven effective by actual production from projects in the same reservoir or an analogous reservoir or by other evidence using reliable technology that establishes reasonable certainty. Reliable technology is a grouping of one or more technologies (including computational methods) that have been field tested and have been demonstrated to provide reasonably certain results with consistency and repeatability in the formation being evaluated or in an analogous formation.

In order to establish reasonable certainty with respect to our estimated proved reserves, we used technologies that have been demonstrated to yield results with consistency and repeatability. The technologies and technical data used in the estimation of our proved reserves include, but are not limited to, electric logs, radioactivity logs, core analyses, geologic maps and available downhole and production data, seismic data and well test data. Reserves for proved developed producing wells were estimated using production performance and material balance methods. Certain new producing properties with little production history were forecast using a combination of production performance and analogy to offset production. Non-producing reserves estimates for both developed and undeveloped properties were forecast using either volumetric and/or analogy methods.

Internal Control Over Reserves Estimation Process

We maintain an internal staff of petroleum engineers and geoscience professionals to ensure the integrity, accuracy and timeliness of the data used in our reserves estimation process. Our Reserves Manager is primarily responsible for overseeing the preparation of our reserves estimates and has over 15 years of industry experience. Our Reserves Manager received his Ph.D. degree in Petroleum Engineering from Texas A&M University, is a Licensed Professional Engineer in the State of Texas and received a certificate of completion in a prescribed course of study in Reserves and Evaluation from Texas A&M University in May 2009. Our Reserves Manager reports directly to our Vice President – Reservoir Engineering. Our Vice President – Reservoir Engineering is responsible for reviewing and approving our reserves estimates and has over 30 years of industry experience. Following the preparation of our reserves estimates, for the years ended December 31, 2010 and 2009 and for the six month period ended June 30, 2011, we had our reserves estimates audited for their reasonableness by Netherland, Sewell & Associates, Inc., our independent petroleum engineers. Following the preparation of our reserves estimates, for the year ended December 31, 2008, we had our reserves estimates audited for their reasonableness by LaRoche Petroleum Consultants, Ltd., our independent petroleum engineers at that time. The Engineering Committee of our board of directors reviews the reserves report and our reserves estimation process, and the results of the reserves report and the independent audit of our reserves are reviewed by members of our board of directors, including members of our Audit Committee.

Acreage Summary

The following table sets forth the approximate acreage in which we held a leasehold, mineral or other interest at June 30, 2011. At that date, only about 10% of our total acreage had been developed, although these percentages are much higher in northwest Louisiana and east Texas.

	Developed Acres		Undeveloped Acres		Total Acres	
	Gross	Net	Gross	Net	Gross	Net
South Texas:						
Eagle Ford	1,439	1,165	54,337	28,139	55,776	29,304
Austin Chalk	–	–	24,194	14,729	24,194	14,729
Area Total[1]	1,439	1,165	54,337	28,139	55,776	29,304
NW Louisiana/E Texas:						
Haynesville	18,234	10,140	4,917	4,484	23,151	14,624
Cotton Valley[2]	21,039	17,866	5,567	5,342	26,606	23,208
Area Total[3]	22,554	19,191	7,006	6,482	29,560	25,673
SW Wyoming, NE Utah, SE Idaho	–	–	144,368	135,862	144,368	135,862
SE New Mexico, West Texas	1,160	1,038	21,716	18,814	22,876	19,852
Total	25,153	21,394	227,427	189,297	252,580	210,691

[1] Some of the same leases cover the net acres shown for the Eagle Ford shale and the Austin Chalk formation, a shallower formation than the Eagle Ford shale. Consequently, the total acreage will not equal the sum of the acreage by operating area.

[2] Includes shallower zones and also includes acreage surrounding one well producing from the Frio formation in Orange County, Texas.

[3] Some of the same leases cover the net acres shown for the Haynesville formation and the Cotton Valley formation, a shallower formation than the Haynesville shale. Consequently, the total acreage will not equal the sum of the acreage by operating area.

Undeveloped Acreage Expiration

The following table sets forth the number of gross and net undeveloped acres at June 30, 2011 that will expire prior to December 31, 2013 by operating area unless production is established within the spacing units covering the acreage prior to the expiration dates or unless the existing leases are renewed prior to expiration:

	Acres Expiring 2011		Acres Expiring 2012		Acres Expiring 2013	
	Gross	Net	Gross	Net	Gross	Net
South Texas:						
Eagle Ford	5,066	1,020	16,345	4,721	14,175	8,909
Austin Chalk	2,174	438	5,960	1,125	4,858	3,502
Area Total[1]	5,066	1,020	16,345	4,721	14,175	8,909
NW Louisiana/E Texas						
Haynesville	670	402	856	598	124	124
Cotton Valley	670	402	856	598	124	124
Area Total[2]	670	402	856	598	124	124
SW Wyoming, NE Utah, SE Idaho	1,280	1,280	100,056	93,760	8,461	8,301
SE New Mexico, West Texas	13,839	9,371	7,384	5,751	8,454	2,715
Total	20,855	12,073	124,641	104,830	31,214	20,049

[1] Some of the same leases cover the net acres shown for the Eagle Ford shale and the Austin Chalk formation, a shallower formation than the Eagle Ford shale. Consequently, the total acreage will not equal the sum of the acreage by operating area.

[2] Some of the same leases cover the net acres shown for the Haynesville shale and the Cotton Valley formation, a shallower formation than the Haynesville shale. Consequently, the total acreage will not equal the sum of the acreage by operating area.

Many of the leases comprising the acreage set forth in the table above will expire at the end of their respective primary terms unless production from the acreage has been established prior to such date, in which event the lease will remain in effect until the cessation of production in commercial quantities. We also have options to extend some of our leases through payment of additional lease bonus payments prior to the expiration of the primary term of the leases. In addition, we may attempt to secure a new lease upon the expiration of certain of our acreage; however, there may be third party leases that become effective immediately if our leases expire at the end of their respective terms and production has not been established prior to such date. Our leases are mainly fee leases with three to five years of primary term. We believe that our lease terms are similar to our competitors' fee lease terms as they relate to both primary term and royalty interests.

Drilling Results

The following table summarizes our drilling activity for the three years ended December 31, 2010, 2009 and 2008 and the six months ended June 30, 2011:

	Year Ended December 31,						Six Months Ended June 30,	
	2010		2009		2008		2011	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Development Wells								
Productive	5	1.7	3	1.3	25	12.7	1	0.2
Dry	–	–	–	–	–	–	–	–
Exploration Wells								
Productive	36	3.4	15	6.0	12	8.6	12	4.4
Dry	–	–	2	2.0	1	1.0	–	–
Total Wells								
Productive	41	5.1	18	7.3	37	21.3	13	4.6
Dry	–	–	2	2.0	1	1.0	–	–

Marketing

Our crude oil is generally sold under short-term, extendable and cancellable agreements with unaffiliated purchasers based on published price bulletins reflecting an established field posting price. As a consequence, the prices we receive for crude oil and liquids move up and down in direct correlation with the oil market as it reacts to supply and demand factors. Transportation costs related to moving crude oil are also deducted from the price received for crude oil.

Our natural gas is sold under both long-term and short-term natural gas purchase agreements. Natural gas produced by us is sold at various delivery points at or near producing wells to both unaffiliated independent marketing companies and unaffiliated mid-stream companies. We receive proceeds from prices that are based on various pipeline indices less any associated fees. When there is an opportunity to do so, the mid-stream companies may, at our request, process our natural gas at a processing facility and extract liquid hydrocarbons from the natural gas. We are then paid for the extracted liquids based on a negotiated percentage of the proceeds that are generated from the mid-stream company's sale of the liquids, or based on other negotiated pricing arrangements.

The prices we receive for our oil and natural gas production fluctuate widely. Factors that cause price fluctuation include the level of demand for oil and natural gas, weather conditions, hurricanes in the Gulf Coast region, natural gas storage levels, domestic and foreign governmental regulations, the actions of

OPEC, price and availability of alternative fuels, political conditions in oil and natural gas producing regions, the domestic and foreign supply of oil and natural gas, the price of foreign imports and overall economic conditions. Decreases in these commodity prices do adversely affect the carrying value of our proved reserves and our revenues, profitability and cash flows. Short-term disruptions of our oil and natural gas production do occur from time to time due to downstream pipeline system failure, capacity issues and scheduled maintenance, as well as maintenance and repairs involving our own well operations. These situations do curtail our production capabilities and ability to maintain a steady source of revenue for our company. In addition, demand for natural gas has historically been seasonal in nature, with peak demand and typically higher prices during the colder winter months. See “Risk Factors — Our success is dependent on the prices of oil and natural gas. The substantial volatility in these prices may adversely affect our financial condition and our ability to meet our capital expenditure requirements and financial obligations.”

For the year ended December 31, 2008, we had two significant purchasers that each accounted for more than 10% of our total oil and natural gas revenues: Regency Gas Services LP (45%) and J-W Operating Company (24%). For the year ended December 31, 2009, we had three significant purchasers that each accounted for more than 10% of our total oil and natural gas revenues: Chesapeake Operating Inc. (32%), Regency Gas Services LP (25%), and J-W Operating Company (17%). For the year ended December 31, 2010, we had three significant purchasers that each accounted for more than 10% of our total oil and natural gas revenues: Chesapeake Operating Inc. (42%), Regency Gas Services LP (17%) and Petrohawk Energy Corporation (11%). Due to the nature of the markets for oil and natural gas, we do not believe that the loss of any one of these purchasers would have a material adverse impact on our financial condition, results of operations or cash flows for any significant period of time.

While we do not have any commitments to sell a fixed and determinable quantity of oil or natural gas to a particular buyer, we are party to two natural gas transportation agreements at December 31, 2010 and June 30, 2011 that require us to deliver a specified volume of natural gas through pipelines for a fixed period of time. If we fail to meet the volume requirements, we are required to pay an amount to the owners of the pipelines to offset a portion of the expenses they incurred in building the pipelines to our well locations. Neither of these contracts constitutes a material commitment.

Title to Properties

We endeavor to assure that title to our properties is in accordance with standards generally accepted in the oil and natural gas industry. Some of our acreage will be obtained through farmout agreements, term assignments and other contractual arrangements with third parties, the terms of which often will require the drilling of wells or the undertaking of other exploratory or development activities in order to retain our interests in the acreage. Our title to these contractual interests will be contingent upon our satisfactory fulfillment of these obligations. Our properties are also subject to customary royalty interests, liens incident to financing arrangements, operating agreements, taxes and other burdens that we believe will not materially interfere with the use and operation of or affect the value of these properties. We intend to maintain our leasehold interests by making lease rental payments or by producing wells in paying quantities prior to expiration of various time periods to avoid lease termination. Certain of the leases that we have obtained to date have been purchased by and in the name of professional lease brokers as our nominee. See “Risk Factors — We may incur losses or costs as a result of title deficiencies in the properties in which we invest.”

Competition

The oil and natural gas industry is highly competitive. We compete and will continue to compete with major and independent oil and natural gas companies for exploration opportunities, acreage and property acquisitions. We also compete for drilling rig contracts and other equipment and labor required to drill, operate and develop our properties. Most of our competitors have substantially greater financial resources, staffs, facilities and other resources. In addition, larger competitors may be able to absorb the burden of any changes in federal, state and local laws and regulations more easily than we can, which would adversely affect our competitive position. These competitors may be able to pay more for drilling rigs or exploratory prospects and productive oil and natural gas properties and may be able to define, evaluate, bid for and purchase a greater number of properties and prospects than we can. Our competitors may also be able to afford to purchase and operate their own drilling rigs.

Our ability to drill and explore for oil and natural gas and to acquire properties will depend upon our ability to conduct operations, to evaluate and select suitable properties and to consummate transactions in this highly competitive environment. We have been conducting field operations since 2004 while our competitors have a longer history of operations, and most of them have also demonstrated the ability to operate through industry cycles.

The oil and natural gas industry also competes with other energy-related industries in supplying the energy and fuel requirements of industrial, commercial and individual consumers. See “Risk Factors – Competition in the oil and natural gas industry is intense, making it more difficult for us to acquire properties, market natural gas and secure trained personnel.”

Regulation

Oil and Natural Gas Regulation

Our oil and natural gas exploration, development, production and related operations are subject to extensive federal, state and local laws, rules and regulations. Failure to comply with these laws, rules and regulations can result in substantial penalties. The regulatory burden on the oil and natural gas industry increases our cost of doing business and affects our profitability. Because these rules and regulations are frequently amended or reinterpreted and new rules and regulations are promulgated, we are unable to predict the future cost or impact of complying with the laws, rules and regulations to which we are, or will become, subject. Our competitors in the oil and natural gas industry are generally subject to the same regulatory requirements and restrictions that affect our operations. We cannot predict the impact of future government regulation on our properties or operations.

Texas, New Mexico, Louisiana, Wyoming, Idaho and Utah and many other states require permits for drilling operations, drilling bonds and reports concerning operations and impose other requirements relating to the exploration, development and production of oil and natural gas. Many states also have statutes or regulations addressing conservation of oil and natural gas matters, including provisions for the unitization or pooling of oil and natural gas properties, the establishment of maximum rates of production from wells, the regulation of well spacing, the surface use and restoration of properties upon which wells are drilled, the sourcing and disposal of water used in the drilling and completion process and the plugging and abandonment of these wells. Many states restrict production to the market demand for oil and natural gas. Some states have enacted statutes prescribing ceiling prices for natural gas sold within their boundaries. Additionally, some regulatory agencies have, from time to time, imposed price controls and limitations on production by restricting the rate of flow of oil and natural gas wells below natural production capacity in order to conserve supplies of oil and natural gas. Moreover, each state generally imposes a production or severance tax with respect to the production and sale of oil, natural gas and natural gas liquids within its jurisdiction.

Some of our oil and natural gas leases are issued by agencies of the federal government, as well as agencies of the states in which we operate. These leases contain various restrictions on access and development and other requirements that may impede our ability to conduct operations on the acreage represented by these leases.

Our sales of natural gas, as well as the revenues we receive from our sales, are affected by the availability, terms and costs of transportation. The rates, terms and conditions applicable to the interstate transportation of natural gas by pipelines are regulated by the Federal Energy Regulatory Commission, or FERC, under the Natural Gas Act, as well as under Section 311 of the Natural Gas Policy Act. Since 1985, FERC has implemented regulations intended to increase competition within the natural gas industry by making natural gas transportation more accessible to natural gas buyers and sellers on an open-access, non-discriminatory basis. The natural gas industry has historically, however, been heavily regulated and we can give no assurance that the current less stringent regulatory approach of FERC will continue.

In 2005, Congress enacted the Energy Policy Act of 2005. The Energy Policy Act, among other things, amended the Natural Gas Act to prohibit market manipulation by any entity, to direct FERC to facilitate market transparency in the market for sale or transportation of physical natural gas in interstate commerce, and to significantly increase the penalties for violations of the Natural Gas Act, the Natural Gas Policy Act of 1978, or FERC rules, regulations or orders thereunder. FERC has promulgated regulations to implement the Energy Policy Act. Should we violate the anti-market manipulation laws and related regulations, in addition to FERC-imposed penalties, we may also be subject to third party damage claims.

Intrastate natural gas transportation is subject to regulation by state regulatory agencies. The basis for intrastate regulation of natural gas transportation and the degree of regulatory oversight and scrutiny given to intrastate natural gas pipeline rates and services varies from state to state. Because these regulations will apply to all intrastate natural gas shippers within the same state on a comparable basis, we believe that the regulation in any states in which we operate will not affect our operations in any way that is materially different from our competitors that are similarly situated.

The price we receive from the sale of oil and natural gas liquids will be affected by the availability, terms and cost of transportation of the products to market. Under rules adopted by FERC, interstate oil pipelines can change rates based on an inflation index, though other rate mechanisms may be used in specific circumstances. Intrastate oil pipeline transportation rates are subject to regulation by state regulatory commissions, which varies from state to state. We are not able to predict with certainty the effects, if any, of these regulations on our operations.

In 2007, the Energy Independence & Security Act of 2007, or EISA, went into effect. The EISA, among other things, prohibits market manipulation by any person in connection with the purchase or sale of crude oil, gasoline or petroleum distillates at wholesale in contravention of such rules and regulations that the Federal Trade Commission may prescribe, directs the Federal Trade Commission to enforce the regulations and establishes penalties for violations thereunder. We cannot predict any future regulations or their impact.

U.S. Federal and State Taxation

The federal, state and local governments in the areas in which we operate impose taxes on the oil and natural gas products we sell and, for many of our wells, sales and use taxes on significant portions of our drilling and operating costs. In the past, there has been a significant amount of discussion by legislators and presidential administrations concerning a variety of energy tax proposals. President Obama has recently proposed sweeping changes in federal laws on the income taxation of small oil and natural gas exploration and production companies such as us. President Obama has proposed to eliminate allowing small U.S. oil and natural gas companies to deduct intangible U.S. drilling costs as incurred and percentage depletion. Many states have raised state taxes on energy sources, and additional increases may occur. Changes to tax laws could adversely affect our business and our financial results.

Hydraulic Fracturing Policies and Procedures

We use hydraulic fracturing as a means to maximize the productivity of our oil and natural gas wells in almost every well that we drill and complete. Our engineers responsible for these operations attend specialized hydraulic fracturing training programs taught by industry professionals. Although average drilling and completion costs for each area will vary, as will the cost of each well within a given area, on average approximately 50% of the drilling and completion costs for our horizontal wells are associated with hydraulic fracturing activities. These costs are treated in the same way that all other costs of drilling and completion of our wells are treated and are built into and funded through our normal capital expenditures budget.

The protection of groundwater quality is important to us. We believe that we follow all state and federal regulations and apply industry standard practices for groundwater protection in our operations. These measures are subject to close supervision by state and federal regulators (including the BLM with respect to federal acreage). Our policy and practice is to follow all applicable guidelines and regulations in the areas where we conduct hydraulic fracturing. A surface casing string is set deeper than the deepest usable quality fresh water zones and cemented back to the surface in accordance with the appropriate regulations, lease requirements and legal requirements. This surface string of casing is then pressure tested to ensure mechanical integrity of the casing string prior to continuing drilling operations. We follow strict quality control procedures for conducting hydraulic fracturing operations that include a multi-point safety checklist, managing inventories of all materials and chemicals on the well site and ensuring that Material Safety Data Sheets are on location for every well that is hydraulically fractured. We contract with third parties to conduct hydraulic fracturing operations, and we send at least one of our own engineers to the well site to personally supervise each hydraulic fracture treatment. On a real-time basis, we closely monitor pump rates and pressures on existing casing strings to ensure that wellbore integrity is maintained during hydraulic fracturing operations. Our policy regarding monitoring well pressures would require stopping the hydraulic fracturing operations upon any indication that wellbore integrity may have been compromised.

We follow additional regulatory requirements and recommended practices to ensure wellbore integrity and full isolation of any underground aquifers and protection of surface waters. These include the following:

- Prior to perforating the production casing and hydraulic fracturing operations, a cement bond log is run to verify cement integrity between the formation to be fractured and shallow formations. Then, the casing is pressure tested to ensure no leaks exist within the casing;
- Before the fracturing operation commences, all surface equipment is pressure tested, which includes the wellhead and all high pressure lines and connections leading from the pumping equipment to the wellhead. During the pumping phases of the hydraulic fracturing treatment, the service companies we

engage must provide specialized equipment to monitor and record surface pressures, pumping rates, volumes and chemical concentrations to ensure the treatment is proceeding as designed and the wellbore integrity is sound. Our engineers at the job site have laptop computers with special software to monitor and collect, for permanent archiving, information from the hydraulic fracturing operations. As part of this process, when fracturing operations are being performed down casing, we also monitor the casing annular pressure to ensure that there is no communication of hydraulic pressure and fracture fluids outside the casing that could communicate with shallow formations. Should any problem be detected at any time during the hydraulic fracturing treatment, the operation would be shut down until the problem is evaluated, reported and remediated; and

- As a means to further protect against the negative impacts of any potential surface release of fluids associated with the hydraulic fracturing operation, special precautions are taken both during and after the operation. During the fracturing operation, all chemicals are mixed into the fracturing fluid as it is being pumped into the well as opposed to being pre-mixed in the “frac pits” or work tanks. While chemical additives are stored on location in independent containment vessels, only fresh water is stored in the frac pits or work tanks. All pumping equipment used during the operation is pressure tested and monitored. When the well is flowed back, after the fracturing operation, all fluids are produced into closed-top storage tanks. All flowback equipment and piping are pressure tested to ensure no leaks are present and the fluids are properly contained.

Once the final string of casing is set in place, cement is pumped into the casing/wellbore annulus where it hardens and creates a permanent, isolating barrier between the steel casing pipe and surrounding geological formations. This aspect of the well design establishes a pressure seal essentially eliminating any pathway for the fracturing fluid to contact fresh water aquifers during the hydraulic fracturing operation. Furthermore, in the areas in which we conduct hydraulic fracturing, the hydrocarbon bearing formations are separated from any usable quality underground fresh water aquifers by thousands of feet of impermeable rock layers. This natural geological separation serves as a protective barrier, preventing migration of fracturing fluids or hydrocarbons upwards into any fresh water zones.

Although rare, if and when the cement and steel casing used in well construction need to be remediated, we deal with these problems by evaluating the issue, running diagnostic tools including cement bond logs, temperature logs and pressure testing, followed by pumping remedial cement jobs. We repair wellhead leaks by replacing wellhead components, re-installing components to proper specifications and re-testing. In wellbores that utilize downhole packers, pressure integrity issues are rectified by repairing or replacing packers. Casing integrity lost due to corrosion on a producing well is remedied by identifying the specific location of the leak by cased hole logging tools, mechanical isolation and pressure testing or other diagnostic methods, followed by high pressure squeeze cementing and subsequent pressure testing to ensure the leak has been repaired. Throughout the process we believe we abide by applicable regulations.

The vast majority of hydraulic fracturing treatments are made up of water and sand or other kinds of man-made propping agents. We use major hydraulic fracturing service companies who track and report chemical additives that are used in the fracturing operation as required by the appropriate governmental agencies. These service companies fracture stimulate thousands of wells each year for the industry and invest millions of dollars to protect the environment through rigorous safety procedures, and also work to develop more environmentally friendly fracturing fluids. As previously mentioned we also follow strict safety procedures and monitor all aspects of the fracturing operation to ensure environmental protection. We do not pump any diesel in the fluid systems of any of our fracture stimulation procedures.

While current fracture stimulation procedures utilize a significant amount of water, we typically recover less than 10% of this fracture stimulation water before produced saltwater becomes a significant portion of the fluids produced. All produced water, including fracture stimulation water, is disposed of in a way that does not impact surface waters. All produced water is disposed of in permitted and regulated disposal facilities.

Environmental Regulation

The exploration, development and production of oil and natural gas, including the operation of saltwater injection and disposal wells, are subject to various federal, state and local environmental laws and regulations. These laws and regulations can increase the costs of planning, designing, installing and operating oil and natural gas wells. Our activities are subject to a variety of environmental laws and regulations, including but not limited to: the Oil Pollution Act of 1990, or OPA 90, the Clean Water Act, or CWA, the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, the Resource Conservation and Recovery Act, or RCRA, the Clean Air Act, or CAA, the Safe Drinking Water Act, or SDWA and the Occupational Safety and Health Act, or OSHA, as well as comparable state statutes and regulations. We are also subject to regulations governing the handling, transportation, storage and disposal of wastes generated by our activities and naturally occurring radioactive materials, or NORM, that may result from our oil and natural gas operations. Civil and criminal fines and penalties may be imposed for noncompliance with these environmental laws and regulations. Additionally, these laws and regulations require the acquisition of permits or other governmental authorizations before undertaking some activities, limit or prohibit other activities because of protected wetlands, areas or species and require investigation and cleanup of pollution. We expect to remain in compliance in all material respects with currently applicable environmental laws and regulations and expect that these laws and regulations will not have a material adverse impact on us.

The OPA 90 and its regulations impose requirements on “responsible parties” related to the prevention of crude oil spills and liability for damages resulting from oil spills into or upon navigable waters, adjoining shorelines or in the exclusive economic zone of the United States. A “responsible party” under the OPA 90 may include the owner or operator of an onshore facility. The OPA 90 subjects responsible parties to strict, joint and several financial liability for removal costs and other damages, including natural resource damages, caused by an oil spill that is covered by the statute. It also imposes other requirements on responsible parties, such as the preparation of an oil spill contingency plan. Failure to comply with the OPA 90 may subject a responsible party to civil or criminal enforcement action. We may conduct operations on acreage located near, or that affects, navigable waters subject to the OPA 90. We believe that compliance with applicable requirements under the OPA 90 will not have a material and adverse effect on us.

The CWA imposes restrictions and strict controls regarding the discharge of produced waters and other wastes into navigable waters. These controls have become more stringent over the years, and it is possible that additional restrictions will be imposed in the future. Permits are required to discharge pollutants into state and federal waters and to conduct construction activities in waters and wetlands. Certain state regulations and the general permits issued under the federal National Pollutant Discharge Elimination System program prohibit the discharge of produced water, produced sand, drilling fluids, drill cuttings and certain other substances related to the oil and natural gas industry into certain coastal and offshore waters. Further, the EPA has adopted regulations requiring certain oil and natural gas exploration and production facilities to obtain permits for storm water discharges. Costs may be associated with the treatment of wastewater or developing and implementing storm water pollution prevention plans. The CWA and comparable state statutes provide for civil, criminal and administrative penalties for any unauthorized discharges of oil and other pollutants and impose liability for the costs of removal or remediation of contamination resulting from such discharges. In furtherance of the CWA, the EPA promulgated the Spill Prevention, Control, and Countermeasure, or SPCC, regulations, which require certain oil-storing facilities to prepare plans and meet construction and operating standards.

CERCLA, also known as the “Superfund” law, and comparable state statutes impose liability, without regard to fault or the legality of the original conduct, on various classes of persons that are considered to have contributed to the release of a “hazardous substance” into the environment. These persons include the owner or operator of the disposal site where the release occurred and companies that disposed of, or arranged for the disposal of, the hazardous substances found at the site. Persons who are responsible for releases of hazardous substances under CERCLA may be subject to joint and several liability for the costs of cleaning up the hazardous substances and for damages to natural resources. In addition, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances released into the environment. Our operations may, and in all likelihood will, involve the use or handling of materials that may be classified as hazardous substances under CERCLA. Furthermore, we may acquire or operate properties that unknown to us have been subjected to, or have caused or contributed to, prior releases of hazardous wastes.

RCRA and comparable state and local statutes govern the management, including treatment, storage and disposal, of both hazardous and nonhazardous solid wastes. We generate hazardous and nonhazardous solid waste in connection with our routine operations. At present, RCRA includes a statutory exemption that allows many wastes associated with crude oil and natural gas exploration and production to be classified as nonhazardous waste. A similar exemption is contained in many of the state counterparts to RCRA. At various times in the past, proposals have been made to amend RCRA to eliminate the exemption applicable to crude oil and natural gas exploration and production wastes. Repeal or modifications of this exemption by administrative, legislative or judicial process, or through changes in applicable state statutes, would increase the volume of hazardous waste we are required to manage and dispose of and would cause us, as well as our competitors, to incur increased operating expenses. Hazardous wastes are subject to more stringent and costly disposal requirements than are nonhazardous wastes.

The CAA, as amended, and comparable state laws restrict the emission of air pollutants from many sources, including oil and natural gas production. These laws and any implementing regulations impose stringent air permit requirements and require us to obtain pre-approval for the construction or modification of certain projects or facilities expected to produce air emissions, or to use specific equipment or technologies to control emissions. On July 28, 2011, the EPA proposed new regulations targeting air emissions from the oil and natural gas industry. The proposed rules, if adopted, would impose new requirements on production and processing and transmission and storage facilities. While we may be required to incur certain capital expenditures in the next few years for air pollution control equipment in connection with maintaining or obtaining operating permits addressing other air emission-related issues, we do not believe that such requirements will affect our operations in any way that is materially different from our competitors.

Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly waste handling, storage, transport, disposal or cleanup requirements could materially adversely affect our operations and financial position, as well as those of the oil and natural gas industry in general. For instance, recent scientific studies have suggested that emissions of certain gases, commonly referred to as “greenhouse gases,” and including carbon dioxide and methane, may be contributing to the warming of the Earth’s atmosphere. As a result, there have been attempts to pass comprehensive greenhouse gas legislation. To date, such legislation has not been enacted. Any future federal laws or implementing regulations that may be adopted to address greenhouse gas emissions could, and in all likelihood would, require us to incur increased operating costs adversely affecting our profits and could adversely affect demand for the oil and natural gas we produce depressing the prices we receive for oil and natural gas.

On December 15, 2009, the EPA published its finding that emissions of greenhouse gases presented an endangerment to human health and the environment. These findings by the EPA allow the agency to proceed with the adoption and implementation of regulations that would restrict emissions of greenhouse gases under existing provisions of the CAA. Subsequently, the EPA proposed and adopted two sets of regulations, one of which requires a reduction in emissions of greenhouse gases from motor vehicles and the other of which regulated emissions of greenhouse gases from certain large stationary sources. In addition, on October 30, 2009, the EPA published a rule requiring the reporting of greenhouse gas emissions from specified sources in the U.S. beginning in 2011 for emissions occurring in 2010. On November 30, 2010, the EPA released a rule that expands its final rule on greenhouse gas emissions reporting to include owners and operators of onshore and offshore oil and natural gas production, onshore natural gas processing, natural gas storage, natural gas transmission and natural gas distribution facilities. Reporting of greenhouse gas emissions from such onshore production will be required on an annual basis beginning in 2012 for emissions occurring in 2011. The adoption and implementation of any regulations imposing reporting obligations on, or limiting emissions of greenhouse gases from, our equipment and operations could, and in all likelihood will, require us to incur costs to reduce emissions of greenhouse gases associated with our operations adversely affecting our profits or could adversely affect demand for the oil and natural gas we produce depressing the prices we receive for oil and natural gas.

Some states have begun taking actions to control and/or reduce emissions of greenhouse gases, primarily through the planned development of greenhouse gas emission inventories and/or regional greenhouse gas cap and trade programs. Although most of the state-level initiatives have to date focused on significant sources of greenhouse gas emissions, such as coal-fired electric plants, it is possible that less significant sources of emissions could become subject to greenhouse gas emission limitations or emissions allowance purchase requirements in the future. Any one of these climate change regulatory and legislative initiatives could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Underground injection is the subsurface placement of fluid through a well, such as the reinjection of brine produced and separated from oil and natural gas production. In our industry, underground injection not only allows us to economically dispose of produced water, but if injected into an oil bearing zone, it can increase the oil production from such zone. The SDWA establishes a regulatory framework for underground injection, the primary objective of which is to ensure the mechanical integrity of the injection apparatus and to prevent migration of fluids from the injection zone into underground sources of drinking water. The disposal of hazardous waste by underground injection is subject to stricter requirements than the disposal of produced water. We currently own and operate five underground injection wells and expect to own other similar wells. Failure to obtain, or abide by, the requirements for the issuance of necessary permits could subject us to civil and/or criminal enforcement actions and penalties.

Our activities involve the use of hydraulic fracturing. For more information on our hydraulic fracturing operations, see “Business — Regulation — Hydraulic fracturing policies and procedures.” Recently, there has been increasing regulatory scrutiny of hydraulic fracturing, which is generally exempted from regulation as underground injection on the federal level pursuant to the SDWA. However, the U.S. Senate and House of Representatives have considered legislation to repeal this exemption. If enacted, these proposals would amend the definition of “underground injection” in the SDWA to encompass hydraulic fracturing activities. If enacted, such a provision could require hydraulic fracturing operations to meet permitting and financial assurance requirements, adhere to certain construction specifications, fulfill monitoring, reporting and recordkeeping obligations, and meet plugging and abandonment requirements. These legislative proposals have also contained language to require the reporting and public disclosure of chemicals used in the fracturing process. If the exemption for hydraulic fracturing is removed from the SDWA, or if other legislation is enacted at the federal, state or local level, any restrictions on the use of hydraulic fracturing contained in any such legislation could have a significant impact on our financial condition, results of operations and cash flows.

In addition, at the federal level and in some states, there has been a push to place additional regulatory burdens upon hydraulic fracturing activities. Certain bills have been introduced in the Senate and the House of Representatives that, if adopted, could increase the possibility of litigation and establish an additional level of regulation at the federal level that could lead to operational delays or increased operating costs and could, and in all likelihood would, result in additional regulatory burdens, making it more difficult to perform hydraulic fracturing operations and increasing our costs of compliance. At the state level, Wyoming and Texas, for example, have enacted requirements for the disclosure of the composition of the fluids used in hydraulic fracturing. On June 17, 2011, Texas signed into law a mandate for public disclosure of the chemicals that operators use during hydraulic fracturing in Texas. The law went into effect September 1, 2011. State regulators have until 2013 to complete implementing rules. In addition, at least three local governments in Texas have imposed temporary moratoria on drilling permits within city limits so that local ordinances may be reviewed to assess their adequacy to address hydraulic fracturing activities. Additional burdens upon hydraulic fracturing, such as reporting requirements or permitting requirements for the hydraulic fracturing activity, will result in additional expense and delay in our operations.

Oil and natural gas exploration and production, operations and other activities have been conducted at some of our properties by previous owners and operators. Materials from these operations remain on some of the properties, and, in some instances, require remediation. In addition, we occasionally must agree to indemnify sellers of producing properties from whom we acquire reserves against some of the liability for environmental claims associated with these properties. While we do not believe that costs we incur for compliance with environmental regulations and remediating previously or currently owned or operated properties will be material, we cannot provide any assurances that these costs will not result in material expenditures that adversely affect our profitability.

Additionally, in the course of our routine oil and natural gas operations, surface spills and leaks, including casing leaks, of oil or other materials will occur, and we will incur costs for waste handling and environmental compliance. It is also possible that our oil and natural gas operations may require us to manage NORM. NORM is present in varying concentrations in sub-surface formations, including hydrocarbon reservoirs, and may become concentrated in scale, film and sludge in equipment that comes in contact with crude oil and natural gas production and processing streams. Some states, including Texas, have enacted regulations governing the handling, treatment, storage and disposal of NORM. Moreover, we will be able to control directly the operations of only those wells for which we act as the operator. Despite our lack of control over wells owned by us but operated by others, the failure of the operator to comply with the applicable environmental regulations may, in certain circumstances, be attributable to us.

We are subject to the requirements of OSHA and comparable state statutes. The OSHA Hazard Communication Standard, the “community right-to-know” regulations under Title III of the federal Superfund Amendments and Reauthorization Act and similar state statutes require us to organize information about hazardous materials used, released or produced in our operations. Certain of this information must be provided to employees, state and local governmental authorities and local citizens. We are also subject to the requirements and reporting set forth in OSHA workplace standards.

We have not in the past been, and do not anticipate in the near future to be, required to expend amounts that are material in relation to our total capital expenditures as a result of environmental laws and regulations, but since these laws and regulations are periodically amended, we are unable to predict the ultimate cost of compliance. We cannot assure you that more stringent laws and regulations protecting the environment will not be adopted or that we will not otherwise incur material expenses in connection with environmental laws and regulations in the future. See “Risk Factors.”

The clear trend in environmental regulation is to place more restrictions and limitations on activities that may affect the environment, and thus, any changes in environmental laws and regulations or re-interpretation of enforcement policies that result in more stringent and costly waste handling, storage, transport, disposal or remediation requirements could have a material adverse effect on our operations and financial position. We may be unable to pass on such increased compliance costs to our customers. Moreover, accidental releases or spills may occur in the course of our operations, and we cannot assure you that we will not incur significant costs and liabilities as a result of such releases or spills, including any third party claims for damage to property, natural resources or persons.

We maintain insurance against some, but not all, potential risks and losses associated with our industry and operations. We do not currently carry business interruption insurance. For some risks, we may not obtain insurance if we believe the cost of available insurance is excessive relative to the risks presented. In addition, pollution and environmental risks generally are not fully insurable. If a significant accident or other event occurs and is not fully covered by insurance, it could materially adversely affect our financial condition, results of operations and cash flows.

Office Lease

Our corporate headquarters are located in 20,869 square feet of office space in One Lincoln Centre, 5400 LBJ Freeway, Suite 1500, Dallas, Texas. Our current lease contemplates that we will increase our rentable square feet to 28,743 square feet in the fall of 2011. We will receive a finish-out allowance from the landlord for the expanded space in an amount of $530,308. The office lease agreement for our current space and our expanded space expires June 30, 2022. Beginning July 1, 2011, through June 30, 2012, we are not required to pay a monthly base rent. From July 1, 2012 through June 30, 2015, our monthly base rent is $47,905. From July 1, 2015 through June 30, 2017, our monthly base rent is $50,300. From July 1, 2017 through June 30, 2019, our monthly base rent is $52,696. From July 1, 2019 through June 30, 2020, our monthly base rent is $55,091. From July 1, 2020 through the expiration date of the lease, our monthly base rent is $57,726. In addition, the lease contains a renewal option in our favor for an additional 60-month period at the then existing market rate as determined in accordance with the lease.

Employees

At October 31, 2011, we had 38 full-time employees. We believe that our relationships with our employees are satisfactory. No employee is covered by a collective bargaining agreement. From time to time, we use the services of independent consultants and contractors to perform various professional services, particularly in the areas of geology and geophysics, construction, design, well site surveillance and supervision, permitting and environmental assessment and legal and income tax preparation and accounting services. Independent contractors, at our request, drill all of our wells and usually perform field and on-site production operation services for us, including pumping, maintenance, dispatching, inspection and testing. If significant opportunities for company growth arise and require additional management and professional expertise, we will seek to employ qualified individuals to fill positions where that expertise is necessary to develop those opportunities.

Legal Proceedings

Although we may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business, we are not currently a party to any material legal proceeding. In addition, we are not aware of any material legal or governmental proceedings against us, or contemplated to be brought against us.

MANAGEMENT

Officers

The following table sets forth the names, ages and positions of our executive officers at October 31, 2011:

Name	Age	Positions Held With Us
Joseph Wm. Foran	59	Chairman of the Board, Chief Executive Officer and President
David E. Lancaster	55	Executive Vice President, Chief Operating Officer and Chief Financial Officer
Matthew V. Hairford	50	Executive Vice President — Operations
David F. Nicklin	62	Executive Director of Exploration
Scott E. King	53	Co-Founder, Vice President — Geophysics and New Ventures
Bradley M. Robinson	57	Vice President — Reservoir Engineering

The following biographies describe the business experience of our executive officers. Each officer serves at the discretion of our board of directors. There are no family relationships among any of our officers.

Mr. Joseph Wm. Foran. Mr. Foran founded Matador Resources Company in July 2003 and has served as Chairman of the Board, Chief Executive Officer, President and Secretary since July 2003. He is also chairman of the board's Executive Committee. Mr. Foran began his career as an oil and natural gas independent in 1983 when he and his wife, Nancy, founded Foran Oil Company with $270,000 in contributed capital from 17 of his closest friends and neighbors. Foran Oil Company was later contributed into Matador Petroleum Corporation upon its formation by Mr. Foran in 1988, and Mr. Foran served as Chairman and Chief Executive Officer of that company from inception until the time of its sale to Tom Brown, Inc. in June 2003 for an enterprise value of $388 million in an all-cash transaction. Under Mr. Foran's guidance, Matador Petroleum realized a 21% average annual rate of return for its shareholders for 15 years. Mr. Foran is originally from Amarillo, Texas, where his family owned a pipeline construction business. From 1980 to 1983, he was Vice President and General Counsel of J. Cleo Thompson and James Cleo Thompson, Jr., Oil Producers. Prior to that time, he was a briefing attorney to Chief Justice Joe R. Greenhill of the Supreme Court of Texas. Mr. Foran graduated with a Bachelor of Science degree in Accounting from the University of Kentucky with highest honors and a law degree from the Southern Methodist University School of Law, where he was a Hatton W. Sumners scholar and the Leading Articles Editor of the Southwestern Law Review. He is currently active as a member of various industry and civic organizations, including his church and various youth activities. In 2002, Mr. Foran was honored as the Ernst & Young "Entrepreneur of the Year" for the Southwest Region. As the founder and Chairman of the Board, Chief Executive Officer and President of Matador Resources Company, Mr. Foran has provided leadership, experience and long relationships with a vast majority of the shareholders.

Mr. David E. Lancaster. Mr. Lancaster joined Matador Resources Company in December 2003 and serves as Executive Vice President, Chief Operating Officer and Chief Financial Officer. Mr. Lancaster has served in several capacities since joining Matador, including Vice President – Business Development, Acquisitions and Finance from December 2003 to May 2005; Vice President and Chief Financial Officer from May 2005 to May 2007; and Executive Vice President and Chief Financial Officer from May 2007 to May 2009. He assumed his current role in May 2009. From August 2000 to December 2003, he was Marketing Manager for Schlumberger Limited's Data & Consulting Services which provides full-field reservoir characterization, production enhancement, multidisciplinary reservoir and production solutions and field development planning. In this position, he was responsible for global marketing strategies, business models, input to research and development, commercialization of new products and services and marketing communications. From 1999 to 2000, Mr. Lancaster was Business Manager, North and South America, for Schlumberger Holditch-Reservoir Technologies, the petroleum engineering consulting organization formed following Schlumberger’s acquisitions of S. A. Holditch & Associates, Inc. and Intera Petroleum Services. In this role, he was responsible for the business operations of 12 consulting offices throughout North and South America. Mr. Lancaster worked with Schlumberger for six years following its acquisition of S. A. Holditch & Associates, Inc. in October 1997. He joined S. A. Holditch & Associates in 1980, and was one of the principals in that well-known petroleum engineering consulting firm. Between 1980 and 1997, Mr. Lancaster held positions ranging from Senior Petroleum Engineer to Senior Vice President — Business Development. In this latter role, he was responsible for marketing and sales, as well as the company’s commercial training business. During most of his tenure at S. A. Holditch & Associates, Inc., Mr. Lancaster was a consulting reservoir engineer with particular emphasis on characterizing and improving production from unconventional natural gas reservoirs. For more than seven years during this time, he was the Project Manager for the Gas Research Institute’s Devonian Shales applied research projects investigating ways to improve reservoir characterization, completion practices and natural gas recovery in low permeability, natural gas shale reservoirs. He was also the lead reservoir engineer for the Secondary Gas Recovery project sponsored by the Gas Research Institute and the U.S. Department of Energy looking at ways to improve recovery from compartmentalized natural gas reservoirs in north and south Texas. Mr. Lancaster began his career as a reservoir engineer for Diamond Shamrock Corporation in 1979. Mr. Lancaster received Bachelor and Master of Science degrees in Petroleum Engineering from Texas A&M University in 1979 and 1988, respectively. He has authored or co-authored more than 50 technical papers and articles, as well as numerous other published reports and industry presentations. He is a member of the Society of Petroleum Engineers, and he served as a charter member and former Vice Chairman of the Texas A&M University Petroleum Engineering Advisory Board. Mr. Lancaster is a Licensed Professional Engineer in the State of Texas.

Mr. Matthew V. Hairford. Mr. Hairford joined Matador Resources Company in July 2004 as its Drilling Manager. He was named Vice President — Drilling in May 2005; Vice President — Operations in May 2006; and in May 2009 assumed the title of Executive Vice President— Operations. He is in charge of our drilling and production operations. He was previously with Samson Resources, an exploration and production company, as Senior Drilling Engineer, having joined Samson in 1999. His responsibilities there included difficult Texas and Louisiana Gulf Coast projects, horizontal drilling projects and a start-up drilling program in Wyoming. The scope of this work ranged from multi-lateral James Lime wells in east Texas to deep wells in south Texas and south Louisiana. Mr. Hairford has drilled many geo-pressured wells in Texas and Louisiana, along with normally pressured wells in southwestern Wyoming and east Texas. Additional responsibilities included a horizontal well program in Roger Mills County, Oklahoma at 15,000 feet vertical depth. Mr. Hairford has experience in air drilling, underbalanced drilling, drilling under mud caps and high temperature and pressure environments. From 1998 until 1999, Mr. Hairford served as Senior Drilling Engineer with Sonat, Inc. in Tyler, Texas, a global company involved with natural gas transmission and marketing, oil and natural gas exploration and production and oil services. There his responsibilities included Pinnacle Reef wells in east Texas and deep horizontal drilling in the Austin Chalk field in central Louisiana. From 1984 to 1998, Mr. Hairford served in various drilling engineering capacities with Conoco, Inc., an integrated energy company. His operational areas included the Appalachian Basin, Illinois Basin, Permian Basin, Texas Panhandle and Val Verde Basin. Mr. Hairford was selected as a member of a three-person team to explore the use of unconventional technologies to identify a potential step change in the drilling sector. Multiple techniques were evaluated and tested, including declassified defense department technologies. Additional Conoco assignments included both field and office drilling positions in Midland and Oklahoma City. Earlier in his career with Conoco, Mr. Hairford was selected to participate in the Conoco Rig Drilling Supervisor Training Program in Houston. This program consisted of two years working a regular rotation as a drilling representative on rigs and as a drilling engineer in various domestic offices. Mr. Hairford began his career in 1984 with Conoco in a field production assignment in Hobbs, New Mexico. Mr. Hairford received his Bachelor of Science degree in Petroleum Engineering Technology from Oklahoma State University in 1984. He is an active member of the American Association of Drilling Engineers, the American Petroleum Institute and the Society of Petroleum Engineers. Mr. Hairford has also undertaken additional training through Stanford University's Executive Education programs.

Mr. David F. Nicklin. Mr. Nicklin joined Matador Resources Company in February 2009 as Executive Director of Exploration, after working with us as a part-time consultant since November 2007. Prior to joining Matador, Mr. Nicklin provided executive level consulting services to a variety of clients from January 2000 onwards through his wholly owned corporation, David F. Nicklin International Consulting Inc. In 2006, Mr. Nicklin co-founded and currently leads a small, private oil and natural gas company, Salt Creek Petroleum LLC. Salt Creek Petroleum owns small, non-operated interests in a variety of onshore oil and natural gas fields in the United States. Since 2009, Mr. Nicklin has consulted almost exclusively for us, with the primary exception of the minimal time he has devoted to Salt Creek Petroleum. Mr. Nicklin worked approximately 210 days for us in both 2009 and 2010 and is expected to work a similar number of days for us in 2011. We have determined that Mr. Nicklin's involvement with Salt Creek Petroleum does not detract from his performance for our company and does not result in any conflict of interest between Mr. Nicklin and our company due to the fact that Salt Creek Petroleum is not involved in plays and prospects that compete with our interests. In 2000, he founded and led for three years a private oil and natural gas exploration company, Serica Energy, which is now a public company with assets in Indonesia, the United Kingdom, Spain, Ireland and Morocco. Between 1981 and 2000, Mr. Nicklin was an employee of ARCO, an integrated energy company, where he participated in and led several international exploration teams, particularly in the Middle East, southeast Asia and Australasia. In 1991, he became the Chief Geologist for ARCO, a position he held until his retirement in 2000. In this position, Mr. Nicklin was responsible for the quality of the geological effort at ARCO, in particular, ensuring the application of state-of-the-art geological technology, the company's risk management process, the selection of new ventures and the high-grading of a large geoscience staff. Throughout his career at ARCO, Mr. Nicklin was closely involved with the successful exploration for and development of a number of large oil and natural gas discoveries. Prior to joining ARCO, Mr. Nicklin was a senior development and operations geologist in a variety of positions in the United Kingdom, Angola, Norway and the Middle East. He was a specialist in well-site operations and provided training in operations to entry-level personnel. Mr. Nicklin was born in the United Kingdom and received a Bachelor of Science degree in Geology from the University of Wales in 1971. He is an active member of the American Association of Petroleum Geologists and various other professional groups.

Mr. Scott E. King. Mr. King co-founded Matador Resources Company with Mr. Foran and serves as our Vice President — Geophysics and New Ventures. From July 2003 to February 2009, Mr. King held the position of Vice President — Exploration, and in February 2009, he assumed his current position. He was previously with Matador Petroleum Corporation, joining that company in December 1996 as Chief Geophysicist. Immediately prior to Matador Petroleum's sale, Mr. King served as its Portfolio Manager and was responsible for recommending which drilling opportunities Matador Petroleum should pursue. Prior to joining Matador Petroleum, Mr. King worked for Enserch Corporation, a diversified energy company with interests in petroleum exploration and production, oilfield services, engineering design and construction, and natural gas transmission and distribution, as Team Leader for the Oklahoma Asset Group. Mr. King began his career in 1983 with Sohio Petroleum, an integrated energy company. The Sohio assets were sold and resold to a number of companies, including BP p.l.c., Tex-Con Oil Co., Pacific Gas and Electric Company, Dalen Resources Oil & Gas Co., and finally Enserch Corporation. During this time, Mr. King worked for and was retained by each of these companies and had success in generating and managing drilling opportunities in the continental United States. Mr. King received a Bachelor of Science degree in Geology with a Minor in Mathematics from Alfred University, Alfred, New York in 1981 and a Master of Science degree in Geophysics from Wright State University, Dayton, Ohio in 1983. Mr. King is active in various professional and civic groups including the American Association of Petroleum Geologists and the Society of Exploration Geophysicists.

Mr. Bradley M. Robinson. Mr. Robinson joined Matador Resources Company in August 2003 as one of its founders and has served as our Vice President — Reservoir Engineering since that time. Prior to joining Matador, from 1997 to August 2003, Mr. Robinson held the position of Advisor with Schlumberger Limited's Data & Consulting Services business unit which provides full-field reservoir characterization, production enhancement, multidisciplinary reservoir and production solutions and field development planning where he was responsible for the development and application of new technologies for well completions and stimulation, provided technical expertise for reservoir management and field development projects, taught basic and advanced industry courses in well completions and stimulation and provided internal training in production engineering and stimulation methods. Mr. Robinson worked with Schlumberger for six years following its acquisition of S. A. Holditch & Associates, Inc. in 1997. Mr. Robinson joined Holditch in 1979, and was one of the principals in that well-known petroleum engineering consulting firm. From 1979 to 1982, Mr. Robinson served as Senior Petroleum Engineer and was involved in all aspects of reservoir and production engineering for both conventional and low permeability oil and natural gas fields. From 1982 to 1997, he was Holditch's Vice President — Production Engineering, where he was responsible for coordination and management of production and completion engineering projects, including development drilling and openhole data acquisition programs, design and supervision of initial well completions and workovers, transient well test design and analysis and hydraulic fracture stimulation design and supervision. His duties also included reserves evaluation and economic analysis of new and existing wells, and his areas of specialization included low permeability natural gas sands, coalbed methane reservoirs, and horizontal wells. For approximately 10 years during this time, he served as assistant project manager for the Gas Research Institute's Tight Gas Sands and Horizontal Gas Wells applied research projects investigating ways to improve reservoir characterization, completion practices and natural gas recovery in low permeability natural gas reservoirs and horizontal natural gas wells. During his career, he has worked all over the world including the United States, Canada, Venezuela, Colombia, Mexico, Egypt, the North Sea, Russia and Indonesia, among others. Mr. Robinson began his career in 1977 with Marathon Oil Company, serving as an Associate Production Engineer and later as a Reservoir Engineer in Midland. Mr. Robinson received Bachelor and Master of Science degrees in Petroleum Engineering from Texas A&M University in 1977 and 1986, respectively. He has authored or co-authored 18 technical articles appearing in industry and/or technical publications and has made numerous engineering technical presentations. Mr. Robinson is a member of the Society of Petroleum Engineers and is a Licensed Professional Engineer in the State of Texas.

Board of Directors

Our board of directors consists of eight directors. The following biographies describe the business experience of our directors, other than Mr. Foran. There are no family relationships among any of our officers and directors.

Mr. Charles L. Gummer. Mr. Gummer, age 65, joined our board of directors in September 2011. He has over 40 years of banking experience with Comerica Bank. From July 31, 2010 through October 31, 2011, he was Chairman of Comerica Bank – Texas Market. From 1989 until July 31, 2010, he was President and Chief Executive Officer of Comerica Bank – Texas. He earned his Bachelor of Science degree from The Ohio State University and his Master of Business Administration from Wayne State University. He also graduated from the University of Michigan’s Graduate School of Banking and Financial Services. In addition to his professional career with Comerica Bank, he has also been very involved in the Dallas community, including as a current member of the Dallas Summer Musicals executive committee, the board of Downtown Dallas, Inc., the executive board of the Southern Methodist University Cox School of Business, the board of the Better Business Bureau of Dallas, the advisory board of the Vogel Alcove Arts Performance Committee, the advisory committee of the Greater Dallas Chamber of Commerce – Economic Development, the advisory committee of Bishop Lynch High School and the board of The Catholic Foundation. Mr. Gummer’s experience as a former Chairman, President and Chief Executive Officer and a senior executive of a publicly-traded bank, combined with his banking and mergers and acquisitions experience, plus his civic involvements provide our board of directors with extensive executive leadership, strategic planning, finance and general business expertise.

Dr. Stephen A. Holditch. Dr. Holditch, age 65, was a shareholder in and advisor to Matador Petroleum Corporation and is an original shareholder in Matador Resources Company. He was first elected to our board of directors in January 2004 and currently serves as chairman of the board’s Engineering Committee. He is Professor and Head of the Harold Vance Department of Petroleum Engineering at Texas A&M University, having assumed this position in January 2004. Prior to that, he was with Schlumberger Limited, a leading oilfield services provider, as a Fellow, one of only a handful of technical experts so recognized with this title in that company. In this position, Dr. Holditch advised top management within Schlumberger Limited on production and reservoir engineering matters. Dr. Holditch joined Schlumberger in 1997, following Schlumberger Limited’s acquisition of S. A. Holditch & Associates, Inc., the consulting company he founded and grew over 20 years into a preeminent engineering firm worldwide in the analysis of low permeability natural gas reservoirs and the design of hydraulic fracture treatments. During the latter half of the 1980’s and into the 1990’s, Dr. Holditch expanded the services offered by S. A. Holditch & Associates, building the company from three employees in 1977 to more than 80 employees in 1998. At the time of its sale to Schlumberger in 1997, S. A. Holditch & Associates had become a full-service petroleum engineering consulting company. From 1974 to 1976, Dr. Holditch worked as an independent consulting engineer on reservoir studies, well completions and fracture treatment design for numerous clients in east and south Texas. During that period, he also attended Texas A&M University to earn a PhD degree in Petroleum Engineering and conducted research in reservoir flow behavior in fractured, low permeability natural gas reservoirs. From 1970 to 1974, he was a Production Engineer with Shell Oil Company, an integrated energy company, where his responsibilities included production engineering for numerous oil and natural gas fields, well completions and massive hydraulic fracture treatment designs in several deep, geopressured fields in south Texas. From 1968 to 1969, he worked for Pan American Petroleum Corporation as a field engineer on various projects in east Texas. Dr. Holditch received Bachelor and Master of Science degrees in Petroleum Engineering from Texas A&M University in 1969 and 1970, respectively, and a PhD degree in Petroleum Engineering from Texas A&M University in 1976. Dr. Holditch was President of the Society of Petroleum Engineers, International (SPE) in 2002 and served on the Society’s board of directors from 1998 to 2003. In addition, he served as a Trustee for the American Institute of Mining, Metallurgical, and Petroleum Engineers from 1997 to 1998. He is also on the board of directors of Triangle Petroleum Corporation, an oil and natural gas exploration corporation. He has received numerous awards in recognition of his technical achievements and leadership. In 1995, Dr. Holditch was elected to the National Academy of Engineering, the highest professional honor awarded to an engineer. In 1997, he was elected to the Russian Academy of Natural Sciences, and in 1998, Dr. Holditch was elected to the Petroleum Engineering Academy of Distinguished Graduates at Texas A&M University and was recently named distinguished alumnus of engineering. Dr. Holditch received the SPE Distinguished Service Award for Petroleum Engineering Faculty in 1981 and held the Shell Distinguished Chair in Petroleum Engineering at

Texas A&M University from 1983 to 1987. He was awarded the R. L. Adams Professorship in 1995. He teaches graduate level courses in formation evaluation, well stimulation and production engineering, and has actively performed and supervised research at Texas A&M University since 1974 in a wide range of engineering areas. Dr. Holditch is a member of numerous professional societies and serves as a board member and/or trustee for several business affiliations. He has been an SPE Distinguished Lecturer and has co-authored or edited three books and more than 100 technical papers; he has made more than 80 invited technical presentations to petroleum industry audiences. His position as Professor and Head of the Harold Vance Department of Petroleum Engineering at Texas A&M University, his prior positions with Schlumberger and S. A. Holditch & Associates, Inc. and his service on the board of directors of Triangle Petroleum Corporation provide our board of directors with additional perspective on our completion and stimulation operations and other business and engineering matters.

Mr. David M. Laney. Mr. Laney, age 62, is an original shareholder in Matador Resources Company and was an original shareholder in Matador Petroleum Corporation. He was one of the original directors on our board of directors in July 2003 and currently serves as lead independent director and chairman of the board's Nominating, Compensation and Planning Committee. He is an attorney who since March 2007 has practiced law as a solo practitioner. Between 2003 and 2007, he was a partner with the law firm of Jackson Walker LLP in Dallas where he practiced in the area of corporate and financial law. Prior to joining Jackson Walker, Mr. Laney practiced at the law firm of Jenkens & Gilchrist, a Professional Corporation, from 1977 to 2003 and was managing partner of the Jenkens & Gilchrist law firm from 1990 to 2002. During his tenure as Managing Partner, Jenkens & Gilchrist was recognized as one of the fastest growing firms in the country and was named by industry press as among the top 50 firms in the country (from the standpoint of size and financial performance). From a regional law firm of roughly 160 lawyers in two Texas cities in 1990, the firm expanded under Mr. Laney's leadership to over 625 attorneys in nine cities by the end of his tenure in 2002. Mr. Laney has also served in several capacities as an appointee of Texas Governors William Clements and George W. Bush on various state boards continuously from 1989 through 2001. He was Governor Clements' appointee to the Texas Finance Commission, responsible for regulatory oversight of the state banking and thrift industries as the Texas banking system emerged from the recession and collapse of the 1980's. He then served as Governor Bush's Texas Commissioner of Transportation (Chairman of the Texas Department of Transportation) during the period 1995 to 2000. Mr. Laney completed his term with the Texas Department of Transportation (TxDOT) in 2001. As Commissioner of Transportation, his responsibilities were largely those of the chief executive of TxDOT, a 14,000 employee state agency with a $5 billion annual budget. In that position, he initiated and oversaw the planning and successful execution of an extensive number of organizational and operational innovations throughout the organization, and developed and managed TxDOT's legislative agenda during three regular sessions of the Texas Legislature. In 2002, Mr. Laney was nominated by President George W. Bush to the board of directors of Amtrak and confirmed by the U. S. Senate for a five-year term. In November 2007, he completed his term as Chairman of Amtrak's board of directors. From 1998 to 2003, Mr. Laney served as a member of the Stanford University Board of Trustees, and for two years as Chairman of its Audit Committee. Mr. Laney has also served in various capacities in connection with numerous civic and educational organizations and projects in the Dallas area. Mr. Laney's legal experience and leadership positions in governmental departments provide our board of directors with additional perspective on our corporate governance, legal and governmental relations matters and general business matters.

Mr. Gregory E. Mitchell. Mr. Mitchell, age 60, joined our board of directors in June 2011. With 45 years of grocery and petroleum retailing experience, he is currently President and CEO of Toot'n Totum Food Stores, LLC, his family company, which is located in Amarillo, Texas. The company, founded in 1950, consists of 62 convenience store/fueling locations, as well as car wash and car care centers, with an employee base of over 700 team members. His experience within the petroleum industry includes extensive negotiations with various major refiners in the United States. A 1973 graduate of the University of Oklahoma, with a Bachelor of Business Administration degree, Mr. Mitchell was appointed by former Governor William Clements to the Texas Higher Education Coordinating Board, where he served for six years. Additionally, he has served as Chairman of the Amarillo Chamber of Commerce, Chairman of the United Way of Amarillo and Canyon, Chairman of the Don and Sybil Harrington Foundation and President of the Amarillo Area Foundation. Currently, Mr. Mitchell is a director of the Holding Committee for Amarillo National Bank, a director of Cal Farley's Boys Ranch and a director of Wigel's Convenience Stores in Knoxville, Tennessee. Mr. Mitchell's experience as President and CEO of his large family business and as a director of several companies provides our board of directors with extensive business, strategic and executive leadership experience.

Dr. Steven W. Ohnimus. Dr. Ohnimus, age 65, was first elected to our board of directors in January 2004 and currently serves as chairman of the board's Operations Committee. He spent his entire professional career from 1971 to 2000 with Unocal Corporation, an integrated energy company. From 1995 to 2000, he was General Manager — Partner Operated Ventures, where he represented Unocal's non-operated international interests at board meetings, management committees and other high level meetings involving projects in the $200 million range in countries such as Azerbaijan, Bangladesh, China, Congo, Myanmar and Yemen. From 1994 to 1995, Dr. Ohnimus was General Manager of Asset Analysis, where he managed and directed planning, business plan budgeting and scenario plans for the domestic and international business unit with an asset portfolio totaling $5.5 billion. From 1990 to 1994, Dr. Ohnimus was Vice President and General Manager, Unocal Indonesia, located in Balikpapan, operating five offshore fields and one onshore liquid extraction plant and employing 1200 nationals and 50 expatriates. From 1989 to 1990, he served as Regional Operations Manager in Anchorage, Alaska, and from 1988 to 1989, he was District Operations Manager in Houma, Louisiana. From 1981 to 1988, Dr. Ohnimus was in various management assignments in Houston and Houma, Louisiana, and from 1971 to 1981 he handled various technical assignments in reservoir, production and drilling in the Gulf Coast area (Houston, Van, Lafayette and Houma). From 1975 to 1979, Dr. Ohnimus was Assistant Professor of Petroleum Engineering at the University of Southwest Louisiana (now University of Southern Louisiana) where he taught a total of eleven undergraduate and graduate night classes. In 1980, he taught drilling seminars at the University of Texas Petroleum Extension Service of the International Association of Drilling Contractors (IADC). Dr. Ohnimus has authored several published papers concerning reservoir recompletion and increased recovery. Dr. Ohnimus received his Bachelor of Science degree in Chemical Engineering from the University of Missouri at Rolla in 1968, a Master of Science degree in Petroleum Engineering from the University of Missouri at Rolla in 1969 and a PhD degree in Petroleum Engineering from the University of Missouri at Rolla in 1971. Dr. Ohnimus served as a director of the American Petroleum Institute in 1978 and 1979, served as Session Chairman for the Society of Petroleum Engineers' Annual Convention in 1982, was the Evangeline Section Chairman of the Society of Petroleum Engineers in 1978 and 1979 and served as President of the Unocal Credit Union from 1986 to 1988. In 2007, he was elected President of the Unocal Gulf Coast Alumni Club, which reports through the Chevron Retirees Association. He still holds that position. In June 2008, Dr. Ohnimus was elected as the vice chairman of the advisory board of Western Standard Energy Corp. (OTCBB:WSEG), an oil and natural gas exploration company. Due to his long oil and natural gas industry career and significant operational and international experience, Dr. Ohnimus provides valuable insight to our board of directors on our drilling and completion operations and management, as well as providing a global technology and operations perspective.

Mr. Michael C. Ryan. Mr. Ryan, age 51, joined our board of directors in February 2009 and currently serves as chairman of the board's Audit Committee. Prior to joining the board, he served as a Board Advisor to the Financial Committee and frequently participated in board planning and strategy sessions.

Since October 2004, Mr. Ryan has been a Partner and member of the Investment Committee at Berens Capital Management LLC, an investment firm based in New York. From February 1998 to June 2004, he worked with Goldman, Sachs & Co., a global investment banking and securities services firm, leading its West Coast international institutional equities business. In this role, he developed and built a team of professionals to advise large institutional clients on their global investment decisions. From 1995 to 1998, Mr. Ryan lived in Oslo, Norway, where he was a Partner at Pareto Securities, a Scandinavian-based securities firm where he led and built the institutional equities business into the United States and United Kingdom. From 1991 to 1994, Mr. Ryan represented multiple eastern European governments in the preparation, negotiation and sale of many of their largest state-owned companies. He began his career with Honeywell, Inc. which invents and manufactures technologies, including in the safety, security and energy areas, in 1983, working in the Systems and Research Center, which focused on advanced weapons development programs. Mr. Ryan received a Master of Business Administration degree from The Wharton School at the University of Pennsylvania and a Bachelor of Science degree from the University of Minnesota. Mr. Ryan's background and experience in the domestic and international financial world provide our board of directors with additional perspective on accounting and auditing functions, economic trends and our capital sourcing and financing opportunities.

Mrs. Margaret B. Shannon. Mrs. Shannon, age 62, joined our board of directors in June 2011 and currently serves as chairperson of the board's Corporate Governance Committee. She served as Vice President and General Counsel of BJ Services Company, an international oilfield services company, from 1994 to 2010, when Baker Hughes Incorporated acquired BJ Services. Prior to 1994, she was a partner with the law firm of Andrews Kurth LLP. Mrs. Shannon is active in community activities serving as the Chair of the Membership Committee of the board of directors of the Harris County Health Alliance, Chair of the Audit Committee of the board of directors of the South Texas College of Law, chair of the Endowment Board of Palmer Memorial Episcopal Church and a member of the board of directors of the Harris County Health and Human Services Foundation. She previously served as the Chair of the Executive Women's Partnership sponsored by the Greater Houston Partnership and was a participant in the American Leadership Forum. Mrs. Shannon received her J.D. cum laude from Southern Methodist University Dedman School of Law in 1976 and her Bachelor of Arts degree from Baylor University in 1971. Mrs. Shannon's experience as an attorney, as a partner with Andrews Kurth LLP, as general counsel for a public company for more than 15 years and as a director for numerous other organizations provides our board of directors with important insights into public company obligations, corporate governance and board functions.

Although our bylaws include a mandatory retirement age of 70 for directors, our board of directors is permitted to waive such restriction on an annual basis up to age 75 upon the determination by the board that such waiver is in the best interest of the company.

In addition, our board is divided into three classes of directors, designated Class I, Class II and Class III, with the term of office of each director ending on the date of the third annual meeting following the annual meeting at which such director was elected. The numbers of directors in each class will be as nearly equal as possible at all times. The current Class I directors are Mrs. Shannon and Messrs. Gummer and Ryan, who will hold office until the 2012 annual meeting of shareholders and until the election and qualification of their respective successors or until their earlier death, retirement, resignation or removal. The current Class II directors are Mr. Mitchell and Dr. Ohnimus, who will hold office until the 2013 annual meeting of shareholders and until the election and qualification of their respective successors or until their earlier death, retirement, resignation or removal. The current Class III directors are Messrs. Foran and Laney and Dr. Holditch, who will hold office until the 2014 annual meeting of shareholders and until the election and qualification of their respective successors or until their earlier death, retirement, resignation or removal.

Special Board Advisors

In addition to our board of directors, we have three individuals who have significant oil and gas experience or legal, accounting and other business experience who advise our board of directors on various matters. Other than indemnification agreements in form similar to those entered into with our directors and officers, we have not entered into written agreements with these individuals with respect to their service as special advisors to our board of directors. Their business histories are described below:

Mr. Marlan W. Downey. Mr. Downey worked for Shell Oil Company, an integrated energy company, from 1957 to 1987. In 1977, he moved to Shell Oil’s International Exploration & Production business and became Vice President of Shell, and then President of Shell Oil’s newly-formed international subsidiary, Pecten International. Mr. Downey joined ARCO International in 1990 as Senior Vice President of Exploration, becoming President of ARCO International and then Senior Vice President and Executive Exploration Advisor to ARCO International. Mr. Downey retired from ARCO in 1996. He is a fellow of the American Association for the Advancement of Science. Mr. Downey is a past President of the American Association of Petroleum Geologists (“AAPG”) and is Chief Scientist — Sarkeys Energy Center at Oklahoma University. Mr. Downey is the 2009 recipient of the AAPG’s Sidney Powers Medal, which is the highest honor awarded by the AAPG. He is also active in several international scientific organizations and serves on boards of the Institute for the Study of Earth and Man, and the Reves Institute for International Studies at William and Mary. Mr. Downey received a Bachelor of Arts degree in Chemistry in 1952 at Peru State College in Nebraska. He served in the Army in Korea and the Philippines, then entered graduate school at the University of Nebraska, and received a Bachelor of Science degree in 1956 and a Master of Science degree in Geology in 1957. Mr. Downey previously served on Matador Petroleum Corporation’s board of directors with Mr. Foran. He has served as a special advisor since our inception in July 2003 and currently serves as chairman of the board’s Prospect Committee.

Mr. Edward J. Scott, Jr. Mr. Scott is a successful Amarillo, Texas lawyer, civic leader and businessman, managing a varied portfolio of real estate and development-related concerns. Currently, he is the primary developer for two residential developments in Amarillo: Pheasant Run and The Greenways. He serves as primary owner of Document Shredding & Storage which services the entire Panhandle area, Sparky’s Storage Solutions in Amarillo, Texas and is part owner in several car washes in the Lubbock, Abilene and Dallas/Fort Worth areas. From 1968 to 1996, Mr. Scott was an attorney with the Amarillo law firm of Gibson, Ochsner & Adkins. From 1965 to 1968, he served as an accountant with Price Waterhouse & Co. Mr. Scott received his Bachelor of Business Administration degree in Accounting from West Texas State University in 1962 and an LLB from The University of Texas School of Law in 1965. Mr. Scott has previously served as a director and chairman of the Amarillo Economic Development Corporation and is currently serving as a board member of the Salvation Army, Amarillo Area Foundation, as well as the Amarillo Club. He is a past President of the Rotary Club of Amarillo, the Amarillo Businessmen’s Club, the Amarillo Club, Big Brothers and Big Sisters and the Amarillo Business Foundation. He is a former chairman of the Amarillo Board of City Development and a former member of the Board of Regents for West Texas State University. Mr. Scott has previously served as an officer and/or board member to many other local civic and/or charitable organizations. He is a member of the Texas Bar Association, the Amarillo Bar Association, the Texas Society of Certified Public Accountants and the Panhandle Chapter of the Texas Society of Certified Public Accountants. Mr. Scott is an original shareholder in both Matador Resources Company and the former Matador Petroleum Corporation. He was an original director on the Matador Resources Company board of directors and served as chairman of the Audit Committee for eight years until his retirement from the board in June 2011.

Mr. W.J. “Jack” Sleeper, Jr. Mr. Sleeper has over 55 years of experience evaluating oil and gas properties. Mr. Sleeper joined DeGolyer and MacNaughton, a petroleum consulting firm, as a Petroleum Engineer in 1965. He performed numerous field studies in North and South America, the North Sea and the Middle East. Mr. Sleeper retired as President and Chief Operating Officer of DeGolyer and MacNaughton on January 1, 1995. He served on DeGolyer and MacNaughton’s board of directors from 1978 until his retirement. Upon his graduation from the University of Oklahoma with a Bachelor of Science degree in Petroleum Engineering (with Distinction) in 1955, he was employed by Shell Oil Company, an integrated energy company, as an Exploitation Engineer. During his 10 years with Shell he spent three years performing research at Shell Development Company in the fields of Reservoir Engineering, Geology and Petrophysics. He held the titles of Project Engineer, Senior Exploitation Engineer and Senior Production Geologist during his tenure with Shell. Mr. Sleeper has served on the Mewborne Petroleum and Geological Board of Advisors at the University of Oklahoma since 1995. He is a Licensed Professional Engineer (retired) in the states of Oklahoma and Texas. Mr. Sleeper previously served on Matador Petroleum Corporation’s board of directors with Mr. Foran. He has served as a special advisor since our inception in July 2003.

Committees of the Board of Directors

We have an Audit Committee, Nominating, Compensation and Planning Committee, Corporate Governance Committee, Executive Committee, Operations Committee, Engineering Committee, Financial Committee and Prospect Committee and may have such other committees as the board of directors shall determine from time to time. The charters of each of the Audit Committee, Nominating, Compensation and Planning Committee and Corporate Governance Committee will be available on our website at www.matadorresources.com concurrently with, or prior to, the completion of this offering. Each of the standing committees of the board of directors have the composition and responsibilities described below.

Audit Committee

The Audit Committee assists the board of directors in monitoring:

- the integrity of our financial statements and disclosures;
- our compliance with legal and regulatory requirements;
- the qualifications and independence of our independent auditor;
- the performance of our internal audit function and our independent auditor; and
- our internal control systems.

In addition, the Audit Committee is charged with the compliance of our Code of Ethics and Business Conduct for Officers, Directors and Employees.

Our Audit Committee currently consists of Messrs. Gummer, Laney and Ryan and Dr. Ohnimus, each of whom is independent under the rules of the NYSE and the SEC. Mr. Ryan is the chairman of the Audit Committee. SEC rules require a public company to disclose whether or not its audit committee has an “audit committee financial expert” as a member. An “audit committee financial expert” is defined as a person who, based on his or her experience, possesses the attributes outlined in such rules. Our board of directors has determined that Messrs. Gummer and Ryan are each “audit committee financial experts.”

Nominating, Compensation and Planning Committee

The Nominating, Compensation and Planning Committee has the following responsibilities:

- identify and recommend to the board of directors individuals qualified to be nominated for election to the board of directors;
- recommend to the board of directors the members and chairman of each committee of the board of directors;
- assist the board of directors and the independent members of the board of directors in the discharge of their fiduciary responsibilities relating to the fair and competitive compensation of our executive officers;
- provide overall guidance with respect to the establishment, maintenance and administration of our compensation programs, including stock and benefit plans;
- oversee and advise the board of directors and the independent members of the board of directors on the adoption of policies that govern our compensation programs; and
- recommend to the board of directors the strategy, tactical and performance goals of the company, including those performance and tactical goals that relate to performance based compensation, including but not limited to goals for production, reserves, cash flows and shareholder value.

Our Nominating, Compensation and Planning Committee currently consists of Mrs. Shannon and Messrs. Gummer, Laney, Mitchell and Ryan and Drs. Holditch and Ohnimus, each of whom is independent under the rules of the NYSE, a “non-employee director” pursuant to Section 16(b) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and an “outside director” pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended. Mr. Laney is the chairman of the Nominating, Compensation and Planning Committee.

The board of directors has also established a Director Nominating Advisory Committee that is charged with receiving and considering possible nominees for election by shareholders to the board of directors. Pursuant to the Director Nominating Advisory Committee charter, this committee will be comprised of 8 to 12 persons selected by the Nominating, Compensation and Planning Committee, and will consist of at least:

- two members of the Nominating, Compensation and Planning Committee;
- two former members of or special advisors to the board of directors;
- two shareholders who beneficially own common stock having a market value of at least $1.0 million (such value to be based on the market value of the common stock immediately prior to designation of such shareholders to the Director Nominating Advisory Committee); and
- two shareholders who have beneficially owned common stock continuously for at least the five years prior to such shareholders’ designation to the Director Nominating Advisory Committee.

The Director Nominating Advisory Committee will make recommendations on its conclusions to the Nominating, Compensation and Planning Committee for its consideration and review.

Corporate Governance Committee

The Corporate Governance Committee is responsible for periodically reviewing and assessing our corporate governance guidelines and making recommendations for changes thereto to the board of directors, reviewing any other matters related to our corporate governance, unless the authority to conduct such review has been retained by the board of directors or delegated to another committee and overseeing the evaluation of the board of directors and management.

Our Corporate Governance Committee currently consists of Mrs. Shannon and Messrs. Gummer and Laney, each of whom is independent under the rules of the NYSE. Mrs. Shannon is chairperson of the Corporate Governance Committee.

Executive Committee

The Executive Committee has authority to discharge all the responsibilities of the board of directors in the management of the business and affairs of the company, except where action of the full board of directors is required by statute or by our certificate of formation.

Our Executive Committee consists of Messrs. Foran and Laney and Dr. Ohnimus, and Mr. Foran is chairman of the Executive Committee.

Operations Committee

We have, and anticipate continuing to have upon completion of this offering, an Operations Committee. The Operations Committee provides oversight over the development of our prospects, our drilling and completion operations and our production operations and associated costs. The current members of the Operations Committee are Messrs. Foran and Sleeper (ex-officio) and Drs. Holditch and Ohnimus, and Dr. Ohnimus is chairman of the Operations Committee.

Engineering Committee

We have, and anticipate continuing to have upon completion of this offering, an Engineering Committee. The Engineering Committee provides oversight over the amount and classifications of our reserves and the design of our completion techniques and hydraulic fracturing operations and various other reservoir engineering matters. The current members of the Engineering Committee are Messrs. Foran, Downey (ex-officio) and Sleeper (ex-officio) and Drs. Holditch and Ohnimus, and Dr. Holditch is chairman of the Engineering Committee.

Financial Committee

We have, and anticipate continuing to have upon completion of this offering, a Financial Committee. The Financial Committee provides oversight over our financial position, liquidity and capital needs and the various methods for financing our business. The current members of the Financial Committee are Messrs. Foran, Gummer, Laney and Ryan, and Mr. Foran is chairman of the Financial Committee.

Prospect Committee

We have, and anticipate continuing to have upon completion of this offering, a Prospect Committee. The Prospect Committee provides oversight over the technical analysis, evaluation and selection of our oil and natural gas prospects. The current members of the Prospect Committee are Messrs. Foran, Downey and Sleeper (ex-officio) and Drs. Holditch and Ohnimus, and Mr. Downey is chairman of the Prospect Committee.

Nominating, Compensation and Planning Committee Interlocks and Insider Participation

No member of our Nominating, Compensation and Planning Committee is an employee of the Company. None of our executive officers serve on the board of directors or compensation committee of a company that has an executive officer that serves on our board of directors or Nominating, Compensation and Planning Committee. No member of our board of directors serves as an executive officer of a company in which one of our executive officers serves as a member of the board of directors or compensation committee of that company.

To the extent any members of our Nominating, Compensation and Planning Committee and affiliates of theirs have participated in transactions with us meeting the requirements of Item 404 of Regulation S-K, a description of those transactions is described in "Certain Relationships and Related Party Transactions."

Code of Ethics and Business Conduct for Officers, Directors and Employees

Our board of directors has adopted a Code of Ethics and Business Conduct for Officers, Directors and Employees that complies with applicable U.S. federal securities laws and the corporate governance rules of the NYSE. Any waiver of this code may be made only by our officer responsible for monitoring compliance with such code (or Audit Committee in certain circumstances) and if required by applicable U.S. federal securities laws or the corporate governance rules of the NYSE will be promptly disclosed. A copy of the Code of Ethics and Business Conduct for Officers, Directors and Employees will be posted on our website concurrently with, or prior to, the completion of this offering.

Corporate Governance Guidelines

Our board of directors has adopted corporate governance guidelines in accordance with the corporate governance rules of the NYSE. A copy of the corporate governance guidelines will be posted on our website concurrently with, or prior to, the completion of this offering.

Director Independence

Our board of directors has reviewed the independence of our directors and considered whether any director has a material relationship with us that could compromise his or her ability to exercise independent judgment in carrying out his or her responsibilities. After this review, our board of directors determined that the following directors are "independent directors" as defined under the rules of the SEC and the NYSE: Mrs. Shannon, Messrs. Gummer, Laney, Mitchell and Ryan, and Drs. Holditch and Ohnimus.

Lead Independent Director

Our corporate governance guidelines provide that one of our independent directors should serve as a lead independent director at any time when the chief executive officer serves as the chairman of the board. The lead independent director presides over executive sessions of our independent directors, serves as a liaison between our chairman and the independent directors and performs such additional duties as our board of directors may otherwise determine and delegate. Because Mr. Foran serves as Chairman of the Board and Chief Executive Officer, our independent directors have appointed Mr. Laney to serve as lead independent director.

COMPENSATION OF NAMED EXECUTIVE OFFICERS

Compensation Discussion and Analysis

In this compensation discussion and analysis, we discuss our compensation objectives, our decisions and the rationale behind those decisions relating to compensation for 2010 for our principal executive officer, our principal financial officer and our other three most highly compensated executive officers. Furthermore, this compensation discussion and analysis discusses our decisions to date regarding compensation for 2011 in anticipation of closing this offering and the rationale behind those decisions. This compensation discussion and analysis provides a general description of our compensation program and specific information about its various components.

Named Executive Officers

Throughout this discussion, the following individuals are referred to as the "Named Executive Officers" and are included in the Summary Compensation Table:

- Joseph Wm. Foran, Chairman of the Board, Chief Executive Officer and President;
- David E. Lancaster, Executive Vice President, Chief Operating Officer and Chief Financial Officer;
- Matthew V. Hairford, Executive Vice President — Operations;
- David F. Nicklin, Executive Director of Exploration; and
- Bradley M. Robinson, Vice President — Reservoir Engineering.

Objectives of Our Compensation Program

Our future success and the ability to create long-term value for our shareholders depends on our ability to attract, retain and motivate highly qualified individuals in the oil and natural gas industry. Additionally, we believe that our success also depends on the continued contributions of our Named Executive Officers. Our executive compensation program is designed to provide a comprehensive compensation program to meet the following objectives:

- to be fair to both the executive and the company;
- to attract and retain talented and experienced executives with the skills necessary for us to execute our business plan;
- to provide opportunities to achieve a total compensation level that is competitive with comparable positions at companies with which we compete for executives;
- to align the interests of our executive officers with the interests of our shareholders and with the performance of our company for long-term value creation;
- to provide financial incentives to our executives to achieve our key corporate and individual objectives;
- to provide an appropriate mix of fixed and variable pay components to establish a "pay-for-performance" oriented compensation program;
- to foster a shared commitment among executives by coordinating their corporate and individual goals;

- to provide compensation that takes into consideration the education, professional experience and knowledge that is specific to each job and the unique qualities the executive provides; and
- to recognize an executive’s commitment and dedication in his job performance and in support of our culture.

What Our Compensation Program Is Designed to Reward

Our compensation program is designed to reward, in both the short-term and the long-term, performance that contributes to the implementation of our business strategies, maintenance of our culture and values and the achievement of our objectives. In addition, we reward qualities that we believe help achieve our business strategies such as teamwork; individual performance in light of general economic and industry-specific conditions; relationships with shareholders and vendors; the ability to manage and enhance production from our existing assets; the ability to explore new opportunities to increase oil and natural gas production; the ability to identify and acquire additional acreage; the ability to increase year-over-year proved reserves; the ability to control unit production costs; level of job responsibility; industry experience; and general professional growth.

2010

Elements of Our 2010 Compensation Program and Why We Paid Each Element

For 2010, our management compensation program was comprised of the following four elements:

- Base Salary. We paid base salary to reward an executive for his assigned responsibilities, experience, leadership and expected future contribution.
- Discretionary Cash Bonus. We included a discretionary cash bonus as part of our management compensation program because we believed this element of compensation (i) helped focus and motivate management to achieve key corporate and individual objectives by rewarding the achievement of these objectives; (ii) helped retain management; (iii) rewarded our successes over the prior year; and (iv) was necessary to be competitive from a total remuneration standpoint.
- Long-Term Equity Incentive Compensation. We used stock options as the primary vehicle for (i) linking our long-term performance and increases in shareholder value to the total compensation for our executive officers and (ii) providing competitive compensation to attract and retain our executive officers.
- Benefits. We offered a variety of health and welfare programs to all eligible employees, including the executive officers other than Mr. Nicklin. The health and welfare programs were intended to protect employees against catastrophic loss and encourage a healthy lifestyle.

How We Determined Each Element of 2010 Compensation

In 2010, we had a Planning and Compensation Committee which, together with the board of directors, oversaw our compensation program in conjunction with the recommendations made by Mr. Foran and Mr. Laney, the chairman of the Planning and Compensation Committee. The 2010 base salaries and the 2009 bonuses were set in December 2009. In December 2009, Mr. Foran evaluated the other Named Executive Officers, and, based on his general knowledge of compensation ranges in the oil and natural gas industry, recommended to the chairman of the Planning and Compensation Committee the appropriate base salaries for the upcoming year, other than for Mr. Nicklin. Additionally, Mr. Foran also recommended the bonuses for the Named Executive Officers, other than Mr. Nicklin, to the chairman of the Planning and Compensation

Committee for 2009. Mr. Foran, however, did not make any recommendations regarding his own compensation. Mr. Foran and the chairman of the Planning and Compensation Committee discussed Mr. Foran's evaluation of the other Named Executive Officers, other than Mr. Nicklin, and made any appropriate adjustments to the recommended base salaries and bonuses for such other Named Executive Officers. The chairman of the Planning and Compensation Committee and Mr. Foran made their joint recommendations to both the Planning and Compensation Committee and the board of directors. However, Mr. Foran was not present when the chairman of the Planning and Compensation Committee made his recommendations regarding Mr. Foran's base salary and bonus. After receiving the recommendations from Mr. Foran and the chairman of the Planning and Compensation Committee for the other Named Executive Officers, other than Mr. Nicklin, and from the chairman of the Planning and Compensation Committee for Mr. Foran, the Planning and Compensation Committee and the board of directors unanimously (other than with respect to Mr. Foran as to his compensation) agreed with the recommendations. For 2010, the members of the Planning and Compensation Committee were Messrs. Foran, Laney, Ryan and Scott and Dr. Holditch.

Unlike the base salaries and bonuses, the equity grants to Named Executive Officers are not determined at a precise time or through a specific process. As described below under "– Stock Options," on February 22, 2010, stock options were granted to the Named Executive Officers based on the evaluation of each Named Executive Officer's performance and relative contributions to our growth during 2008 and 2009 by Mr. Foran in consultation with the chairman of the Planning and Compensation Committee. The members of the Planning and Compensation Committee and the board of directors unanimously agreed with the recommendations of Mr. Foran and the chairman of the Planning and Compensation Committee.

2010 General

As a private company, we did not use compensation consultants or benchmark against any other companies in determining the compensation of our Named Executive Officers for 2010. In addition, during 2010, in order to conserve cash, we attempted to maintain a modest level of compensation while still providing sufficient compensation to preserve and maintain our executive team. Through the process described above under "Compensation Discussion and Analysis – How We Determined Each Element of 2010 Compensation," in December 2009, the 2010 base salaries and the 2009 bonuses were determined.

2010 Base Salary

For 2010, in light of the bonuses paid at the end of 2009 and the desire to examine our results for 2010, the base salaries for the Named Executive Officers, other than Mr. Nicklin, were not changed and were maintained as follows:

Executive Officer	2010 Base Salary
Joseph Wm. Foran Chairman of the Board, Chief Executive Officer and President	$ 240,000
David E. Lancaster Executive Vice President, Chief Operating Officer and Chief Financial Officer	$ 240,000
Matthew V. Hairford Executive Vice President — Operations	$ 240,000
Bradley M. Robinson Vice President — Reservoir Engineering	$ 200,000

Although Mr. Nicklin is retained officially as a consultant, he serves as our Executive Director of Exploration and is included and treated as a Named Executive Officer for the purposes of this prospectus. Mr. Nicklin retired in 2000 as the Chief Geologist for ARCO and desires to maintain a measure of independence and flexibility in his schedule. Under this consulting arrangement, we are able to obtain the benefit of his experience and expertise that we would otherwise not have. For 2010, Mr. Foran determined that Mr. Nicklin's base rate should remain at $1,500 per day. As with other Named Executive Officers, Mr. Nicklin's base rate was not increased in 2010 due to our desire to maintain a modest level of compensation and to examine our results for 2010 prior to any further increases in his base rate being made. His 2010 compensation based on his base rate was $315,000.

2010 Stock Options

As mentioned above under "Compensation Discussion and Analysis — How We Determined Each Element of 2010 Compensation," in February 2010, since we had not issued any stock options to the Named Executive Officers since February 2008, Mr. Foran recommended to the chairman of the Planning and Compensation Committee that stock options be granted to the Named Executive Officers in order to help maintain their focus on our long-term success. On February 22, 2010, the stock options set forth below were granted to the Named Executive Officers pursuant to the 2003 Stock and Incentive Plan (the "2003 Plan"), other than Mr. Foran, since it has been Mr. Foran's practice since our founding to refuse to accept any stock options so that our other employees may receive more options:

Executive Officer	**2010 Stock Options**
David E. Lancaster Executive Vice President, Chief Operating Officer and Chief Financial Officer	Exercisable into 15,000 shares of Class A common stock
Matthew V. Hairford Executive Vice President — Operations	Exercisable into 10,000 shares of Class A common stock
David F. Nicklin Executive Director of Exploration	Exercisable into 10,000 shares of Class A common stock
Bradley M. Robinson Vice President — Reservoir Engineering	Exercisable into 5,000 shares of Class A common stock

The number of stock options awarded to each Named Executive Officer was based upon an evaluation of each Named Executive Officer's performance and relative contributions to our growth over the previous two years, 2008 and 2009, as determined by Mr. Foran in consultation with the chairman of the Planning and Compensation Committee. The Named Executive Officers' stock option awards reflected each officer's contributions to the following company-wide accomplishments:

- increasing our annual production to approximately 5.0 Bcfe for the year ended December 31, 2009 from approximately 3.3 Bcfe for the year ended December 31, 2008;
- more than doubling our average daily production to 23.8 MMcfe per day for the month of December 2009 as compared to 9.6 MMcfe per day for the month of December 2008; and
- increasing our proved oil and natural gas reserves by more than three-fold to 64.5 Bcfe at December 31, 2009 from 20.0 Bcfe at December 31, 2008.

In addition to their contributions towards meeting the above objectives, the Named Executive Officers' stock option awards reflected the following individual contributions:

- Mr. Lancaster's specific contributions to the closing of the Chesapeake transaction in 2008 and his efforts related to planning the strategic reinvestment of the proceeds from the transaction;
- Mr. Hairford's efforts in planning and conducting our 2008 and 2009 Cotton Valley drilling and completion program in north Louisiana, for the cost savings achieved in that program on a well-by-well basis and for his leadership of the operations and land staff in saving key leasehold tracts set to expire in 2008 in our Elm Grove/Caspiana area;

- Mr. Robinson’s efforts in planning and conducting our 2008 and 2009 Cotton Valley drilling and completion program in north Louisiana; and
- Mr. Nicklin’s leadership of the exploration staff in identifying the Eagle Ford shale as a potential new exploration play for the company.

The members of the Planning and Compensation Committee and the board of directors unanimously agreed with the recommendations of Mr. Foran and the chairman of the Planning and Compensation Committee.

The stock options vest 25% on each of the first four anniversaries of February 22, 2010 if the Named Executive Officer is then still employed by us or is still a consultant for us with regard to Mr. Nicklin. The exercise price of the stock options is $9.00 per share which we determined was the fair market value of our Class A common stock on February 22, 2010. The options expire on the tenth anniversary of their grant date.

2010 Cash Bonuses

In December 2010, Mr. Foran evaluated the Named Executive Officers, and, based on his knowledge of compensation levels in the oil and natural gas industry, recommended to the chairman of the Planning and Compensation Committee the appropriate 2010 bonuses for the Named Executive Officers, other than himself. The reasons we paid discretionary cash bonuses to our executive officers in 2010 are described above under “Compensation Discussion and Analysis — Elements of Our 2010 Compensation Program and Why We Pay Each Element — Discretionary Cash Bonuses.” Mr. Foran and the chairman of the Planning and Compensation Committee discussed Mr. Foran’s evaluation of the Named Executive Officers and made any appropriate adjustments to the recommended bonuses. The amounts of the bonuses for each Named Executive Officer were based upon an evaluation of each Named Executive Officer’s performance and contributions to our growth and achievement of our performance objectives in 2010 considered in relation to all elements of the Named Executive Officer’s overall compensation. The Named Executive Officers’ cash bonuses in 2010 reflected each officer’s contributions to meeting our company-wide 2010 performance objectives which included the following:

- increasing proved oil and natural gas reserves at December 31, 2010 to at least 100 Bcfe, a target we exceeded by increasing our proved oil and natural gas reserves at December 31, 2010 to 128.3 Bcfe;
- increasing annual production for 2010 to at least 8 Bcfe, a target we exceeded by increasing our annual production for 2010 to 8.6 Bcfe;
- reducing operating cash costs (excluding unit depletion, depreciation and amortization costs) below $2.00 per Mcfe in 2010, a target we achieved by realizing operating cash costs of $1.97 per Mcfe in 2010;
- making a significant discovery in a new exploration play, a target we achieved with the drilling of our first operated Eagle Ford shale wells; and
- securing a joint venture participant for the exploration of the Meade Peak shale in southwest Wyoming and adjacent areas in Utah and Idaho, a target we achieved with the closing of our participation agreement with Alliance Capital Real Estate, Inc. in May 2010.

Also, the Named Executive Officers' cash bonuses reflected each officer's contributions to the successful acquisition of additional leasehold acreage in both the Haynesville and Eagle Ford plays throughout 2010. In addition to their contributions toward meeting the above objectives and the acquisition of additional Haynesville and Eagle Ford acreage, the Named Executive Officers' cash bonuses in 2010 reflected the following individual contributions:

- Mr. Foran's efforts in the successful outcome of our October 2010 through January 2011 private placement offering of 1,922,199 shares of our Class A common stock and the leadership he provided to the attainment of our 2010 performance objectives identified above;
- Mr. Lancaster's efforts in the increase in the borrowing base under our credit agreement from $20,000,000 to $55,000,000 in 2010 and the leadership he provided to the attainment of our 2010 operational and financial objectives identified above;
- Mr. Hairford's bonus included a special performance bonus of $50,000 in recognition of Mr. Hairford's effort to negotiate and consummate the acquisition of approximately 8,892 gross and net acres in the Eagle Ford play in Zavala County, Texas and his bonus also reflected his efforts in the successful drilling and completion of our first operated wells in the core area of the Haynesville shale and in the Eagle Ford shale;
- Mr. Nicklin's leadership of the exploration staff in developing in-house processes for the geosteering of long, horizontal laterals in the Eagle Ford and Haynesville plays and his specific contributions to securing the joint participation agreement with Alliance Capital Real Estate, Inc. for the exploration of our Meade Peak shale prospect; and
- Mr. Robinson's specific contributions to identifying Alliance Capital Real Estate, Inc. as a potential joint venture partner for the exploration of our Meade Peak shale prospect and for assuming the leadership role in coordinating our non-operated participation interests in the Haynesville play in north Louisiana.

The chairman of the Planning and Compensation Committee and Mr. Foran made their joint recommendations of the bonus amount to both the Planning and Compensation Committee and the board of directors. However, Mr. Foran was not present when the chairman of the Planning and Compensation Committee made his recommendations regarding Mr. Foran's bonus. After receiving the recommendations from Mr. Foran and the chairman of the Planning and Compensation Committee for the other Named Executive Officers and from the chairman of the Planning and Compensation Committee for Mr. Foran, the Planning and Compensation Committee and the board of directors unanimously (other than with respect to Mr. Foran on his bonus) agreed with the recommendations.

Executive Officer	2010 Bonus
Joseph Wm. Foran Chairman of the Board, Chief Executive Officer and President	$ 400,000
David E. Lancaster Executive Vice President, Chief Operating Officer and Chief Financial Officer	$ 100,000
Matthew V. Hairford Executive Vice President — Operations	$ 150,000[1]
David F. Nicklin Executive Director of Exploration	$ 35,000
Bradley M. Robinson Vice President — Reservoir Engineering	$ 50,000

[1] Includes the $50,000 special performance bonus described above.

Benefits

We offer a variety of health and welfare programs to all eligible employees, including the executive officers other than Mr. Nicklin. The health and welfare programs are intended to protect employees against catastrophic loss and encourage a healthy lifestyle. Our health and welfare programs include medical, pharmacy, dental, disability and life insurance. We also have a 401(k) plan for all full time employees, including the executive officers, other than Mr. Nicklin, in which we contribute 3% of the employee's base salary and have the discretion to match dollar-for-dollar up to an additional 4% of the employee's elective deferral contributions. We generally do not offer perquisites to our executives, including our Named Executive Officers. However, we guaranteed the repayment of loans to certain of our Named Executive Officers by Comerica Bank. We intend on terminating our guaranties of such loans on or before December 1, 2011 (See "Certain Relationships and Related Party Transactions — Loan Program").

2011

Nominating, Compensation and Planning Committee

In consideration of becoming a public company, we formed the Nominating, Compensation and Planning Committee of our board of directors and adopted a charter for such committee which provides a new process for approving compensation of the Named Executive Officers. The Nominating, Compensation and Planning Committee has the authority at our expense to retain and terminate independent third-party compensation consultants and other expert advisors. In addition, the Nominating, Compensation and Planning Committee will confirm at least annually that our incentive pay does not encourage unnecessary risk taking and review and discuss the relationship between risk management policies and practices, corporate strategy and senior executive compensation.

With regard to all of the Named Executive Officers, the Nominating, Compensation and Planning Committee will recommend to the independent members of our board of directors (the "Independent Directors"):

- option guidelines and size of overall grants;
- option grants and other equity and non-equity related awards; and
- modifications or cancellations of existing grants and substitutions of new grants.

The Independent Directors are required to be independent pursuant to the listing standards of the NYSE and the rules and regulations promulgated under the Exchange Act and Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

The Nominating, Compensation and Planning Committee will annually review and make recommendations to the Independent Directors regarding the matters related to Mr. Foran's compensation including corporate goals and objectives applicable to Mr. Foran's compensation. The Nominating, Compensation and Planning Committee will also evaluate Mr. Foran's performance in light of these established goals and objectives at least annually. Based upon these evaluations, the Nominating, Compensation and Planning Committee will make recommendations to the Independent Directors regarding Mr. Foran's annual compensation, including salary, bonus and equity and non-equity incentive compensation. The Nominating, Compensation and Planning Committee will review and recommend to the Independent Directors with regard to Mr. Foran:

- any employment agreement, severance agreement, change in control agreement or provision or separation agreement or amendment thereof;

- any deferred compensation arrangement or retirement plan or benefits; and
- any benefits and perquisites.

On an annual basis, after consultation with Mr. Foran, the Nominating, Compensation and Planning Committee will review and make recommendations to the Independent Directors on the evaluation process and compensation structure for the other Named Executive Officers. After considering the evaluation and recommendations of Mr. Foran, the Nominating, Compensation and Planning Committee will evaluate the performance of the other Named Executive Officers and make recommendations to the Independent Directors regarding the annual compensation of such Named Executive Officers, including salary, bonus and equity and non-equity incentive compensation.

After considering the recommendations of Mr. Foran with regard to the other Named Executive Officers, the Nominating, Compensation and Planning Committee will review and recommend to the Independent Directors regarding the other executive officers:

- any employment agreement, severance agreement, change in control agreement or provision or separation agreement or amendment thereof;
- any deferred compensation arrangement or retirement plan or benefits; and
- any benefits and perquisites.

In addition, pursuant to its charter, the Nominating, Compensation and Planning Committee will review and recommend to the Independent Directors any proposals for the adoption, amendment, modification or termination of our incentive compensation, equity based plans and non-equity based plans.

How We Determine Each Element of 2011 Compensation

2011 General

In consideration of becoming a public company and in connection with this offering, the Planning and Compensation Committee (a predecessor committee to the Nominating, Compensation and Planning Committee) engaged Pay Governance LLC as its independent executive compensation advisory firm to assist with the development and implementation of a new executive compensation program which will become effective upon the completion of this offering.

For purposes of benchmarking executive compensation, Pay Governance LLC developed a list of recommended peer companies in the oil and gas exploration and production sector. These companies were recommended to and approved by the Planning and Compensation Committee based on their annual revenues, market capitalization, enterprise value, total assets and EBITDA (earnings before interest, taxes, depletion, depreciation and amortization). The peer companies are as follows:

Bill Barrett Corp.
Breitburn Energy Partners, L.P.
Clayton Williams Energy Inc.
Comstock Resources Inc.
Contango Oil & Gas Co.
Gulfport Energy Company
Penn Virginia Corp.
Petroleum Development Corp.
Rosetta Resources, Inc.
Stone Energy Corp.
Swift Energy Co.
Unit Corporation
Venoco, Inc.
W&T Offshore, Inc.

Mr. Foran was compared against the chief executive officer position of all fourteen peer companies. Mr. Lancaster was compared against the average of the chief financial officer position and the second highest paid position based on annual cash compensation of the fourteen peer companies. Messrs. Hairford, Nicklin and Robinson were compared against the third, fourth and fifth highest paid positions based on annual cash compensation of the peer companies, respectively. However, Gulfport Energy Company did not have a fourth and fifth highest paid position and Contango Oil and Gas Co. and Venoco Inc. did not have a fifth highest paid position.

As an overall compensation philosophy, we have decided to adopt conservative pay levels as an initial strategy of being a public company. As we grow and build value for our shareholders through sustained high performance and shareholder returns, we plan to increase our overall compensation pay levels gradually toward the 50th percentile of our peer group. In developing our public company compensation program, we have adopted a strategy of focusing on the 25th percentile (lowest quartile) as a general target range for benchmarking most of our Named Executive Officer compensation. All elements of direct compensation, including base salary, annual incentive compensation and long-term incentive compensation have been targeted for most of our Named Executive Officers to provide pay opportunities in the range of the 25th percentile of our peer companies.

2011 Base Salary

Currently, except for Mr. Robinson, the base salaries for our Named Executive Officers are the same as for 2010; however, upon completion of this offering, the base salaries will be increased as described below. Mr. Robinson's base salary was increased effective January 1, 2011 to $225,000. Mr. Foran's base salary upon completion of this offering has been set between the 25th and 50th percentiles of base compensation levels of the peer companies. The base salaries for all other Named Executive Officers upon completion of this offering have been set in the range of the 25th percentile of the peer companies for comparable positions. The base salaries set forth below will take effect upon the completion of this offering.

Executive Officer	2011 Base Salary	
Joseph Wm. Foran Chairman of the Board, Chief Executive Officer and President	$	550,000
David E. Lancaster Executive Vice President, Chief Operating Officer and Chief Financial Officer	$	340,000
Matthew V. Hairford Executive Vice President — Operations	$	275,000
David F. Nicklin Executive Director of Exploration	$	2,000 per day[1]
Bradley M. Robinson Vice President — Reservoir Engineering	$	225,000

[1] $250 of the $2,000 per day will be deferred until the end of the three year independent contractor agreement; provided Mr. Nicklin's engagement continues until that point. Payments will actually be made to his consulting company.

2011 Annual Incentive Compensation

Prior to the completion of this offering, we anticipate adopting an Annual Incentive Plan. All awards made pursuant to the Annual Incentive Plan will be cash awards. Such awards will be paid to the Named Executive Officers as soon as practical following completion of the plan year and, in any case, within the first 75 days following the end of the plan year.

Each year, the Nominating, Compensation and Planning Committee will recommend to the Independent Directors and the Independent Directors will set annual performance criteria for the Named Executive Officers based on the possible performance criteria that are set forth in the Annual Incentive Plan. Such criteria may include financial, operational and strategic performance goals for the company, company performance measures and company performance relative to peers. The Nominating, Compensation and Planning Committee will also recommend to the Independent Directors and the Independent Directors will set corresponding performance payment amounts based on the achievement of such performance criteria by each Named Executive Officer.

In addition to the annual performance criteria, in order to give the Nominating, Compensation and Planning Committee and the Independent Directors flexibility, the Nominating, Compensation and Planning Committee may make recommendations to the Independent Directors and the Independent Directors may decide after completion of our fiscal year to decrease the amount of the payments relating to the corresponding performance criteria or to grant additional awards to the Named Executive Officers. Any additional awards may be in response to unforeseen circumstances when the performance criteria were set. Any such additional awards may or may not be based on the list of performance criteria set forth in the Annual Incentive Plan and may be made irrespective of whether any payments are made regarding the performance criteria.

For 2011, we plan to utilize performance criteria such as production volumes, oil and natural gas reserves added, EBITDA, finding costs and lease operating expenses as well as environmental compliance measures and safety and accident rates. Prior to the closing of this offering, we anticipate that the Nominating, Compensation and Planning Committee will recommend to the Independent Directors and the Independent Directors will determine the threshold, target and maximum performance measures for the performance criteria set forth above, the weighting of such criteria in comparison to the other performance criteria and the corresponding annual incentive opportunity expressed as a percentage of base salary for each Named Executive Officer for the threshold, target and maximum performance criteria levels. In future years, we may add more quantitative performance criteria to the measurement in order to better measure Named Executive Officer contributions to our performance.

The threshold opportunity will be aligned with the performance goals established for each Named Executive Officer, such that meeting the threshold level of all performance criteria may result in the Named Executive Officer earning his threshold annual incentive opportunity set forth under the performance criteria. The target opportunity will be aligned with the performance goals established for each Named Executive Officer, such that meeting the target level for all of the performance criteria may result in the Named Executive Officer earning his target annual incentive opportunity set forth under the performance criteria. The maximum opportunity will be aligned with the performance goals established for each Named Executive Officer, such that meeting the maximum level of all performance criteria may result in the Named Executive Officer earning his maximum annual incentive opportunity set forth under the performance criteria. The table which follows sets forth the anticipated threshold, target and maximum incentive opportunities for the Named Executive Officers for 2011 based on the performance criteria.

Participant	Threshold Annual Incentive Opportunity as % of 2011 Base Salary[1]	Target Annual Incentive Opportunity as % of 2011 Base Salary[1]	Maximum Annual Incentive Opportunity as % of 2011 Base Salary[1]
Joseph Wm. Foran Chairman of the Board, Chief Executive Officer and President	37.5%	75%	150%
David E. Lancaster Executive Vice President, Chief Operating Officer and Chief Financial Officer	32.5%	65%	130%
Matthew V. Hairford Executive Vice President — Operations	32.5%	65%	130%
David F. Nicklin Executive Director of Exploration	25%	50%[2]	100%
Bradley M. Robinson Vice President — Reservoir Engineering	25%	50%	100%

[1] Based on 2011 base salary upon completion of this offering.

[2] The target annual incentive opportunity, expressed in dollars, assumes that Mr. Nicklin works 210 days per year at the rate of $2,000 per day. Payments will actually be made to his consulting company.

Mr. Foran’s target annual incentive opportunity set forth under the performance criteria has been set between the 25th and 50th percentiles of annual incentive compensation levels of the peer companies. The target annual incentive opportunities for all other Named Executive Officers have been set in the range of the 25th percentile of the peer companies for comparable positions.

In early 2012, with regard to each Named Executive Officer, after taking into account the performance criteria and all other information with regard to such Named Executive Officer, the Nominating, Compensation and Planning Committee may recommend to the Independent Directors that any Named Executive Officer be paid an annual award and the Independent Directors will determine the annual award to be paid to such Named Executive Officer, if any. The amount of such annual award may be greater than or less than the payment opportunity based on the performance criteria so long as the annual award does not exceed 200% of the applicable Named Executive Officer’s annual base salary.

Pursuant to the terms of Mr. Nicklin’s independent contractor agreement, if the board of directors determines that he has fulfilled his duties in a reasonably satisfactory manner, his consulting company will be paid a bonus of at least $50,000 for 2011. Any amounts Mr. Nicklin’s consulting company is to be paid for 2011 as a result of the performance criteria will be reduced by the amount of the bonus paid to such consulting company pursuant to the independent contractor agreement. The maximum bonus for 2011, including pursuant to the independent contractor agreement, will be 100% of the 2011 base salary based on Mr. Nicklin working 210 days per year at a rate of $2,000 per day.

Long-Term Incentive Plan

Prior to the completion of this offering, we anticipate adopting the 2011 Long-Term Incentive Plan. This plan will permit the granting of long-term equity and cash incentive awards, including the following:

- stock options;
- stock appreciation rights;
- restricted stock (time-lapse and performance-based);
- restricted stock units (both time-lapse and performance-based);
- performance shares;
- performance units;
- stock grants; and
- performance cash awards.

We anticipate the plan will have • shares of common stock or share equivalents reserved for issuance. The plan will cover grants to the Named Executive Officers, key employees, consultants and non-employee directors.

After receiving recommendations from the Nominating, Compensation and Planning Committee, the plan will be administered by the Independent Directors, who will authorize and approve grants, including the size and terms of such grants such as vesting and the lapsing of restrictions. For 2011, we anticipate that the Named Executive Officers will receive non-qualified stock options, performance shares and time-lapsed restricted shares with each type of grant for each Named Executive Officer having a present value equal to one-third of the value of all long-term incentive compensation awarded during 2011 to such Named Executive Officer. Mr. Nicklin's grants will be made to his consulting company.

We anticipate that Mr. Foran's target long-term incentive opportunity will be set between the 25th and 50th percentiles of long-term incentive compensation levels of the peer companies. We anticipate that the target long-term incentive opportunities for all other Named Executive Officers will be set in the range of the 25th percentile of the peer companies for comparable positions.

The stock options will be granted at 100% of fair market value of our common stock on the date of grant and will vest equally on the first four anniversaries of the grant date if the Named Executive Officer is still employed by us on such dates. We anticipate that the performance shares will be subject to a three-year performance period following the date of grant, and the number of performance shares earned by each participant may range from 0% to 200% of the shares granted subject to performance criteria if the Named Executive Officer is still employed by us at the end of the three-year performance period or an independent contractor with us with regard to Mr. Nicklin. We expect the performance criteria will be our total shareholder return relative to the peer companies set forth above as measured by the increase in share price over the three-year performance period plus the value of dividends (reinvested in an equivalent value of shares at the end of the month if and when any dividends are declared). We believe if our total shareholder return is equal to the 50th percentile of the total shareholder return of the peer companies, then the Named Executive Officer will earn 100% of the shares granted. We believe if our total shareholder return is equal to the 75th percentile of the peer companies, the Named Executive Officer will earn 150% of the performance shares granted. We believe if our total shareholder return is equal to 90% or greater of the peer companies, the Named Executive Officer will receive 200% of the performance shares granted. We believe if our total shareholder return is below the 35th percentile of the peer companies, the Named Executive Officer will not earn any of the performance shares granted. We expect the number of shares earned between the 35th percentile and the 50th percentile, the 50th percentile and the 75th percentile and the 75th percentile and the 90th percentile will be on a straight line interpolation basis. We anticipate the restrictions on the time-lapsed restricted shares will lapse equally on the first three anniversaries of the grant date if the Named Executive Officer is still employed with us on such dates. During the restricted period, the Named Executive Officer will be eligible to receive dividends on and vote the restricted shares.

How Elements of Our Compensation Program Are Related to Each Other

We view the various components of compensation as related but distinct with generally a significant portion of total compensation reflecting “pay for performance.” We do not have any formal or informal policies or guidelines for allocating compensation between long-term and currently paid out compensation or between cash or non-cash compensation.

Accounting and Tax Considerations

Under Section 162(m) of the Code, a limitation is placed on tax deductions of any publicly-held corporation for individual compensation to certain executives of such corporation exceeding $1.0 million in any taxable year, unless the compensation is performance based. Since we have not been a publicly-held company, Section 162(m) has not applied to us, and there is an exception to this deductibility limitation for a specified period of time in the case of companies such as us that become publicly-held.

Termination of Employment Arrangements and Independent Contractor Agreement

Employment Agreements and Independent Contractor Agreement

For 2010 and until August 8, 2011, all of the Named Executive Officers other than Messrs. Foran and Nicklin were parties to employment agreements which provided for “at will” employment with either party being required to provide two weeks advanced notice of termination of employment. These employment agreements did not provide for any additional payments upon termination by either party, even after a change in control, other than accrued and unused vacation. For 2010 and until August 8, 2011, Mr. Nicklin was party to an independent contractor agreement which provided for either party being required to provide fifteen days advance notice of termination. This consulting agreement did not provide for any additional payments upon termination by either party, even after a change in control, other than for services performed prior to the date of termination.

As described under “Discussion Regarding Summary Compensation Table and Grants of Plan-Based Awards Table,” in contemplation of this offering, on August 9, 2011, we entered into employment agreements with Messrs. Foran, Lancaster, Hairford and Robinson and an independent contractor agreement with Mr. Nicklin and his consulting company.

Under the employment agreements, if one of the following occurs:

- the Named Executive Officer dies;
- the Named Executive Officer is totally disabled;
- we mutually agree to end the employment agreement;
- we dissolve and liquidate; or
- the term of the employment agreement ends,

we will pay the Named Executive Officer the average of his annual bonus for the prior two years pro-rated based on the number of complete or partial months completed during the year of termination.

Also, under the employment agreements, if one of the following occurs:

- the Named Executive Officer is terminated (i) by us for a reason other than (a) as set forth above or (b) for just cause, or (ii) in connection with a “change in control” as described below; or
- the Named Executive Officer terminates his employment for “good reason,”

if the Named Executive Officer is Mr. Foran, we will pay him twice his base salary and twice the average of his annual bonus for the prior two years; if the Named Executive Officer is Messrs. Lancaster or Hairford, we will pay him 1.5 times his base salary and 1.5 times the average of his annual bonus for the prior two years; and if the Named Executive Officer is Mr. Robinson, we will pay him one year of base salary and the average of his annual bonus for the prior two years.

Finally, under the employment agreements, upon a “change in control” and within 30 days prior to the “change in control” or within 12 months after the “change in control,” if we terminate a Named Executive Officer without just cause or the Named Executive Officer terminates his employment with or without “good reason,” if the Named Executive Officer is Messrs. Foran, Lancaster or Hairford, we will pay him three times his base salary and three times the average of his annual bonus for the prior two years; and if the Named Executive Officer is Mr. Robinson, we will pay him twice his base salary and twice the average of his annual bonus for the prior two years.

“Change in control” is defined under Section 409A of the Code as follows:

- A change in ownership of the company occurs on the date that, except in certain situations, results in someone acquiring more than 50% of the total fair market value or voting power of the company’s stock;
- A change in effective control of the company occurs on one of the following dates:
  - The date that a person acquires (or has acquired in a 12 month period) ownership of 30% or more of the company’s total voting power; however, if a person already owns at least 30% of the company’s total voting power, the acquisition of additional control does not constitute a change in control; or
  - The date during a 12 month period where a majority of the company’s board of directors is replaced by directors whose appointment or election was not endorsed by a majority of the board of directors; and
- A change in the ownership of a substantial portion of the company’s assets occurs on the date a person acquires (or has acquired in a 12 month period) assets of the company having a total gross market value of at least 40% of the total gross fair market value of all of the company’s assets immediately before such acquisition.

For purposes of the employment agreements, “good reason” means:

- The assignment of duties inconsistent with the title of the Named Executive Officer or his current office or a material diminution of the Named Executive Officer’s current authority, duties or responsibilities;
- A diminution of the Named Executive Officer’s base salary or a material breach of the employment agreement; or

- The relocation of the company’s principal executive offices more than 30 miles from the company’s present principal executive offices or the transfer of the Named Executive Officer to a place other than the company’s principal executive offices; and
- The action causing the “good reason” is not cured within the applicable cure period.

For purposes of the employment agreements, “just cause” means:

- The Named Executive Officer’s continued and material failure to perform the duties of his employment consistent with his position other than due to disability;
- The Named Executive Officer’s failure to perform his material obligations under the employment agreement other than due to disability;
- The Named Executive Officer’s material breach of the company’s written policies concerning discrimination, harassment or securities trading;
- The Named Executive Officer’s refusal or failure to follow lawful directives of the board of directors and any supervisors other than due to disability;
- The Named Executive Officer’s commission of fraud, theft or embezzlement;
- The Named Executive Officer’s conviction or indictment of a felony or other crime involving moral turpitude; or
- The Named Executive Officer’s intentional breach of fiduciary duty; and
- The action causing the “just cause” is not cured within the applicable cure period.

Under Mr. Nicklin’s independent contractor agreement, if one of the following occurs:

- he dies;
- he is totally disabled;
- we mutually agree to end the independent contractor agreement;
- we dissolve and liquidate; or
- the term of the independent contractor agreement ends,

we must pay his consulting company (i) the average of the annual bonus paid to the consulting company for the prior two years pro-rated based on the number of complete or partial months completed during the year of termination and (ii) all accrued and vested compensation under our incentive plans. In addition, if Mr. Nicklin dies or is totally disabled during the three year term of the independent contractor agreement, his consulting company will be paid $250 per day that Mr. Nicklin consulted for us during the term of the independent contractor agreement.

Also, under the independent contractor agreement, if one of the following occurs:

- the independent contractor agreement is terminated by us for a reason other than as set forth above or in connection with a “change in control” as described below; or
- he terminates the independent contractor agreement for “good reason” (as described in connection with the employment agreements set forth above),

we must pay an amount equal to $1,000 per full business day for the lesser of (i) the time Mr. Nicklin consulted for us during the prior twelve months of the term of the independent contractor agreement or (ii) the time between August 9, 2011 and the date the independent contractor agreement was terminated plus accrued and vested compensation under our equity plans.

Finally, under the independent contractor agreement, upon a “change in control” (as described in connection with the employment agreements set forth above) and within 30 days prior to the “change in control” or within 12 months after the “change in control,” if we terminate Mr. Nicklin without “just cause” (as described in connection with the employment agreements set forth above) or Mr. Nicklin terminates his independent contractor agreement with or without “good reason,” we will pay an amount equal to two times the aggregate amount paid based on the daily rate during the prior twelve months plus accrued and vested compensation under our equity plans.

Equity Plans

The 2003 Plan provides that all awards automatically vest upon a “change in control.”

See the definition of “change in control” under “— Potential Payments upon Termination or Change in Control.”

The “change in control” provisions in the employment agreements, the independent contractor agreement and the 2003 Plan help prevent management from being distracted by rumored or actual changes in control. The “change in control” provisions provide:

- incentives for the Named Executive Officers to remain with us despite the uncertainties of a potential or actual change in control;
- assurance of severance payments for terminated Named Executive Officers; and
- access to equity compensation after a change in control.

We believe a single trigger is appropriate for the following reasons:

- to be competitive with what we believe to be the standards for payments upon a “change in control”;
- with regard to equity, employees or independent contractors who remain after a “change in control” are treated the same as the general shareholders who could sell or otherwise transfer their equity upon a “change in control”; and
- since we would not exist in our present form after a “change in control,” Named Executive Officers should not have to have their compensation dependent on the new company.

Stock Ownership Guidelines

We have adopted stock ownership guidelines for our executive officers that cover the following executive officers and designated amounts:

- Chairman, President and Chief Executive Officer — shares equal to five times base salary;
- Executive Vice Presidents — shares equal to two and 1/2 times base salary; and
- Vice Presidents and Executive Directors — shares equal to one and 1/2 times base salary.

Each of the foregoing executive officers has five years from the date of the closing of this offering in which to achieve the stock ownership position. Shares which will count toward the stock ownership guidelines include time-lapse restricted shares that are still restricted and any shares held in trust by the executive officer or his immediate family over which he has direct beneficial ownership interest. Shares which will not count toward the stock ownership guidelines include shares underlying unexercised stock options, unexercised stock appreciation rights and performance-based awards for which the performance requirements have not been satisfied.

Summary Compensation Table

The following table summarizes the total compensation awarded to, earned by or paid to Messrs. Foran, Lancaster, Hairford, Nicklin and Robinson. This table and the accompanying narrative should be read in conjunction with the Compensation Discussion and Analysis, which sets forth the objectives and other information regarding our executive compensation program.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Option Awards[1] ($)	All Other Compensation ($)	Total ($)
Joseph Wm. Foran Chairman of the Board, Chief Executive Officer and President	2010	$240,000	$400,000	–	$ 17,994[2]	$657,994
David E. Lancaster Executive Vice President, Chief Operating Officer and Chief Financial Officer	2010	$240,000	$100,000	$ 46,781	$ 17,150[3]	$403,931
Matthew V. Hairford Executive Vice President — Operations	2010	$240,000	$150,000	$ 31,187	$ 17,150[3]	$438,337
David F. Nicklin Executive Director of Exploration	2010	$315,000[4]	$ 35,000	$ 32,556	–	$382,556
Bradley M. Robinson Vice President — Reservoir Engineering	2010	$200,000	$ 50,000	$ 15,594	$ 17,150[3]	$282,744

[1] Option awards are the grant date fair values computed in accordance with FASB ASC Topic 718. Our policy and assumptions made in the valuation of the stock options are contained in Note 2 and Note 8 of the audited financial statements for the year ended December 31, 2010.

[2] Consists of $17,150 in 401(k) matching contributions as described in "– Benefits" and $844 in premiums reimbursed to Mr. Foran for a disability policy covering Mr. Foran.

[3] Consists of $17,150 in 401(k) matching contributions as described in "– Benefits."

[4] Based on the aggregate amount of payments made to Mr. Nicklin as determined by his base rate of $1,500 per day under his consulting agreement.

Grants of Plan-Based Awards During 2010

Shown in the table below are the stock option grants to acquire common stock made during 2010 to our Named Executive Officers under the 2003 Plan.

Name	Grant Date	Number of Securities Underlying Options (#)[1]	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Option Awards ($)[2]
Joseph Wm. Foran	–	–	–	–
David E. Lancaster	2/22/10	15,000	9.00	46,781
Matthew V. Hairford	2/22/10	10,000	9.00	31,187
David F. Nicklin	2/22/10	10,000	9.00	32,556
Bradley M. Robinson	2/22/10	5,000	9.00	15,594

[1] The options vest in four equal installments on each of the first, second, third and fourth anniversary of the grant date if the Named Executive Officer is employed by the company at such dates.

[2] Computed in accordance with FASB ASC Topic 718. Our policy and assumptions made in the valuation of the stock options are contained in Note 2 and Note 8 of the audited financial statements for the year ended December 31, 2010.

Discussion Regarding Summary Compensation Table and Grants of Plan-Based Awards Table

For 2010 and until August 8, 2011, all of our Named Executive Officers, other than Messrs. Foran and Nicklin, were parties to employment agreements with the company that were similar in terms with the exception of certain benefits such as salaries. Under these agreements, the employment was “at will.” Either party could terminate the employee’s employment with or without cause at any time upon the giving of two weeks notice. There were no guaranteed payments of any kind for any of our Named Executive Officers, including Mr. Foran, in the event of a change of control. These agreements required the employee to maintain the confidentiality of our trade secrets, technical data, customer lists, training manuals, financial reports and other confidential information and knowledge regarding our business. The employee was required to deliver any property in his possession or control that is our property upon termination of employment.

For 2010 and until August 8, 2011, Mr. Nicklin was party to a consulting agreement with the company. Under this consulting agreement, Mr. Nicklin’s services were subject to termination upon the giving of 15 days notice by either party. There were no guaranteed payments of any kind to Mr. Nicklin, other than reimbursement for services rendered and associated expenses through the date of termination. This agreement required Mr. Nicklin to maintain the confidentiality of our trade secrets, technical data, customer lists, training manuals, financial reports and other confidential information and knowledge regarding our business. Mr. Nicklin was required to deliver any property in his possession or control that is our property upon termination of his consulting agreement.

On August 9, 2011, we entered into employment agreements with Messrs. Foran, Lancaster, Hairford and Robinson and an independent contractor agreement with Mr. Nicklin.

Mr. Foran. His employment agreement is for a twenty-four month term and such term automatically extends each month by one additional month unless either the company or Mr. Foran gives written notice that the term will no longer be extended. The base salary is $550,000, and he is eligible to participate in our annual incentive plan and our long-term incentive plan. The base salary becomes effective upon the completion of this offering. See “Compensation Discussion and Analysis — Termination of Employment

Arrangements and Independent Contractor Agreement — Employment Agreements and Independent Contractor Agreement" regarding the payments to be made to Mr. Foran upon termination of his employment and/or a "change in control."

Mr. Lancaster. His employment agreement is for an eighteen month term and such term automatically extends each month by one additional month unless either the company or Mr. Lancaster gives written notice that the term will no longer be extended. The base salary is $340,000, and he is eligible to participate in our annual incentive plan and our long-term incentive plan. The base salary becomes effective upon the completion of this offering. See "Compensation Discussion and Analysis — Termination of Employment Arrangements and Independent Contractor Agreement — Employment Agreements and Independent Contractor Agreement" regarding the payments to be made to Mr. Lancaster upon termination of his employment and/or a "change in control."

Mr. Hairford. His employment agreement is for an eighteen month term and such term automatically extends each month by one additional month unless either the company or Mr. Hairford gives written notice that the term will no longer be extended. The base salary is $275,000, and he is eligible to participate in our annual incentive plan and our long-term incentive plan. The base salary becomes effective upon the completion of this offering. See "Compensation Discussion and Analysis — Termination of Employment Arrangements and Independent Contractor Agreement — Employment Agreements and Independent Contractor Agreement" regarding the payments to be made to Mr. Hairford upon termination of his employment and/or a "change in control."

Mr. Robinson. His employment agreement is for a twelve month term and such term automatically extends each month by one additional month unless either the company or Mr. Robinson gives written notice that the term will no longer be extended. The base salary is $225,000, and he is eligible to participate in our annual incentive plan and our long-term incentive plan. See "Compensation Discussion and Analysis — Termination of Employment Arrangements and Independent Contractor Agreement — Employment Agreements and Independent Contractor Agreement" regarding the payments to be made to Mr. Robinson upon termination of his employment and/or a "change in control."

Mr. Nicklin. His independent contractor agreement is for a thirty-six month term. The daily rate is $1,750 per day that Mr. Nicklin consults for us, and if the independent contractor agreement remains in effect until the end of the thirty-six month term, we will pay an additional $250 per day that Mr. Nicklin consulted for us during the thirty-six months. Mr. Nicklin, through his consulting company, is eligible to participate in our annual incentive plan and our long-term incentive plan. Also, for 2011, if the board of directors determines that Mr. Nicklin has fulfilled his duties in a reasonably satisfactory manner, his consulting company will be paid a bonus of at least $50,000. Any amounts Mr. Nicklin's consulting company is to be paid for 2011 as a result of the performance criteria under the annual incentive plan will be reduced by the amount of the bonus paid to such consulting company pursuant to the independent contractor agreement. The daily rate becomes effective upon the completion of this offering. See "Compensation Discussion and Analysis — Termination of Employment Arrangements and Independent Contractor Agreement — Employment Agreements and Independent Contractor Agreement" regarding the payments to be made to Mr. Nicklin's consulting company upon termination of the independent contractor agreement and/or a "change in control."

Stock Options. See "Compensation Discussion and Analysis — How We Determined Each Element of 2010 Compensation — Stock Options" regarding the stock options that we granted to the Named Executive Officers in 2010, the vesting requirements and the rationale for such grants.

Bonuses. See "Compensation Discussion and Analysis — How We Determined Each Element of 2010 Compensation — Cash Bonuses" regarding the cash bonuses that we paid to the Named Executive Officers in 2010 and the rationale for such payments.

General. Base salary paid and the amount of cash bonuses paid represented from 84.2% to 97.3% of the Named Executive Officers' total compensation as represented in the Summary Compensation Table with the percentages being as follows: Mr. Foran — 97.3%; Mr. Lancaster — 84.2%; Mr. Hairford — 89.0%; Mr. Nicklin — 91.5%; and Mr. Robinson — 88.4%.

Outstanding Equity Awards at December 31, 2010

The following table summarizes the total outstanding equity awards at December 31, 2010 for each Named Executive Officer:

	Option Awards			
Name	Number of Securities Underlying Unexercised Stock Options (#) Exercisable	Number of Securities Underlying Unexercised Stock Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Joseph W. Foran	–	–	–	–
David E. Lancaster	45,000	15,000	$ 9.00	2/7/12
	37,500	37,500	$ 10.00	2/12/13
	–	15,000	$ 9.00	2/21/20
Matthew V. Hairford	30,000	–	$ 9.00	7/2/11
	22,500	7,500	$ 9.00	2/7/12
	45,000	45,000	$ 10.00	2/12/13
	–	10,000	$ 9.00	2/21/20
David F. Nicklin	15,000	–	$ 10.00	2/12/13
	–	10,000	$ 9.00	2/21/20
Bradley M. Robinson	11,250	3,750	$ 9.00	2/7/12
	15,000	15,000	$ 10.00	2/12/13
	–	5,000	$ 9.00	2/21/20

The following table provides the vesting dates at December 31, 2010 for unvested stock options:

Vesting Date	Joseph Wm. Foran	David E. Lancaster	Matthew V. Hairford	David F. Nicklin	Bradley M. Robinson
2/8/11	–	15,000	7,500	–	3,750
2/13/11	–	18,750	22,500	–	7,500
2/22/11	–	3,750	2,500	2,500	1,250
2/13/12	–	18,750	22,500	–	7,500
2/22/12	–	3,750	2,500	2,500	1,250
2/22/13	–	3,750	2,500	2,500	1,250
2/22/14	–	3,750	2,500	2,500	1,250
Total Unvested Stock Options	–	67,500	62,500	10,000	23,750

Option Exercises and Stock Vested During 2010

The following table summarizes, for the Named Executive Officers in 2010, the number of shares acquired upon exercise of stock options and the value realized, each before payout of any applicable withholding tax:

	Option Awards		
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)[1]	Date of Exercise
Joseph Wm. Foran	–	–	–
David E. Lancaster	30,000	120,000	6/23/10
	19,296	115,776	11/15/10
Matthew V. Hairford	30,000	120,000	6/23/10
	20,000	120,000	11/15/10
David F. Nicklin	–	–	–
Bradley M. Robinson	24,488	146,928	11/15/10

[1] Determined based on the difference between the exercise price of the stock options and the fair market value of our Class A common stock on the date of exercise which was $9.00 per share on June 23, 2010 and $11.00 per share on November 15, 2010.

Potential Payments Upon Termination or Change in Control

Under the 2003 Plan, all awards vest upon a change in control. Assuming there was a change in control on December 31, 2010, the Named Executive Officers would have received the following amounts in automatic vesting of stock options based on a fair market value of $11.00 on December 31, 2010: Mr. Foran — $0; Mr. Lancaster — $97,500; Mr. Hairford — $80,000; Mr. Nicklin — $20,000; and Mr. Robinson — $32,500. A "change in control" occurs upon any of the following events:

- any person (or group of persons acting in concert), other than the company or an affiliate, becomes the beneficial owner, directly or indirectly, of voting securities representing 30% or more of the voting power of our then outstanding voting securities (with the threshold percentage being increased, not to exceed 50% for the beneficial owners of our voting securities for whom Wellington Management Company, L.P. serves as an investment advisor if those owners are deemed to be a "group" for this purpose);
- our board of directors ceases to consist of a majority of continuing directors; where "continuing director" means a member of the board who was either (i) a member of the board at October 31, 2008 or (ii) nominated, appointed or approved, following nomination by our shareholders, to serve as a director by a majority of the then continuing directors;
- our shareholders approve (i) any consolidation or merger with us or any subsidiary that results in the shareholders immediately prior to the consolidation or merger holding less than a majority ownership interest in the outstanding voting securities of the surviving entity, (ii) any sale, lease, exchange or other transfer of all or substantially all of our assets or (iii) any plan or proposal for our liquidation or dissolution; or
- our shareholders accept a share exchange in which our shareholders immediately before such share exchange do not hold, immediately following such share exchange, the total voting securities of the surviving entity in substantially the same proportion as held before the share exchange.

Under the employment agreements that were in effect on December 31, 2010 for Messrs. Lancaster, Hairford and Robinson, either party was required to give two weeks advance notice of termination. If Messrs. Lancaster, Hairford and Robinson terminated their employment or were terminated on

December 31, 2010 and we waived the two weeks advance notice requirement, Mr. Lancaster would have received $9,231 as two weeks pay and $0 for accrued and unused vacation; Mr. Hairford would have received $9,231 as two weeks pay and $0 for accrued and unused vacation; and Mr. Robinson would have received $7,692 as two weeks pay and $0 for accrued and unused vacation. Mr. Nicklin would have received $0 upon termination.

Mr. Foran was not party to an employment agreement at December 31, 2010 and would not have received any additional compensation if he terminated his employment or if we terminated his employment for any reason on December 31, 2010.

2010 Director Compensation

Name	Fees Earned or Paid in Cash	Stock Awards[1][2]	All Other Compensation	Total
	$	$	$	$
Stephen A. Holditch	15,000	16,750	–	31,750
David M. Laney	15,000	18,000	–	33,000
Steven W. Ohnimus	15,000	19,000	–	34,000
Daralyn B. Peifer[3]	6,250	6,750	–	13,000
Michael C. Ryan	15,000	21,750	–	36,750
Edward R. Scott, Jr.[4]	15,000	24,000	–	39,000

[1] Based on the fair market value of the stock awards on the date of grant.

[2] The following directors own the following number of fully vested options to purchase common stock at December 31, 2010: Stephen A. Holditch (16,500), David M. Laney (10,500), Steven W. Ohnimus (21,000) and Michael C. Ryan (13,500).

[3] Retired from board of directors on May 27, 2010.

[4] Retired from board of directors on June 6, 2011.

Prior to November 1, 2011, each non-employee director was paid $1,250 each month in cash for a total annual stipend of $15,000. Effective November 1, 2011 each non-employee director is entitled to an annual cash retainer of $40,000. Each non-employee director currently receives 250 shares of Class A common stock for each day of attendance at each board meeting or committee meeting, other than telephonic meetings. In addition, we reimburse our directors for travel, lodging and related expenses incurred in attending board and committee meetings. Non-employee directors do not receive any other remuneration for their service as directors. Some directors have performed consulting services for the company and have received grants of stock options or shares as remuneration for these services.

Upon consummation this offering, we will target our non-employee directors’ compensation at the 25th percentile of the peer companies used for benchmarking the non-employee directors’ compensation. Upon consummation of this offering, our director compensation program will be as follows:

- Annual cash retainer of $40,000;
- Cash meeting fee of $1,000 per day for each day of board and committee service;
- The chairs of the Audit Committee and Engineering Committee will each receive an additional cash retainer of $5,000 annually; and
- Each non-employee director will receive restricted stock units (“RSUs”) equal to up to $75,000 in value with the restrictions lapsing in one-third increments on each of the first, second and third anniversaries of the date of grant. Each grant may be adjusted downward (but not upward) in value proportionate to the non-employee director’s attendance at any board or committee meetings called during the period for which RSUs are due.

Each non-employee director may elect to defer his or her RSUs until the director is no longer on the board due to normal retirement, resignation, death, disability, failure to be re-nominated to the board or failure to be re-elected by shareholders to the board. When the restrictions lapse, each RSU will give the director a share of common stock.

Upon the completion of this offering, we anticipate that the non-employee directors will follow our voluntary stock ownership guidelines for non-employee directors. Within three years of becoming a director, each non-employee director will be expected to own $250,000 of the company’s common stock and continue to hold such shares while serving as a director. With the exception of Mr. Gummer who joined the board of directors in September 2011, all directors presently meet this standard. Shares which will count toward the stock ownership guidelines include time-lapse restricted shares or RSUs that are still restricted and any shares held in trust by the director or his immediate family over which he has direct beneficial ownership interest. Shares which will not count toward the stock ownership guidelines include shares underlying unexercised stock options and unexercised stock appreciation rights.

Special Board Advisor Compensation

Each special board advisor is paid $1,250 each month in cash for a total annual stipend of $15,000. In addition, each special board advisor is granted 250 shares of Class A common stock for each day of attendance at each board meeting or committee meeting, other than telephonic meetings. In addition, we reimburse our special board advisors for travel, lodging and related expenses incurred in attending board and committee meetings. Special board advisors do not receive any other remuneration for their service as special board advisors. Upon the completion of this offering, we anticipate that the compensation of the special board advisors will remain at its current levels, except for Mr. Downey, whose compensation will be identical to that then in effect for the non-employee directors.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Since January 1, 2008, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we were or are a party in which the amount involved exceeded or exceeds $120,000 and in which any of our directors, executive officers, holders of more than 5% of any class of our voting securities or any member of the immediate family of any of the foregoing persons, had or will have a direct or indirect material interest, other than compensation arrangements with directors and executive officers, which are described in “Compensation of Named Executive Officers,” and the transactions described or referred to below.

Loan Program

We guaranteed the repayment of loans to certain of our executive officers by Comerica Bank. The purpose of these loans was to assist our executive officers in buying shares of our common stock pursuant to the exercise of stock options. We guaranteed the repayment of loans and made deposits of funds in certificates of deposit to secure our guaranties for the following executive officers:

Executive Officer and Date of Loan or Renewal	Loan Amount	Interest Rate	Interest Paid or Payable in 2010	Maturity Date
Matthew V. Hairford; December 29, 2009; renewed October 8, 2011	$ 310,000	5.25%	$ 12,198	April 5, 2012
David E. Lancaster; April 30, 2009; renewed May 30, 2011	$ 470,000	5.25%	$ 20,619	May 29, 2012
Bradley M. Robinson; December 29, 2008; renewed January 29, 2011	$ 280,000	5.25%	$ 14,700	January 28, 2012

Our board of directors approved the termination of the loan program on April 7, 2011 and we intend to terminate our guaranties and the associated pledge of our certificates of deposit with Comerica Bank relating to these loans on or before December 1, 2011.

Repurchase of Our Securities

In November 2010, we repurchased 20,000 shares of Class A common stock from Bradley M. Robinson for a total of $220,000; we repurchased 25,000 shares of Class A common stock from Matthew V. Hairford for a total of $275,000; and we repurchased 30,000 shares of Class A common stock from David E. Lancaster for a total of $330,000.

In April 2010, we repurchased 1,000,000 shares of Class A common stock from five shareholders, all advised by Wellington Management Company, LLP, for a total of $9,000,000. The purchase price for such shares of Class A common stock was determined through negotiations with Wellington Management Company, LLP.

In September 2009, we repurchased 52,500 shares of Class A common stock from Scott E. King for a total of $390,000.

In April 2009, we repurchased from one of our shareholders, Gandhara Master Fund Limited, 5,422,713 shares of Class A common stock for a total of $27,113,565. The purchase price for such shares of Class A common stock was determined through negotiations with Gandhara Master Fund Limited.

Issuance of Our Securities

In January 2011 we completed a private placement offering of shares of our Class A common stock. See “Business — Recent Developments.” As detailed in the table below, several of our directors and executive officers participated in such offering on the same terms and conditions as the other investors in the offering.

Director or Executive Officer	Aggregate Consideration
Joseph Wm. Foran	$ 1,171,500[1]
David M. Laney	$ 473,000[2]
Michael C. Ryan	$ 1,100,000
Margaret Shannon[3]	$ 249,700

[1] Sage Resources, Ltd., which is a limited partnership owned by the Foran family, including Mr. Foran, purchased a portion of the shares for an aggregate consideration of $346,500.

[2] Mr. Laney’s adult children purchased a portion of the shares for an aggregate consideration of $198,000. Mr. Laney has the power to vote his children’s shares pursuant to a revocable power of attorney. In addition, Laney Investments Ltd. purchased a portion of the shares for an aggregate consideration of $275,000.

[3] Mrs. Shannon was not a member of our board of directors at the time of purchase.

In May 2009 through September 2009, we sold, in a private placement offering, shares of our Class A common stock to our existing shareholders. As detailed in the table below, several of our directors and executive officers participated in such offering on the same terms and conditions as the other investors in the offering.

Director or Executive Officer	Aggregate Consideration
Joseph Wm. Foran	$ 2,370,860[1]
David E. Lancaster	$ 123,750[2]
David M. Laney	$ 859,550[3]
Michael C. Ryan	$ 169,038

[1] Sage Resources, Ltd., which is a limited partnership owned by the Foran family, including Mr. Foran, and two of Mr. Foran’s minor children purchased a portion of the shares for an aggregate consideration of $596,000.

[2] Mr. Lancaster’s Individual Retirement Account purchased all of the shares.

[3] Mr. Laney’s adult children purchased a portion of the shares for an aggregate consideration of $146,250. Mr. Laney has the power to vote his children’s shares pursuant to a revocable power of attorney. In addition, Laney Investments Ltd. purchased a portion of the shares for an aggregate consideration of $515,730.

Corporate Reorganization

In connection with our corporate reorganization, we engaged in certain transactions with certain affiliates and our existing equity holders. Please see “Corporate Reorganization” for a description of these transactions.

Other Transactions

In January 2007, we agreed with one of our shareholders, Roxanna Oil, Inc., to obtain acreage and to market a new natural gas prospect in the Meade Peak shale in southwest Wyoming and adjacent areas in Utah and Idaho. The principals of Roxanna Oil are Marlan W. Downey and his daughter, Julie Downey Garvin. Mr. Downey is an officer, director and shareholder of Roxanna Oil and is a special advisor to our board of directors and one of our shareholders. Ms. Garvin is President of Roxanna Oil and the former Chief Geophysicist for Marathon Oil Corporation. Our subsidiary, MRC Rockies Company, has obtained approximately 146,000 gross and 139,000 net acres in the prospect at a cost of approximately $9.3 million at December 31, 2010. Mr. Downey and Ms. Garvin assisted with the marketing of the prospect to industry partners for joint development.

In May 2010, Roxanna Rocky Mountains, LLC (a wholly owned subsidiary of Roxanna Oil) and Alliance Capital Real Estate, Inc. entered into a participation agreement with our subsidiary, MRC Rockies Company, to explore and develop our Meade Peak prospect. For more information concerning the agreement with Alliance Capital Real Estate, please see the discussion under "Business — Other Significant Prior Events — Alliance Capital Participation Agreement."

On April 15, 2008, Mr. Foran made a partial assignment to us of his rights, title and interest in and to oil and gas leases in lands located in southeast New Mexico, being specifically an undivided 29.222591% working interest in a 40-acre tract (approximately 12 net acres). Prior to this assignment, Mr. Foran had received a proposal from Samson Resources Company ("Samson") requesting an assignment of this same undeveloped working interest in the subject lands in return for a substantial cash consideration and with Mr. Foran retaining a 12.5% overriding royalty interest proportionately reduced. Mr. Foran offered us the opportunity to acquire this interest on terms more favorable to us than he was offered by Samson. Following review of this opportunity, our technical staff and management (excluding Mr. Foran) recommended pursuing an assignment of these leasehold interests from Mr. Foran. With the full approval of our management and board of directors (excluding Mr. Foran), Mr. Foran assigned to us a 29.222591% working interest in the subject lands for no cash consideration, while retaining a proportionately reduced 12.5% overriding royalty interest as to our assigned working interest and a 4% working interest for his own account. Subsequent to this transaction, one well was drilled and completed as an oil producer by Samson, and both Mr. Foran and we participated in the drilling and completion of this well in accordance with our respective working interests.

Procedures for Approval of Related Party Transactions

Our board of directors has adopted a written related party transaction policy. Pursuant to this policy, a "Related Party Transaction" is defined as a transaction (including any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness)), or series of related transactions, or any material amendment to any such transaction, involving a Related Party (as defined below) and in which we are a participant, other than:

- a transaction involving compensation of directors;
- a transaction involving compensation of an executive officer or involving an employment agreement, severance agreement, change in control provision or agreement or a special supplemental benefit for an executive officer;
- a transaction available to all employees generally or to all salaried employees generally;
- a transaction with a Related Party involving less than $120,000;
- a transaction in which the interest of the Related Party arises solely from the ownership of a class of our equity securities and all holders of that class receive the same benefit on a pro rata basis; or
- a transaction in which the rates or charges involved therein are determined on competitive bids, or a transaction that involves the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority.

"Related Party" means:

- any person who is, or at any time during the applicable period was, one of our executive officers or one of our directors or nominees for directors;
- any person who is known by us to be the beneficial owner of more than 5.0% of our common stock;
- any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of a director, nominee for director, executive officer or a beneficial owner of more than 5.0% of our common stock; and
- any firm, corporation or other entity that is owned or controlled by any of the foregoing persons or in which any of the foregoing persons is a general partner or executive officer or in which such person, together with all other of the foregoing persons, has a 10.0% or greater beneficial ownership interest.

Pursuant to our related party transaction policy, the Audit Committee must review all material facts of each Related Party Transaction and recommend either approval or disapproval of the Related Party Transaction to the full board of directors, subject to certain limited exceptions. In determining whether to recommend approval or disapproval of the Related Party Transaction, the Audit Committee must, after reviewing all material facts of the Related Party Transaction and the Related Party's relationship and interest, determine whether the Related Party Transaction is fair to the company. Further, the policy requires that all Related Party Transactions be disclosed in our filings with the SEC and/or our website in accordance with applicable laws, rules and regulations. All of the Related Party Transactions discussed above occurred prior to the adoption of the policy.

CORPORATE REORGANIZATION

Overview

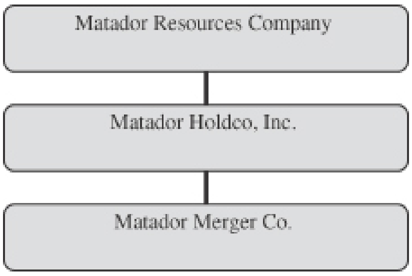
We were recently incorporated pursuant to the laws of the State of Texas as Matador Holdco, Inc. to become a holding company for Matador Resources Company, a Texas corporation. Matador Resources Company was formed as a Texas corporation in July 2003. Pursuant to the terms of the corporate reorganization that was completed on August 9, 2011 (as described below) former Matador Resources Company, now known as MRC Energy Company, became a wholly owned subsidiary of current Matador Resources Company, formerly known as Matador Holdco, Inc. In connection with the reorganization, former Matador Resources Company changed its corporate name to MRC Energy Company and Matador Holdco, Inc. changed its corporate name to Matador Resources Company.

Merger

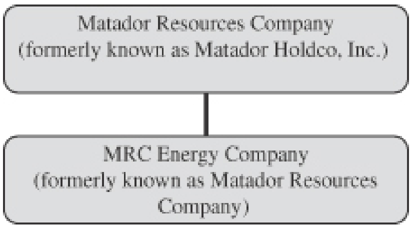
To accommodate growth through acquisitions, provide potential protection from liability and facilitate future sales or spinoffs of subsidiaries and holding company financing arrangements, the former Matador Resources Company, now known as MRC Energy Company, determined it was in the best interests of the corporation and its shareholders that the company reorganize into a holding company structure pursuant to Section 10.005 of the Texas Business Organizations Code. In accordance with Section 10.005, we created a wholly owned subsidiary, Matador Holdco, Inc., now known as Matador Resources Company, solely for the purposes of creating a holding company structure. Matador Holdco, Inc. created a wholly owned subsidiary, Matador Merger Co., a Texas corporation, solely to be a constituent party to the holding company merger. Pursuant to Section 10.005, Matador Merger Co. merged with Matador Resources Company, now known as MRC Energy Company. Matador Resources Company, now known as MRC Energy Company, was the surviving party of the merger and as a result of the merger, became a wholly owned subsidiary of Matador Holdco, Inc., now known as Matador Resources Company. The former Matador Resources Company changed its name to MRC Energy Company, and the former Matador Holdco, Inc. changed its name to Matador Resources Company.

Because we accomplished the holding company merger in accordance with Section 10.005 of the Texas Business Organizations Code, approval by the shareholders of the former Matador Resources Company, now known as MRC Energy Company, was not required. In addition, as a result of the merger, the shareholders of the former Matador Resources Company, now known as MRC Energy Company, received shares of Matador Holdco, Inc., now known as Matador Resources Company, in exchange for the shares of the former Matador Resources Company, now known as MRC Energy Company, then held by such shareholders, and the shareholders of the former Matador Resources Company had no appraisal rights.

Immediately prior to the corporate reorganization, the corporate structure of the three aforementioned entities was as follows:


Matador Resources Company
Matador Holdco, Inc.
Matador Merger Co.

Immediately after the corporate reorganization, the corporate structure of the aforementioned entities is as follows:


Matador Resources Company
(formerly known as Matador Holdco, Inc.)
MRC Energy Company
(formerly known as Matador Resources Company)

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth information with respect to the beneficial ownership of our common stock at October 31, 2011 after giving effect to our corporate reorganization by:

- each person who we know owns beneficially approximately 5% or more of our common stock;
- each of our directors;
- each of our executive officers;
- all of our executive officers and directors as a group; and
- each selling shareholder.

Except as otherwise indicated, the persons or entities listed below have sole voting and investment power with respect to all shares of our common stock beneficially owned by them, except to the extent this power may be shared with a spouse. All information with respect to beneficial ownership has been furnished by the respective directors, officers or 5% or more shareholders, as the case may be. Except as otherwise indicated, the address for each beneficial owner is 5400 LBJ Freeway, Suite 1500, Dallas, Texas 75240.

Beneficial Owner	**Beneficial Ownership[1] of Class A Common Stock Prior to this Offering**		**Beneficial Ownership[1] of Class B Common Stock**		**Shares of Common Stock Offered**	**Beneficial Ownership[1] of Class A Common Stock and Class B Common Stock, as a Single Class After this Offering**	
	Number[2]	**Percent of Class[2]**	**Number**	**Percent of Class[2]**		**Number[2]**	**Percent of Class[2]**
Joseph Wm. Foran[3]	3,628,147	8.5%	880,700	85.4%			
Wellington Management Company, LLP[4] 280 Congress Street Boston, Massachusetts 02210	7,355,003	17.6%	–	–			
Spindrift Partners, L.P.[5] c/o Wellington Management Company, LLP 280 Congress Street Boston, Massachusetts 02210	3,010,600	7.2%					
Spindrift Investors (Bermuda), L.P.[6] c/o Wellington Management Company, LLP 280 Congress Street Boston, Massachusetts 02210	3,301,200	7.9%					
General Mills, Inc. Benefit Finance Committee[7] Number One General Mills Blvd. Minneapolis, Minnesota 55426	4,563,685	10.9%	–	–			
Charles L. Gummer	250	*					
Stephen A. Holditch[8]	126,003	*	–	–			
David M. Laney[9]	654,477	1.6%	–	–			
Steven W. Ohnimus[10]	97,527	*	–	–			
Michael C. Ryan[11]	250,070	*	–	–			
Margaret B. Shannon	24,325	*	–	–			
Gregory E. Mitchell[12]	174,375	*	–				
Scott E. King[13]	966,750	2.3%	150,000	14.6%			
Bradley M. Robinson[14]	239,750	*	–	–			
David E. Lancaster[15]	354,750	*	–	–			
Matthew V. Hairford[16]	232,800	*	–	–			
David F. Nicklin[17]	47,500	*	–	–			
Executive officers and directors as a group[18]	6,796,724	16.1%	1,030,700	100.0%			
Selling Shareholders							
—	—	—					

* Less than 1.0%.

(1) Under applicable rules promulgated by the SEC pursuant to the Exchange Act, a person is deemed the "beneficial owner" of a security with regard to which the person, directly or indirectly, has or shares (a) the voting power, which includes the power to vote or direct the voting of the security, or (b) the investment power, which includes the power to dispose or direct the disposition of the security, in each case irrespective of the person's economic interest in the security. Under these SEC rules, a person is deemed to beneficially own securities which the person has the right to acquire within 60 days through (x) the exercise of any option or warrant or (y) the conversion of another security.

(2) Percentages based on a total of 41,735,493 shares of Class A common stock issued and outstanding prior to this offering and 1,030,700 shares of Class B common stock issued and outstanding prior to this offering. All shares of Class B common stock will automatically convert on a one-for-one basis into shares of Class A common stock upon the consummation of this offering pursuant to the terms of our certificate of formation. Therefore, the Class A common stock amounts include the Class B common stock amounts based on the one-for-one conversion. See "Description of Capital Stock" for details regarding the automatic conversion of the Class B common stock upon the consummation of this offering.

(3) Includes 250,000 shares of Class B common stock and 756,367 shares of Class A common stock held of record by Sage Resources, Ltd., which is a limited partnership owned by the Foran family, including Mr. Foran. Also includes an aggregate of 19,000 shares held of record by two of Mr. Foran's college age children. Also includes 135,500 shares and 50,000 shares of common stock held of record by The Don Foran Family Trust 2008 and The Foran Family Special Needs Trust, respectively, for which Mr. Foran is the co-trustee and over which Mr. Foran has shared voting and investment power with other members of his family. Also includes 630,700 additional shares of Class A common stock issuable upon the automatic conversion of Mr. Foran's shares of Class B common stock at the consummation of this offering.

(4) Wellington Management Company, LLP ("Wellington Management") has an indirect interest in 7,355,003 shares. Wellington Management is an investment adviser registered under the Investment Advisers Act of 1940, as amended. Wellington Management, in such capacity, may be deemed to share beneficial ownership over the shares held by its client accounts.

(5) Wellington Management, as investment adviser to Spindrift Partners, L.P., may be deemed to have shared voting and dispositive power over the shares held by Spindrift Partners, L.P.

(6) Wellington Management, as investment adviser to Spindrift Investors (Bermuda), L.P., may be deemed to have shared voting and dispositive power over the shares held by Spindrift Investors (Bermuda), L.P.

(7) Represents shares held of record by the following entities for which General Mills, Inc. Benefit Finance Committee serves as investment advisor and has sole investment and voting power over such shares: General Mills Group Trust (4,218,490 shares) and Voluntary Employees Beneficiary Assoc. Trust General Mills & Bakery, Confectionary, Tobacco & Grain Millers (345,195 shares). General Mills, Inc. Benefit Finance Committee, in its capacity as a fiduciary for General Mills Group Trust and Voluntary Employees Beneficiary Assoc. Trust General Mills & Bakery, Confectionary, Tobacco & Grain Millers, may be deemed to have beneficial ownership of 4,563,685 shares of our common stock.

(8) Includes 10,500 shares which Dr. Holditch has the right to acquire within 60 days of October 31, 2011 through the exercise of stock options.

(9) Includes 6,750 shares which Mr. Laney has the right to acquire within 60 days of October 31, 2011 through the exercise of stock options. Also includes an aggregate of 242,250 shares held of record by Mr. Laney's adult children, who gave Mr. Laney voting power of such shares through a revocable power of attorney and 25,000 shares held of record by Laney Investments Ltd.

(10) Includes 14,250 shares which Dr. Ohnimus has the right to acquire within 60 days of October 31, 2011 through the exercise of stock options.

(11) Includes 1,500 shares which Mr. Ryan has the right to acquire within 60 days of October 31, 2011 through the exercise of stock options.

(12) Includes 174,375 shares held of record by JAMAL Enterprises, LP, for which Mr. Mitchell has sole voting and investment power.

(13) Includes 33,750 shares which Mr. King has the right to acquire within 60 days of October 31, 2011 through the exercise of stock options. Also includes 150,000 additional shares of Class A common stock issuable upon the automatic conversion of Mr. King's shares of Class B common stock at the consummation of this offering. Also includes an aggregate of 48,375 shares held of record by Mr. King's three minor or college age children.

(14) Includes 38,750 shares which Mr. Robinson has the right to acquire within 60 days of October 31, 2011 through the exercise of stock options and 42,000 shares held of record by his Individual Retirement Account. Mr. Robinson pledged 80,000 shares of common stock to us in connection with the loan program. This pledge is to secure our guaranty to Comerica Bank regarding Mr. Robinson's loan. Our board of directors approved the termination of the loan program on April 7, 2011 and Mr. Robinson intends on terminating the pledge on or before December 1, 2011.

(15) Includes 120,000 shares which Mr. Lancaster has the right to acquire within 60 days of October 31, 2011 through the exercise of stock options and 73,500 shares held of record by his Individual Retirement Account. Mr. Lancaster pledged 120,000 shares of common stock

to us in connection with the loan program. This pledge is to secure our guaranty to Comerica Bank regarding Mr. Lancaster’s loan. Our board of directors approved the termination of the loan program on April 7, 2011 and Mr. Lancaster intends on terminating the pledge on or before December 1, 2011.

(16) Includes 100,000 shares which Mr. Hairford has the right to acquire within 60 days of October 31, 2011 through the exercise of stock options and 3,000 shares held of record by his Individual Retirement Account. Mr. Hairford pledged 75,000 shares of common stock to us in connection with the loan program. This pledge is to secure our guaranty to Comerica Bank regarding Mr. Hairford’s loan. Our board of directors approved the termination of the loan program on April 7, 2011 and Mr. Hairford intends on terminating the pledge on or before December 1, 2011.

(17) Includes 17,500 shares which Mr. Nicklin has the right to acquire within 60 days of October 31, 2011 through the exercise of stock options and 30,000 shares held of record by his Individual Retirement Account.

(18) Includes an aggregate of 343,000 shares which our executive officers and directors as a group have the right to acquire within 60 days of October 31, 2011 through the exercise of stock options.

DESCRIPTION OF CAPITAL STOCK

Our authorized capital stock consists of 82,000,000 shares of common stock, par value $0.01 per share, and 2,000,000 shares of preferred stock, par value $0.01 per share. The common stock is split into two classes — 80,000,000 authorized shares of Class A common stock and 2,000,000 authorized shares of Class B common stock. Upon the closing of this offering, all issued and outstanding shares of Class B common stock will be automatically converted, on a one-for-one basis, into shares of Class A common stock, and the separate classes of common stock will be eliminated pursuant to the terms of our certificate of formation. In October 2008, our shareholders approved an increase in the number of authorized Class A common stock from 40,000,000 to 80,000,000 in connection with our 3-for-1 stock split. At October 31, 2011, we had no outstanding shares of preferred stock, 1,030,700 outstanding shares of Class B common stock, 41,735,493 outstanding shares of Class A common stock and 42,766,193 outstanding shares of Class A common stock on an as converted basis. At October 31, 2011, we had three holders of record of Class B common stock and 496 holders of record of our Class A common stock.

Effective upon the closing of this offering, our certificate of formation will be amended to eliminate all references to the separate classes of common stock and our capital stock will consist of 80,000,000 shares of common stock, par value $0.01 per share, and 2,000,000 shares of preferred stock, par value $0.01 per share.

Common Stock

Other than the special rights of the Class B common stock described below in this section, the Class A common stock and the Class B common stock are identical in all respects. Upon the closing of this offering, all issued and outstanding shares of Class B common stock will be automatically converted, on a one-for-one basis, into shares of Class A common stock, and the separate classes of common stock will be eliminated pursuant to the terms of our certificate of formation.

In the fourth quarter of 2008, we effected a 3-for-1 forward stock split of the Class A common stock. The forward split was effected through a share dividend of two shares of Class A common stock for each outstanding share of common stock (including Class B common stock) held by our shareholders of record at October 31, 2008.

The holders of the Class B common stock are entitled to be paid cumulative dividends at a per share rate of $0.26-2/3 annually out of funds legally available for the payment of dividends. These dividends accrue and are payable quarterly at the rate of $0.06-2/3 per share of Class B common stock outstanding. Upon the automatic conversion of the outstanding shares of Class B common stock at the closing of this offering, the right to dividends will terminate. Any accrued but unpaid dividends existing at the time of such conversion will be paid to the holders of the Class B common stock upon conversion.

Holders of all of our common stock will be entitled to receive their pro rata shares of dividends in the amounts and at the times declared by our board of directors in its discretion out of funds legally available for the payment of dividends.

Subject to any special voting rights of any series of preferred stock that we may issue in the future, each share of common stock has one vote on all matters voted on by our shareholders, including the election of directors. No share of common stock has any cumulative voting or preemptive rights or is redeemable, assessable or entitled to the benefits of any sinking or repurchase fund. Holders of common stock will share equally in our assets on liquidation after payment or provision for all liabilities and any preferential liquidation rights of any preferred stock then outstanding. All outstanding shares of common stock are fully paid and non-assessable.

Preferred Stock

At the direction of our board of directors, we may issue shares of preferred stock from time to time. Our board of directors may, without any action by holders of common stock, adopt resolutions to issue preferred stock by establishing the number, rights and preferences of, and designating, one or more series of preferred stock. No series of preferred stock has been designated and established by our board of directors. The rights of any series of preferred stock may include, among others:

- general or special voting rights;
- preferential liquidation or preemptive rights;
- preferential cumulative or noncumulative dividend rights;
- redemption or put rights; and
- conversion or exchange rights.

We may issue shares of, or rights to purchase shares of, preferred stock the terms of which might:

- adversely affect voting or other rights evidenced by, or amounts otherwise payable with respect to, the common stock;
- discourage an unsolicited proposal to acquire us; or
- facilitate a particular business combination involving us.

Any of these actions could discourage a transaction that some or a majority of our shareholders might believe to be in their best interests or in which our shareholders might receive a premium for their stock over our then market price.

Business Combinations under Texas Law

A number of provisions of Texas law, our certificate of formation and bylaws could make more difficult the acquisition of Matador by means of a tender offer, a proxy contest or otherwise and the removal of incumbent officers and directors. These provisions are intended to discourage coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of Matador to negotiate first with our board of directors.

We are subject to the provisions of Title 2, Chapter 21, Subchapter M of the Texas Business Organizations Code (the “Texas Business Combination Law”). That law provides that a Texas corporation may not engage in specified types of business combinations, including mergers, consolidations and asset sales, with a person, or an affiliate or associate of that person, who is an “affiliated shareholder.” An “affiliated shareholder” is generally defined as the holder of 20% or more of the corporation’s voting shares, for a period of three years from the date that person became an affiliated shareholder. The law’s prohibitions do not apply if:

- the business combination or the acquisition of shares by the affiliated shareholder was approved by the board of directors of the corporation before the affiliated shareholder became an affiliated shareholder; or
- the business combination was approved by the affirmative vote of the holders of at least two-thirds of the outstanding voting shares of the corporation not beneficially owned by the affiliated shareholder, at a meeting of shareholders called for that purpose, not less than six months after the affiliated shareholder became an affiliated shareholder.

Because we have more than 100 shareholders, we are considered an “issuing public corporation” for purposes of this law. The Texas Business Combination Law does not apply to the following:

- the business combination of an issuing public corporation: where the corporation’s original charter or bylaws contain a provision expressly electing not to be governed by the Texas Business Combination Law; or that adopts an amendment to its charter or bylaws, by the affirmative vote of the holders, other than affiliated shareholders, of at least two-thirds of the outstanding voting shares of the corporation, expressly electing not to be governed by the Texas Business Combination Law and so long as the amendment does not take effect for 18 months following the date of the vote and does not apply to a business combination with an affiliated shareholder who became affiliated on or before the effective date of the amendment;
- a business combination of an issuing public corporation with an affiliated shareholder that became an affiliated shareholder inadvertently, if the affiliated shareholder divests itself, as soon as possible, of enough shares to no longer be an affiliated shareholder and would not at any time within the three-year period preceding the announcement of the business combination have been an affiliated shareholder but for the inadvertent acquisition;
- a business combination with an affiliated shareholder who became an affiliated shareholder through a transfer of shares by will or intestacy and continuously was an affiliated shareholder until the announcement date of the business combination; and
- a business combination of a corporation with its wholly owned Texas subsidiary if the subsidiary is not an affiliate or associate of the affiliated shareholder other than by reason of the affiliated shareholder’s beneficial ownership of voting shares of the corporation.

Neither our certificate of formation nor our bylaws contain any provision expressly providing that we will not be subject to the Texas Business Combination Law. The Texas Business Combination Law may have the effect of inhibiting a non-negotiated merger or other business combination involving our company, even if that event would be beneficial to our shareholders.

Action by Consent

Our bylaws and Texas law provide that any action that can be taken at any special or annual meeting of shareholders may be taken by unanimous written consent of all shareholders entitled to vote.

Certain Charter and Bylaw Provisions

Our certificate of formation and bylaws contain, or will contain upon completion of this offering, certain provisions that could discourage potential takeover attempts and make it more difficult for our shareholders to change management or receive a premium for their shares. These provisions include:

- authorization for our board of directors to issue preferred stock without shareholder approval;
- a classified board of directors so that not all members of our board of directors are elected at one time;
- the prohibition of cumulative voting in the election of directors; and
- a limitation on the ability of shareholders to call special meetings to those owning at least 25% of our outstanding shares of common stock.

Limitation of Liability and Indemnification of Officers and Directors

Our certificate of formation provides that our directors are not liable to the company or its shareholders for monetary damages for an act or omission in their capacity as a director. A director may, however, be found liable for:

- any breach of the director's duty of loyalty to the company or its shareholders;
- acts or omissions not in good faith that constitute a breach of the director's duty to the company;
- acts or omissions that involve intentional misconduct or a knowing violation of law;
- any transaction from which the director receives an improper benefit; or
- acts or omissions for which the liability is expressly provided by an applicable statute.

Our certificate of formation also provides that we will indemnify our directors, and may indemnify our officers, employees and agents, to the fullest extent permitted by applicable Texas law from any expenses, liabilities or other matters. Insofar as indemnification for liabilities arising under the Securities Act may be permitted for directors, officers and controlling persons of Matador under our certificate of formation, it is the position of the SEC that such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Indemnification Agreements

We have entered into indemnification agreements with each of our officers and directors. Under these agreements, we have agreed to indemnify the director or officer who acts on behalf of Matador and is made or threatened to be made a party to any action or proceeding for expenses, judgments, fines and amounts paid in settlement that are actually and reasonably incurred in connection with the action or proceeding. The indemnity provisions apply whether the action was instituted by a third party or by us. Generally, the principal limitation on our obligation to indemnify the director or officer will be if it is determined by a court of law, not subject to further appeal, that indemnification is prohibited by applicable law or the provisions of the indemnification agreement.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Registrar and Transfer Company.

Listing

We intend to apply to list our common stock on the NYSE under the symbol "MTDR."

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock. Future sales of our common stock in the public market, or the availability of such shares for sale in the public market, could adversely affect market prices prevailing from time to time. As described below, only a limited number of shares will be available for sale shortly after this offering due to contractual and legal restrictions on resale. Nevertheless, sales of a substantial number of shares of our common stock in the public market after such restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price at such time and our ability to raise equity-related capital at a time and price we deem appropriate.

Sales of Restricted Shares

Upon the closing of this offering, we will have outstanding an aggregate of — shares of common stock, and in addition to the shares sold in this offering by us and the selling shareholders, — shares of common stock will be freely tradable without restriction or further registration under the Securities Act, unless the shares are held by any of our “affiliates” as such term is defined in Rule 144 of the Securities Act.

All remaining shares of common stock held by existing shareholders will be deemed “restricted securities” as such term is defined under Rule 144. The restricted securities were issued and sold by us in private transactions and are eligible for public sale only if registered under the Securities Act or if they qualify for an exemption from registration under Rule 144 or Rule 701 under the Securities Act, which rules are summarized below.

The underwriters expect that — of our shares, including all shares held by our officers and directors and the selling shareholders, except for the shares offered by the selling shareholders in this offering, will be subject to lock-up agreements that prohibit the disposition of those shares during the 180-day period beginning on the date of the final prospectus related to this offering, except with the prior written consent of RBC Capital Markets, LLC and subject to certain exceptions. We expect to contact our shareholders to discuss and obtain these agreements prior to the commencement of this offering. After the expiration of the 180-day restricted period, these shares may be sold in the public market in the United States, subject to prior registration in the United States, if required, or reliance upon an exemption from U.S. registration, including, in the case of shares held by affiliates or control persons, compliance with the volume restrictions of Rule 144. See “Underwriters” for a description of these lockup provisions.

Rule 144

In general, under Rule 144 as currently in effect, once we have been a reporting company subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act for 90 days, a person (or persons whose shares are aggregated) who is not deemed to have been an affiliate of ours at any time during the three months preceding a sale, and who has beneficially owned restricted securities within the meaning of Rule 144 for at least six months (including any period of consecutive ownership of preceding non-affiliated holders) would be entitled to sell those shares, subject only to the availability of current public information about us. A non-affiliated person who has beneficially owned restricted securities within the meaning of Rule 144 for at least one year would be entitled to sell those shares without regard to the provisions of Rule 144.

Once we have been a reporting company subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act for 90 days, a person (or persons whose shares are aggregated) who is deemed to be an affiliate of ours and who has beneficially owned restricted securities within the meaning of Rule 144 for at least six months would be entitled to sell within any three-month period a number of shares that does not exceed the greater of one percent of the then outstanding shares of our common stock or the average weekly trading volume of our common stock reported through the NYSE during the four calendar weeks preceding the filing of notice of the sale. Such sales are also subject to certain manner of sale provisions, notice requirements and the availability of current public information about us.

Rule 701

Employees, directors, officers, consultants or advisors who purchase shares from us in connection with a compensatory stock or option plan or other written compensatory agreement in accordance with Rule 701 before the effective date of the registration statement are entitled to sell such shares 90 days after the effective date of the registration statement in reliance on Rule 144 without having to comply with the holding period requirement of Rule 144 and, in the case of non-affiliates, without having to comply with the public information, volume limitation or notice filing provisions of Rule 144. The SEC has indicated that Rule 701 will apply to typical stock options granted by an issuer before it becomes subject to the reporting requirements of the Exchange Act, along with the shares acquired upon exercise of such options, including exercises after the date of this prospectus.

Stock Issued Under Employee Plans

We intend to file a registration statement on Form S-8 under the Securities Act to register stock issuable under our 2003 Stock and Incentive Plan and our 2011 Long-Term Incentive Plan. This registration statement is expected to be filed following the effective date of the registration statement of which this prospectus is a part and will be effective upon filing. Accordingly, shares registered under such registration statement will be available for sale in the open market following the effective date, unless such shares are subject to vesting restrictions with us, Rule 144 restrictions applicable to our affiliates or the lockup restrictions described above.

MATERIAL U.S. FEDERAL INCOME AND ESTATE TAX CONSIDERATIONS TO NON-U.S. HOLDERS

The following is a general discussion of the material U.S. federal income and estate tax consequences of the acquisition, ownership and disposition of our common stock to a non-U.S. holder. Except as specifically provided below (see "— Estate Tax"), for the purpose of this discussion, a non-U.S. holder is any beneficial owner of our common stock that is not for U.S. federal income tax purposes any of the following:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in the United States or under the laws of the United States or any state or the District of Columbia;
- a partnership (or other entity treated as a partnership for U.S. federal income tax purposes);
- an estate whose income is subject to U.S. federal income tax regardless of its source; or a trust (x) whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (y) that was in existence on August 20, 1996, was treated as a U.S. person at the previous day and has made a valid election to continue to be treated as a U.S. person.

If a partnership (or an entity treated as a partnership for U.S. federal income tax purposes) holds our common stock, the tax treatment of a partner in the partnership will generally depend on the status of the partner and upon the activities of the partnership. Accordingly, we urge partnerships that hold our common stock and partners in such partnerships to consult their own tax advisors regarding the tax treatment of holding our common stock.

This discussion assumes that a non-U.S. holder will hold our common stock issued pursuant to this offering as a capital asset (generally, property held for investment). This discussion does not address all aspects of U.S. federal income taxation or any aspects of state, local or non-U.S. taxation, nor does it consider any U.S. federal income tax considerations that may be relevant to non-U.S. holders which may be subject to special treatment under U.S. federal income tax laws, including, without limitation, U.S. expatriates, controlled foreign corporations, passive foreign investment companies, insurance companies, tax-exempt or governmental organizations, dealers in securities or currency, banks or other financial institutions and investors that hold our common stock as part of a hedge, straddle or conversion transaction. Furthermore, the following discussion is based on current provisions of the Internal Revenue Code of 1986, as amended, and Treasury Regulations and administrative and judicial interpretations thereof, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect.

This section does not address all U.S. federal income and estate tax matters applicable to a non-U.S. holder. Because each prospective investor may have unique circumstances beyond the scope of the discussion herein, we encourage each prospective investor to consult their own tax advisor regarding the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under U.S. estate laws and under the laws of any state, local or foreign taxing jurisdiction or under any applicable tax treaty.

Dividends

If we pay dividends on our common stock, those payments will constitute dividends for U.S. tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent those dividends exceed our current and accumulated earnings and profits, the dividends will constitute a return of capital and will first reduce a holder's adjusted tax basis in its common stock, but not below zero, and then will be treated as gain from the sale of the common stock (see "— Gain on Disposition of Common Stock").

Any dividend paid out of earnings and profits to a non-U.S. holder of our common stock generally will be subject to U.S. withholding tax either at a rate of 30% of the gross amount of the dividend or such lower rate as may be specified by an applicable tax treaty. To receive the benefit of a reduced treaty rate, a non-U.S. holder generally must provide us with an Internal Revenue Service ("IRS") Form W-8BEN certifying qualification for the reduced rate.

Dividends received by a non-U.S. holder that are effectively connected with a U.S. trade or business conducted by the non-U.S. holder will be exempt from such withholding tax. To obtain this exemption, the non-U.S. holder must provide us with an IRS Form W-8ECI properly certifying such exemption. Such effectively connected dividends, although not subject to withholding tax, will be subject to U.S. federal income tax on a net income basis at the same graduated U.S. tax rates generally applicable to U.S. persons, net of certain deductions and credits, subject to any applicable tax treaty providing otherwise. In addition to the income tax described above, dividends received by corporate non-U.S. holders that are effectively connected with a U.S. trade or business of the corporate non-U.S. holder may be subject to a branch profits tax at a rate of 30% or such lower rate as may be specified by an applicable tax treaty.

In certain circumstances, amounts received by a non-U.S. holder upon the redemption of our common stock may be treated as a distribution in the nature of a dividend with respect to the common stock, rather than as a payment in exchange for the common stock that results in the recognition of capital gain or loss, as described above. In these circumstances, the redemption payment would be included in gross income as a dividend to the extent that such payment is made out of our earnings and profits (as described above). The determination of whether a redemption of common stock will be treated as a distribution, rather than as a payment in exchange for the common stock, will depend on whether and to what extent the redemption reduces the non-U.S. holder's ownership in us. The rules applicable to redemptions are complex, and each non-U.S. holder should consult its own tax advisor to determine the consequences of a redemption to it.

Gain on Disposition of Common Stock

A non-U.S. holder generally will not be subject to U.S. federal income tax on any gain realized upon the sale or other disposition of our common stock unless:

- the gain is effectively connected with a U.S. trade or business of the non-U.S. holder and, if required by an applicable tax treaty, is attributable to a U.S. permanent establishment maintained by such non-U.S. holder;
- the non-U.S. holder is an individual who is present in the United States for a period or periods aggregating 183 days or more during the calendar year in which the sale or disposition occurs and certain other conditions are met; or
- we are or have been a "U.S. real property holding corporation" for U.S. federal income tax purposes and the non-U.S. holder holds or has held, directly or indirectly, at any time within the shorter of the five-year period preceding the disposition or the non-U.S. holder's holding period,

more than 5% of our common stock. Generally, a corporation is a U.S. real property holding corporation if the fair market value of its U.S. real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business. If we are or have been a U.S. real property holding corporation and our common stock is not regularly traded on an established securities market, then the gain recognized on the sale or other disposition of our common stock by a non-U.S. holder would be subject to U.S. federal income tax regardless of the amount of the non-U.S. holder's ownership percentage.

We believe that we are, and will remain for the foreseeable future, a "U.S. real property holding corporation" for U.S. federal income tax purposes.

Unless an applicable tax treaty provides otherwise, gain described in the first and third bullet points above will be subject to U.S. federal income tax on a net income basis at the same graduated U.S. tax rates generally applicable to U.S. persons. A branch profits tax may apply to certain of such gains. In addition gain described in the third bullet point may also be subject to certain withholding rules.

Gain described in the second bullet point above (which may be offset by U.S. source capital losses, provided that the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses) generally will be subject to a flat 30% U.S. federal income tax.

Backup Withholding and Information Reporting

Generally, we must report annually to the IRS the amount of dividends paid to each non-U.S. holder, and the amount, if any, of tax withheld with respect to those dividends. A similar report is sent to each non-U.S. holder. These information reporting requirements apply even if withholding was not required. Pursuant to tax treaties or other agreements, the IRS may make its reports available to tax authorities in the recipient's country of residence.

Payments of dividends to a non-U.S. holder may be subject to backup withholding (currently at a rate of 28%, and scheduled to increase to a rate of 31% on January 1, 2013) unless the non-U.S. holder establishes an exemption, for example, by properly certifying its non-U.S. status on an IRS Form W-8BEN or another appropriate version of IRS Form W-8. Notwithstanding the foregoing, backup withholding also may apply if we have actual knowledge, or reason to know, that the beneficial owner is a U.S. person that is not an exempt recipient.

Payments of the proceeds from sale or other disposition by a non-U.S. holder of our common stock effected outside the United States by or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting will apply to those payments if the broker does not have documentary evidence that the holder is a non-U.S. holder, an exemption is not otherwise established and the broker has certain relationships with the United States.

Payments of the proceeds from a sale or other disposition by a non-U.S. holder of our common stock effected by or through a U.S. office of a broker generally will be subject to information reporting and backup withholding (currently at a rate of 28%, and scheduled to increase to a rate of 31% on January 1, 2013) unless the non-U.S. holder establishes an exemption, for example, by properly certifying its non-U.S. status on an IRS Form W-8BEN or another appropriate version of IRS Form W-8. Notwithstanding the foregoing, information reporting and backup withholding also may apply if the broker has actual knowledge, or reason to know, that the holder is a U.S. person that is not an exempt recipient.

Backup withholding is not an additional tax. Rather, the U.S. income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained, provided that the required information is timely furnished to the IRS.

Estate Tax

Our common stock owned or treated as owned by an individual who is not a citizen or resident of the United States (as specifically defined for U.S. federal estate tax purposes) at the time of death will be includible in the individual's gross estate for U.S. federal estate tax purposes and may be subject to U.S. federal estate tax unless an applicable estate tax treaty provides otherwise.

Legislation Affecting Common Stock Held Through Foreign Accounts

Recently enacted legislation generally will impose a U.S. federal withholding tax of 30% on dividends and the gross proceeds of a disposition of our common stock paid after December 31, 2012 to a "foreign financial institution" (as specifically defined under these rules) unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners). The legislation also will generally impose a U.S. federal withholding tax of 30% on dividends and the gross proceeds of a disposition of our common stock paid after December 31, 2012 to a non-financial foreign entity unless such entity provides the withholding agent with a certification identifying the direct and indirect U.S. owners of the entity. Under certain circumstances, a non-U.S. holder might be eligible for refunds or credits of such taxes. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of this legislation on their investment in our common stock.

UNDERWRITERS

Under the terms and subject to the conditions contained in an underwriting agreement dated —, 2011, we and the selling shareholders have agreed to sell to the underwriters named below, for whom RBC Capital Markets, LLC and Citigroup are acting as representatives, the following respective numbers of shares of common stock:

Name	Number of Shares
RBC Capital Markets, LLC	—
Citigroup	—
Total	—

The underwriting agreement provides that the underwriters are obligated, severally and not jointly, to purchase all the shares of common stock offered by us. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or this offering may be terminated.

We have granted to the underwriters a 30-day option to purchase on a pro rata basis up to — additional shares at the offering price less the underwriting discounts and commissions. The option may be exercised only to cover any over-allotments of common stock.

The underwriters propose to offer the shares of common stock directly to the public at the offering price on the cover page of this prospectus and to selling group members at that price less a selling concession not in excess of $— per share. After this offering, the representatives may change the offering price and concession.

The following table summarizes the compensation we will pay:

Underwriting discounts and commissions paid by us			
Per Share		Total	
Without Over-Allotment	With Over-Allotment	Without Over-Allotment	With Over-Allotment
$—	$—	$—	$—

The following summarizes the compensation the selling shareholders will pay:

Underwriting discounts paid by selling shareholders	
Per Share	Total
$—	$—

The expenses of this offering that are payable by us are estimated to be $—, exclusive of underwriting discounts and commissions, which includes a reimbursement of RBC Capital Markets, LLC, or RBC, for up to $200,000 of its expenses incurred in connection with this offering.

The underwriters have informed us that they do not intend sales to discretionary accounts in excess of 5% of the total number of shares of common stock offered by them.

—% of our shares, including all shares held by our officers and directors and the selling shareholders, except for the shares offered by the selling shareholders in this offering, will be subject to lock-up agreements with RBC, on behalf of the underwriters, that prohibit during the period ending 180 days after the date of the final prospectus related to this offering (the "lockup period"):

- directly or indirectly, selling, offering, contracting or granting any option to sell or short sell, granting any option, right or warrant to purchase, pledging, transferring, establishing an open "put equivalent position", lending or otherwise disposing of any shares of our common stock, options, rights or warrants to acquire shares of our common stock, or securities exchangeable or exercisable for or convertible into shares of our common stock owned either of record or beneficially;
- entering into any swap or other arrangement that transfers, in whole or in part, the economic consequences of the ownership of our common stock; or
- publicly announcing an intention to do any of the foregoing.

These agreements will also apply to any sale of locked up shares upon exercise of any options to purchase shares of common stock and will be subject to certain exceptions, including:

- sales of common stock to the underwriters in this offering;
- the award of options or other purchase rights or shares of our common stock pursuant to our employee benefits plans;
- issuances of shares of common stock or securities convertible into or exercisable or exchangeable for shares of common stock pursuant to the exercise of warrants, options or other convertible or exchangeable securities, including shares of convertible preferred stock, in each case which are outstanding on the date hereof; and
- filing with the SEC a registration statement under the Securities Act on Form S-8 with respect to securities issued pursuant to an employee benefit plan.

Notwithstanding the foregoing, our officers, directors and shareholders will be permitted to:

- abide by any obligations regarding shares of common stock or any security convertible into common stock under any existing pledge, margin account or similar agreement, including, but not limited to, sales and transfers of such securities;
- transfer shares of common stock or any security convertible into common stock as a bona fide gift;
- distribute shares of common stock or any security convertible into common stock to limited partners, general partners, members or shareholders;
- transfer shares of common stock or any security convertible into common stock to family members or a trust established for the benefit of family members;
- transfer shares of common stock or any security convertible into common stock to entities where the party to the lockup is the beneficial owner of all shares of common stock or our other securities held by the entity;
- receive shares of common stock upon the exercise of an option or warrant or in connection with the vesting of restricted stock or restricted stock units; and
- transfer shares of common stock to the company in a transaction exempt from Section 16(b) of the Exchange Act solely in connection with the payment of taxes due in connection with any such exercise or vesting.

It will be a pre-condition to any such permitted transfer that the transferee executes and delivers to RBC a lock-up agreement in form and substance similar to the transferor's agreement with RBC.

In addition, if (1) during the last 17 days of the restricted period, we issue an earnings release or material news or a material event relating to us occurs; or (2) prior to the expiration of the restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the restricted period, the restrictions described above will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

We have agreed not to file any registration statement with respect to our common stock or other equity securities (other than on Form S-8 as described above), and our directors, officers and other holders of our equity securities will waive all registration rights with respect to this offering.

We and the selling shareholders have agreed to indemnify the underwriters against liabilities under the Securities Act, or contribute to payments that the underwriters may be required to make in that respect.

We intend to apply to list our common stock on the NYSE under the symbol "MTDR".

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be determined by negotiations between us and the representatives of the underwriters. Among the factors to be considered in determining the initial public offering price will be our prospects and the prospects of our industry in general, our financial operating information in recent periods, an assessment of our management, the general condition of the securities markets and the recent market prices of, and demand for, publicly traded common stock of generally comparable companies. The estimated initial public offering price range set forth on the cover page of this preliminary prospectus is subject to change as a result of market conditions and other factors.

In the ordinary course of business, certain of the underwriters and their affiliates have provided and may in the future provide financial advisory, investment banking and general financing and banking services for us and our affiliates for customary fees.

In connection with this offering, the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Exchange Act, including:

- stabilizing transactions that permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum;
- over-allotment, which involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any covered short position by exercising their over-allotment option and/or purchasing shares in the open market;
- syndicate covering transactions, which involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining

the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in this offering; and

- penalty bids, which permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the NYSE or otherwise and, if commenced, may be discontinued at any time.

A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make Internet distributions on the same basis as other allocations.

Directed Share Program

At our request, certain of the underwriters have reserved up to 10% of the common stock being offered by this prospectus (excluding any shares to be issued upon exercise of the over-allotment option) for sale at the initial public offering price to our directors, officers, employees, consultants, business associates and certain of our existing shareholders. The sales will be made by RBC Capital Markets, LLC through a directed share program. We do not know if these persons will choose to purchase all or any portion of these reserved shares, but any purchases they do make will reduce the number of shares available to the general public. Any reserved shares which are not so purchased will be offered by the underwriters to the general public on the same basis as the other shares offered by this prospectus. Participants in the directed share program may be subject to a 180-day lockup with respect to any shares sold to them pursuant to that program. This lockup will have similar restrictions and an identical extension provision to the lockup agreements described above. Any shares sold in the directed share program to our directors or executive officers will also be subject to the lockup agreements described above. We have agreed to indemnify RBC Capital Markets, LLC and the underwriters in connection with the directed share program, including for the failure of any participant to pay for its shares.

Selling Restrictions

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), including each Relevant Member State that has implemented the 2010 PD Amending Directive with regard to persons to whom an offer of securities is addressed and the denomination per unit of the offer of securities (each, an “Early Implementing Member

State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), no offer of shares will be made to the public in that Relevant Member State (other than offers (the "Permitted Public Offers") where a prospectus will be published in relation to the shares that has been approved by the competent authority in a Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive), except that with effect from and including that Relevant Implementation Date, offers of shares may be made to the public in that Relevant Member State at any time:

(a) to "qualified investors" as defined in the Prospectus Directive, including:

(i) (in the case of Relevant Member States other than Early Implementing Member States), legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities, or any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43.0 million and (iii) an annual turnover of more than €50.0 million as shown in its last annual or consolidated accounts; or

(ii) (in the case of Early Implementing Member States), persons or entities that are described in points (1) to (4) of Section I of Annex II to Directive 2004/39/EC, and those who are treated on request as professional clients in accordance with Annex II to Directive 2004/39/EC, or recognized as eligible counterparties in accordance with Article 24 of Directive 2004/39/EC unless they have requested that they be treated as non-professional clients;

(b) to fewer than 100 (or, in the case of Early Implementing Member States, 150) natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive), as permitted in the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or of a supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State (other than a Relevant Member State where there is a Permitted Public Offer) who initially acquires any shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed that (A) it is a "qualified investor", and (B) in the case of any shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (x) the shares acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than "qualified investors" as defined in the Prospectus Directive, or in circumstances in which the prior consent of the Subscribers has been given to the offer or resale, or (y) where shares have been acquired by it on behalf of persons in any Relevant Member State other than "qualified investors" as defined in the Prospectus Directive, the offer of those shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purpose of the above provisions, the expression "an offer to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer of any shares to be offered so as to enable an investor to decide to purchase any shares, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71 EC (including the 2010 PD Amending Directive, in the case of Early Implementing Member States) and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

This prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive ("Qualified Investors") that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Switzerland

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company or the shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

LEGAL MATTERS

The validity of our common stock offered by this prospectus will be passed upon by Haynes and Boone, LLP, Dallas, Texas. Certain legal matters in connection with this offering will be passed upon for the underwriters by Hunton & Williams LLP, Dallas, Texas.

EXPERTS

The audited consolidated financial statements of Matador Resources Company and its subsidiaries for the years ended December 31, 2010 and 2009, and for each of the three years in the period ended December 31, 2010, included in this prospectus and elsewhere in the registration statement have been so included in reliance upon the report of Grant Thornton LLP, independent registered public accountants, upon the authority of said firm as experts in giving said report.

The estimates of proved reserves and future net revenue of Matador Resources Company at December 31, 2010 and 2009 and at June 30, 2011, have been audited by Netherland, Sewell & Associates, Inc., independent petroleum engineers, and such audit reports are included as exhibits to this prospectus. The estimates of proved reserves and future net revenue of Matador Resources Company at December 31, 2008, have been audited by LaRoche Petroleum Consultants, Ltd., independent petroleum engineers, and such audit reports are included as exhibits to this prospectus.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 (including the exhibits, schedules and amendments thereto) under the Securities Act, with respect to the shares of our common stock offered hereby. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules thereto. For further information with respect to us and the common stock offered hereby, we refer you to the registration statement and the exhibits and schedules filed therewith. Statements contained in this prospectus as to the contents of any contract, agreement or any other document are summaries of the material terms of that contract, agreement or other document. With respect to each of these contracts, agreements or other documents filed as an exhibit to the registration statement, reference is made to the exhibits for a more complete description of the matter involved. A copy of the registration statement, and the exhibits and schedules thereto, may be inspected without charge at the public reference facilities maintained by the SEC at 100 F Street NE, Washington, D.C. 20549. Copies of these materials may be obtained, upon payment of a duplicating fee, from the Public Reference Section of the SEC at 100 F Street NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facility. The SEC maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the SEC’s website is *http://www.sec.gov*.

After we have completed this offering, we will file annual, quarterly and current reports, proxy statements and other information with the SEC. We expect to have an operational website concurrently with the completion of this offering and we expect to make our periodic reports and other information filed with or furnished to the SEC available, free of charge, through our website, as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Information on our website or any other website is not incorporated by reference into this prospectus and does not constitute a part of this prospectus. You may read and copy any reports, statements or other information on file at the public reference rooms. You can also request copies of these documents, for a copying fee, by writing to the SEC, or you can review these documents on the SEC's website, as described above. In addition, we will provide electronic or paper copies of our filings free of charge upon request.

Matador Resources Company and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010, 2009 and 2008

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Report of Independent Registered Public Accounting Firm

Board of Directors
Matador Resources Company

We have audited the accompanying consolidated balance sheets of Matador Resources Company (a Texas corporation) and subsidiaries (collectively, the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Matador Resources Company and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note B to the financial statements, the Company adopted new oil and gas reserves estimation and disclosure requirements as of December 31, 2009.

/s/ GRANT THORNTON LLP

Dallas, Texas
August 12, 2011

Matador Resources Company and Subsidiaries

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	$ 21,059,519	$ 104,229,709
Certificates of deposit	2,349,313	15,675,346
Accounts receivable		
Oil and natural gas revenues	6,514,122	5,750,957
Joint interest billings	2,042,999	2,234,330
Other	3,091,372	3,277,535
Derivative instruments	4,144,411	1,005,685
Lease and well equipment inventory	1,423,197	1,818,514
Prepaid expenses	1,876,358	1,329,559
Total current assets	42,501,291	135,321,635
Property and equipment, at cost		
Oil and natural gas properties, full-cost method		
Evaluated	255,408,993	192,249,326
Unproved and unevaluated	172,451,449	59,814,546
Other property and equipment	14,035,010	12,474,215
Less accumulated depletion, depreciation and amortization	(138,014,986)	(122,459,957)
Net property and equipment	303,880,466	142,078,130
Total assets	$ 346,381,757	$ 277,399,765
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 12,166,938	$ 2,049,361
Accrued liabilities	14,658,546	5,206,444
Royalties payable	982,270	673,265
Advances from joint interest owners	722,843	450,000
Deferred income taxes	1,473,619	339,471
Dividends payable — Class B	68,713	68,713
Other liabilities	23,577	80,904
Total current liabilities	30,096,506	8,868,158
Long-term liabilities		
Borrowings under Credit Agreement	25,000,000	–
Asset retirement obligations	3,695,017	2,551,637
Deferred income taxes	5,432,638	1,635,003
Other long-term liabilities	280,453	23,577
Total long-term liabilities	34,408,108	4,210,217
Commitments and contingencies (Note 12)		
Shareholders' equity		
Common stock — Class A, $0.01 par value, 80,000,000 shares authorized; 42,749,820 and 40,443,018 shares issued; and 41,570,645 and 40,375,348 shares outstanding, respectively	427,498	404,430
Common stock — Class B, $0.01 par value, 2,000,000 shares authorized; 1,030,700 shares issued and outstanding	10,307	10,307
Additional paid-in capital	263,341,642	241,663,512
Retained earnings	28,862,518	22,760,408
Treasury stock, at cost, 1,179,175 and 67,670 shares, respectively	(10,764,822)	(517,267)
Total shareholders' equity	281,877,143	264,321,390
Total liabilities and shareholders' equity	$ 346,381,757	$ 277,399,765

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

Matador Resources Company and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the years ended December 31,		
	2010	2009	2008
Revenues			
Oil and natural gas revenues	$ 34,041,607	$ 19,038,514	$ 30,645,065
Realized gain (loss) on derivatives	5,299,380	7,625,120	(1,325,970)
Unrealized gain (loss) on derivatives	3,138,726	(2,374,638)	3,591,928
Total revenues	42,479,713	24,288,996	32,911,023
Expenses			
Production taxes and marketing	1,981,550	1,077,145	1,639,198
Lease operating	5,284,362	4,725,022	4,666,591
Depletion, depreciation and amortization	15,596,470	10,742,873	12,127,251
Accretion of asset retirement obligations	154,756	137,347	91,157
Full-cost ceiling impairment	–	25,243,738	22,195,127
General and administrative	9,701,850	7,115,118	8,252,319
Total expenses	32,718,988	49,041,243	48,971,643
Operating income (loss)	9,760,725	(24,752,247)	(16,060,620)
Other income (expense)			
Net (loss) gain on asset sales and inventory impairment	(223,690)	(379,316)	136,977,430
Interest expense	(3,235)	–	–
Interest and other income	364,338	781,072	2,984,273
Total other income	137,413	401,756	139,961,703
Income (loss) before income taxes	9,898,138	(24,350,491)	123,901,083
Income tax provision (benefit)			
Current	(1,410,608)	(2,324,338)	10,448,000
Deferred	4,931,783	(7,600,811)	9,575,286
Total income tax provision (benefit)	3,521,175	(9,925,149)	20,023,286
Net income (loss)	$ 6,376,963	$ (14,425,342)	$ 103,877,797
Earnings (loss) per common share			
Basic			
Class A	$ 0.15	$ (0.37)	$ 2.50
Class B	$ 0.42	$ (0.10)	$ 2.77
Diluted			
Class A	$ 0.15	$ (0.37)	$ 2.46
Class B	$ 0.42	$ (0.10)	$ 2.73
Weighted average common shares outstanding			
Basic			
Class A	40,006,787	39,092,567	40,354,618
Class B	1,030,700	1,030,700	1,030,700
Total	41,037,487	40,123,267	41,385,318
Diluted			
Class A	40,102,927	39,092,567	41,127,339
Class B	1,030,700	1,030,700	1,030,700
Total	41,133,627	40,123,267	42,158,039

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

Matador Resources Company and Subsidiaries

CONSOLIDATED STATEMENTS OF SHAREHOLDERS’ EQUITY

For the years ended December 31, 2010, 2009 and 2008

	Common stock				Additional	Retained	Treasury stock		
	Class A		Class B		paid-in	earnings			
	Shares	Amount	Shares	Amount	capital	(deficit)	Shares	Amount	Total
Balance at January 1, 2008	40,303,537	$ 403,035	1,030,700	$ 10,307	$ 236,728,584	$ (65,076,243)	(18,948)	$ (23,155)	$ 172,042,528
Additional cost to issue equity	–	–	–	–	(40)	–	–	–	(40)
Stock options granted	–	–	–	–	528,480	–	–	–	528,480
Stock options exercised	235,500	2,355	–	–	1,046,145	–	–	–	1,048,500
Restricted stock issued	9,000	90	–	–	(90)	–	–	–	–
Restricted stock vested	–	–	–	–	60,000	–	–	–	60,000
Class B dividends declared	–	–	–	–	–	(274,853)	–	–	(274,853)
Current period net income	–	–	–	–	–	103,877,797	–	–	103,877,797
Issuance of treasury stock	–	–	–	–	50,890	–	5,775	26,110	77,000
Purchase of treasury stock	–	–	–	–	–	–	(26,700)	(354,500)	(354,500)
Balance at December 31, 2008	40,548,037	405,480	1,030,700	10,307	238,413,969	38,526,701	(39,873)	(351,545)	277,004,912
Issuance of Class A common stock	4,974,194	49,742	–	–	28,201,626	–	–	–	28,251,368
Additional cost to issue equity	–	–	–	–	(92,549)	–	–	–	(92,549)
Repurchase and retirement of Class A common stock	(5,422,713)	(54,227)	–	–	(26,686,133)	(373,205)	–	–	(27,113,565)
Stock options granted	–	–	–	–	592,962	–	–	–	592,962
Stock options exercised	343,500	3,435	–	–	1,278,065	–	–	–	1,281,500
Restricted stock vested	–	–	–	–	33,750	–	–	–	33,750
Class B dividends declared	–	–	–	–	–	(274,853)	–	–	(274,853)
Current period net loss	–	–	–	–	–	(14,425,342)	–	–	(14,425,342)
Issuance of treasury stock	–	–	–	–	(78,178)	(692,893)	652,126	4,787,678	4,016,607
Purchase of treasury stock	–	–	–	–	–	–	(679,923)	(4,953,400)	(4,953,400)
Balance at December 31, 2009	40,443,018	404,430	1,030,700	10,307	241,663,512	22,760,408	(67,670)	(517,267)	264,321,390
Issuance of Class A common stock	1,879,427	18,794	–	–	20,632,903	–	–	–	20,651,697
Additional cost to issue equity	–	–	–	–	(531,152)	–	–	–	(531,152)
Issuance of Class A common stock to Board members and advisors	20,000	200	–	–	197,800	–	–	–	198,000
Stock options granted	–	–	–	–	414,610	–	–	–	414,610
Stock options exercised	392,375	3,924	–	–	1,974,451	–	–	–	1,978,375
Stock options modified	–	–	–	–	(1,086,271)	–	–	–	(1,086,271)
Restricted stock issued	15,000	150	–	–	(150)	–	–	–	–
Restricted stock vested	–	–	–	–	73,689	–	–	–	73,689
Class B dividends declared	–	–	–	–	–	(274,853)	–	–	(274,853)
Current period net income	–	–	–	–	–	6,376,963	–	–	6,376,963
Issuance of treasury stock	–	–	–	–	2,250	–	6,000	45,000	47,250
Purchase of treasury stock	–	–	–	–	–	–	(1,117,505)	(10,292,555)	(10,292,555)
Balance at December 31, 2010	42,749,820	$ 427,498	1,030,700	$ 10,307	$ 263,341,642	$ 28,862,518	(1,179,175)	$ (10,764,822)	$ 281,877,143

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

Matador Resources Company and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended December 31,		
	2010	2009	2008
Operating activities			
Net income (loss)	$ 6,376,963	$ (14,425,342)	$ 103,877,797
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Unrealized (gain) loss on derivatives	(3,138,726)	2,374,638	(3,591,928)
Depletion, depreciation and amortization	15,596,470	10,742,873	12,127,251
Accretion of asset retirement obligations	154,756	137,347	91,157
Full-cost ceiling impairment	–	25,243,738	22,195,127
Stock option and grant expense	824,048	622,337	605,480
Restricted stock grants	73,689	33,750	60,000
Deferred income tax provision	4,931,783	(7,600,811)	9,575,286
Loss (gain) on asset sales and inventory impairment	223,690	379,316	(136,977,430)
Changes in operating assets and liabilities			
Accounts receivable	(385,671)	408,710	(7,136,855)
Lease and well equipment inventory	(8,078)	(799,844)	(607,460)
Prepaid expenses	(546,799)	(153,206)	(416,795)
Accounts payable, accrued liabilities and other liabilities	2,487,643	(15,463,066)	26,010,659
Royalties payable	309,005	35,763	(60,100)
Advances from joint interest owners	272,843	450,000	–
State income tax payable	–	(48,000)	48,000
Other long-term liabilities	101,423	(147,155)	50,608
Net cash provided by operating activities	27,273,039	1,791,048	25,850,797
Investing activities			
Proceeds from sale of oil and natural gas properties	–	28,732	185,468,400
Oil and natural gas properties capital expenditures	(159,050,066)	(54,243,838)	(104,118,639)
Expenditures for other property and equipment	(1,609,882)	(306,642)	(3,011,869)
Purchases of certificates of deposit	(3,739,000)	(15,500,424)	(20,781,934)
Sales of certificates of deposit	17,065,033	20,607,012	–
Sales of short-term investments	–	–	57,925,000
Net cash (used in) provided by investing activities	(147,333,915)	(49,415,160)	115,480,958
Financing activities			
Borrowings under Credit Agreement	25,000,000	–	–
Proceeds from issuance of common stock, net of cost to issue equity	20,479,719	28,158,819	(40)
Proceeds from stock options exercised	1,978,375	1,281,500	1,048,500
Payment of dividends — Class B	(274,853)	(274,853)	(274,853)
Repurchase and retirement of Class A common stock	–	(27,113,565)	–
Issuance of treasury stock	–	3,987,231	–
Purchase of treasury stock	(10,292,555)	(4,953,400)	(354,500)
Net cash provided by financing activities	36,890,686	1,085,732	419,107
(Decrease) increase in cash and cash equivalents	$ (83,170,190)	$ (46,538,380)	$ 141,750,862
Cash and cash equivalents at beginning of year	104,229,709	150,768,089	9,017,227
Cash and cash equivalents at end of year	$ 21,059,519	$104,229,709	$ 150,768,089

Supplemental disclosures of cash flow information (Note 14)

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

Matador Resources Company and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010, 2009 and 2008

NOTE 1 — NATURE OF OPERATIONS

Matador Resources Company ("Matador" or "Company") is an independent energy company engaged in the exploration, development, acquisition and production of oil and natural gas resources in the United States, with a particular emphasis on oil and natural gas shale plays and other unconventional resources. Matador's current operations are located primarily in the Haynesville shale play in north Louisiana and east Texas and the Eagle Ford shale play in south Texas; these plays are key elements of the Company's growth strategy. In addition to these primary operating areas, Matador has significant acreage positions in southeast New Mexico and west Texas and in southwest Wyoming and adjacent areas in Utah and Idaho where the Company continues to identify new oil and natural gas prospects.

Matador was founded on July 3, 2003 as a Texas corporation. Two equity investors contributed $6,000,000 for 900,000 shares of Matador Class B common stock on July 31, 2003, providing the Company's initial capitalization. At December 31, 2010, Matador has issued 42,749,820 shares of Class A common stock and 1,030,700 shares of Class B common stock to qualified investors, which has resulted in net proceeds of $261,233,910. Matador holds the primary assets of the Company while its wholly owned subsidiary, Matador Production Company, serves as the operating entity.

In February 2006, the Company formed a wholly owned subsidiary, Longwood Gathering and Disposal Systems GP, Inc., for the business purpose of serving as the general partner of Longwood Gathering and Disposal Systems, LP. Longwood Gathering and Disposal Systems, LP was formed for the business purpose of owning and operating a majority of the pipeline systems and salt water disposal wells used in the Company's operations, as well as to transport third-party natural gas.

In October 2006, the Company formed a wholly owned subsidiary, MRC Permian Company, via a merger, for the business purpose of establishing and conducting oil and natural gas exploration and development activities in southeast New Mexico.

In January 2009, the Company formed a wholly owned subsidiary, MRC Rockies Company, for the business purpose of establishing and conducting oil and natural gas exploration and development activities in the Rocky Mountains and specifically in the states of Wyoming, Utah and Idaho.

On November 22, 2010, Matador Resources Company formed a wholly-owned subsidiary, Matador Holdco, Inc. Pursuant to the terms of the corporate reorganization that was completed on August 9, 2011, Matador Resources Company changed its corporate name to MRC Energy Company and Matador Holdco, Inc. changed its corporate name to Matador Resources Company. As a part of this reorganization, MRC Energy Company became a wholly owned subsidiary of Matador Resources Company.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of Matador Resources Company and its four wholly owned subsidiaries, Matador Production Company, Longwood Gathering and Disposal Systems

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

GP, Inc., MRC Permian Company and MRC Rockies Company, as well as the accounts of Longwood Gathering and Disposal Systems, LP. These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). The Company's operations are conducted in the one segment generally referred to as the oil and natural gas exploration and production industry. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates and assumptions may also affect 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. While the Company believes its estimates are reasonable, changes in facts and assumptions or the discovery of new information may result in revised estimates. Actual results could differ from these estimates.

The Company's consolidated financial statements are based on a number of significant estimates, including oil and natural gas revenues, accrued assets and liabilities, stock-based compensation, valuation of derivative instruments and oil and natural gas reserves. The estimates of oil and natural gas reserves quantities and future net cash flows are the basis for the calculations of depletion and impairment of oil and natural gas properties, as well as estimates of asset retirement obligations and certain tax accruals. The Company's oil and natural gas reserves estimates, which are inherently imprecise and based upon many factors that are beyond the Company's control, including oil and natural gas prices, are prepared by the Company's engineering staff in accordance with guidelines established by the Securities and Exchange Commission ("SEC") and then audited for their reasonableness and conformance with SEC guidelines and generally accepted petroleum engineering and evaluation principles by independent outside petroleum engineers.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of thirty (30) days or less as cash equivalents, and cash equivalents are recorded at market. Except for small cash balances held in the Company's operating accounts to conduct its ongoing business, the remainder of the Company's cash equivalents at December 31, 2010 and 2009 was held in money market accounts composed of United States Treasury securities offering daily liquidity.

Certificates of Deposit

Certificates of deposit ("CDs") are highly liquid, short-term investments with an original maturity of more than 30 days but not more than one year. Each CD is recorded at market and is fully insured by the Federal Deposit Insurance Corporation.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

Accounts Receivable

The Company sells its operated oil and natural gas production to various purchasers (see Note 13). Due to the nature of the markets for oil and natural gas, the Company does not believe that the loss of any one purchaser would significantly impact operations. In addition, the Company may participate with industry partners in the drilling, completion and operation of oil and natural gas wells. Substantially all of the Company's accounts receivable are due from either purchasers of oil and natural gas or participants in oil and natural gas wells for which the Company serves as the operator. Accounts receivable are due within 30 to 45 days of the production or billing date and are stated at amounts due from purchasers and industry partners.

The Company reviews its need for an allowance for doubtful accounts on a periodic basis, and determines the allowance, if any, by considering the length of time past due, previous loss history, future net revenues of the debtor's ownership interest in oil and natural gas properties operated by the Company and the debtor's ability to pay its obligations, among other things. The Company has no allowance for doubtful accounts related to its accounts receivable for any reporting period presented.

During 2008, the Company wrote off a portion of its oil sales receivable totaling $223,770 from certain non-operated properties in Lea County, New Mexico as a result of SemCrude, L.P. and several of its subsidiaries and related entities filing for a Petition of Relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware. The operators of these properties filed claims in the bankruptcy proceeding on behalf of their operating partners (including Matador), and in 2010, the Company received a partial recovery of $124,635 resulting from these claims. The Company did not write off any receivables in 2010 or 2009. When necessary, the Company accounts for a write off by recording the loss as an offset against accounts receivable once the specific account has been determined to be uncollectible.

Lease and Well Equipment Inventory

Lease and well equipment inventory is stated at the lower of cost or market and consists entirely of equipment scheduled for use in future well operations or equipment held for sale.

Property and Equipment

The Company uses the full-cost method of accounting for its investments in oil and natural gas properties. Under this method of accounting, all costs associated with the acquisition, exploration and development of oil and natural gas properties and reserves, including unproved and unevaluated property costs, are capitalized as incurred and accumulated in a single cost center representing the Company's activities, which are undertaken exclusively in the United States. Such costs include lease acquisition costs, geological and geophysical expenditures, lease rentals on undeveloped properties, costs of drilling both productive and non-productive wells, capitalized interest on qualifying projects and general and administrative expenses directly related to exploration, and development activities, but do not include any costs related to production, selling or general corporate administrative activities. The Company capitalized $1,604,682, $1,642,868 and $1,679,992 of its general and administrative costs in 2010, 2009 and 2008, respectively.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

The net capitalized costs of oil and natural gas properties are limited to the lower of unamortized costs less related deferred income taxes or the cost center ceiling, with any excess above the cost center ceiling charged to operations as a full-cost ceiling impairment. The cost center ceiling is defined as the sum of (a) the present value discounted at 10 percent of future net revenues of proved oil and natural gas reserves, plus (b) unproved and unevaluated property costs not being amortized, plus (c) the lower of cost or estimated fair value of unproved and unevaluated properties included in the costs being amortized, if any, less (d) income tax effects related to differences between the book and tax basis of the properties involved. Future net revenues from proved non-producing and proved undeveloped reserves are reduced by the estimated costs for developing these reserves. The fair value of the Company's derivative instruments is not included in the ceiling test computation as the Company does not designate these instruments as hedge instruments for accounting purposes.

The estimated present value of after-tax future net cash flows from proved oil and natural gas reserves is highly dependent on the commodity prices used in these estimates. These estimates are determined in accordance with guidelines established by the SEC for estimating and reporting oil and natural gas reserves. Under these guidelines, oil and natural gas reserves are estimated using then-current operating and economic conditions, with no provision for price and cost escalations in future periods except by contractual arrangements. In January 2009, the SEC issued *The Modernization of Oil and Gas Reporting, Final Rule* and in January 2010, the Financial Accounting Standards Board ("FASB") amended *Topic 932, Extractive Activities — Oil and Gas* to align with this rule. As a result, beginning December 31, 2009, the commodity prices used to estimate oil and natural gas reserves are based on unweighted, arithmetic averages of first-day-of-the-month oil and natural gas prices for the previous 12-month period. For the period January through December 2010, these average oil and natural gas prices were $75.96 per barrel and $4.376 per MMBtu (million British thermal units), respectively. For the period January through December 2009, these average oil and natural gas prices were $57.65 per barrel and $3.866 per MMBtu, respectively. In estimating the present value of after-tax future net cash flows from proved oil and natural gas reserves, the average oil prices were further adjusted by property for quality, transportation fees and regional price differentials, and the average natural gas prices were further adjusted by property for energy content, transportation fees and regional price differentials.

Using the average commodity prices, as further adjusted, for 2010 to determine the Company's estimated proved oil and natural gas reserves at December 31, 2010, the Company's net capitalized costs less related deferred income taxes did not exceed the full-cost ceiling. As a result, the Company recorded no impairment to its net capitalized costs and no corresponding charge to its consolidated statement of operations for 2010. Changes in oil and natural gas production rates, reserves estimates, future development costs, and other factors will determine the Company's actual ceiling test computation and impairment analyses in future periods.

Using the average commodity prices, as further adjusted, for 2009 to determine the Company's estimated proved oil and natural gas reserves at December 31, 2009, the Company's net capitalized costs less related deferred income taxes exceeded the full-cost ceiling by $16,267,822. The Company recorded an impairment charge of $25,243,738 to its net capitalized costs and a deferred income tax credit of $8,975,916

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

related to the full-cost ceiling limitation for 2009. Corresponding charges were also recorded to the Company's consolidated statement of operations for 2009.

Prior to 2009, SEC guidelines for estimating and reporting oil and natural gas reserves required using commodity prices at the last day of the year. For 2008, these year-end oil and natural gas prices were $41.00 per barrel and $5.71 per MMBtu, respectively. The average oil price was further adjusted by property for quality, transportation fees and regional price differentials, and the average natural gas price was further adjusted by property for energy content, transportation fees and regional price differentials. Using these commodity prices, as further adjusted, for 2008 to determine the Company's estimated proved oil and natural gas reserves at December 31, 2008, the Company's net capitalized costs less related deferred income taxes exceeded the full-cost ceiling by $14,303,206. The Company recorded an impairment charge of $22,195,127 to its net capitalized costs and a deferred income tax credit of $7,891,921 related to the full-cost ceiling limitation for 2008. Corresponding charges were also recorded to the Company's consolidated statement of operations for 2008.

As a non-cash item, the full-cost ceiling impairment impacts the accumulated depletion and the net carrying value of the Company's assets on its balance sheet, as well as the corresponding shareholders' equity, but it has no impact on the Company's net cash flows as reported.

Capitalized costs of oil and natural gas properties are amortized using the unit-of-production method based upon production and estimates of proved reserves quantities. Unproved and unevaluated property costs are excluded from the amortization base used to determine depletion. Unproved and unevaluated properties are assessed for possible impairment on a periodic basis based upon changes in operating or economic conditions. This assessment includes consideration of the following factors, among others: the assignment of proved reserves, geological and geophysical evaluations, intent to drill, remaining lease term, and drilling activity and results. Upon impairment, the costs of the unproved and unevaluated properties are immediately included in the amortization base. Exploratory dry holes are included in the amortization base immediately upon determination that the well is not productive.

Sales of oil and natural gas properties are accounted for as adjustments to net capitalized costs with no gain or loss recognized, unless such adjustments would significantly alter the relationship between net capitalized costs and proved reserves of oil and natural gas. All costs related to production activities and maintenance and repairs are expensed as incurred. Significant workovers that increase the properties' reserves are capitalized.

Other property and equipment are stated at cost. Computer equipment, furniture, software and other equipment are depreciated over their useful life (5 to 7 years) using the straight-line method. Support equipment and facilities include the pipelines and salt water disposal systems owned by Longwood Gathering and Disposal Systems, LP and are depreciated over a 30-year useful life using the straight-line, mid-month convention method. Leasehold improvements are depreciated over the lesser of their useful life or the term of the lease.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

Asset Retirement Obligations

The Company recognizes the fair value of an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. The asset retirement obligation is recorded as a liability at its estimated present value, with an offsetting increase recognized in oil and natural gas properties or support equipment and facilities on the balance sheet. Periodic accretion of the discounted value of the estimated liability is recorded as an expense in the consolidated statement of operations. In general, the Company's future asset retirement obligations relate to future costs associated with plugging and abandonment of its oil and natural gas wells, removal of equipment and facilities from leased acreage and returning such land to its original condition. The amounts recognized are based on numerous estimates and assumptions, including future retirement costs, future recoverable quantities of oil and natural gas, future inflation rates and the credit-adjusted risk-free interest rate. Revisions to the liability can occur due to changes in its estimate or if federal or state regulators enact new plugging and abandonment requirements. At the time of actual plugging and abandonment of its oil and natural gas wells, the Company includes any gain or loss associated with the operation in the amortization base to the extent that the actual costs are different from the estimated liability.

Derivative Financial Instruments

From time to time, the Company uses derivative financial instruments to hedge its exposure to commodity price risk associated with natural gas prices. These instruments consist of put and call options in the form of costless collars. The Company's derivative financial instruments are recorded on the balance sheet as either an asset or a liability measured at fair value. The Company has elected not to apply hedge accounting for its existing derivative financial instruments, and as a result, the Company recognizes the change in derivative fair value between reporting periods currently in its consolidated statement of operations (see Note 10). The fair value of the Company's derivative financial instruments is determined based on its counterparty's valuation model, which the Company verifies for its reasonableness with an independent third-party valuation using observable, market-corroborated inputs.

Revenue Recognition

The Company follows the sales method of accounting for its oil and natural gas revenue, whereby it recognizes revenue, net of royalties, on all oil or natural gas sold to purchasers regardless of whether the sales are proportionate to its ownership in the property. Under this method, revenue is recognized at the time oil and natural gas are produced and sold, and the Company accrues for revenue earned but not yet received.

Stock-Based Compensation

Non-qualified stock option expense is recognized in the Company's consolidated statement of operations on the date of grant. Incentive stock options vest over four years, and the associated compensation expense is recognized on a straight-line basis over the vesting period. Prior to November 22, 2010, all of the Company's outstanding stock options were classified as equity instruments, with all stock-based compensation expense measured on the date of grant and recognized over the vesting period, if any.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

On November 22, 2010, the Company changed its method of accounting for outstanding stock options, reclassifying all outstanding stock options from equity to liability instruments. This change was made as a result of the Company purchasing shares from certain of its employees to assist them in the exercise of outstanding options of the Company's Class A common stock. As a result, at December 31, 2010, the Company measured and recognized the fair value of the liability associated with its outstanding stock options using an estimated fair value for the Company's Class A common stock.

The Company's consolidated statements of operations for the years ended December 31, 2010, 2009 and 2008 include a stock-based compensation (non-cash) expense of $897,737, $656,087 and $665,480, respectively. This stock-based compensation expense includes common stock and treasury stock issuances totaling $245,250, $29,375 and $77,000 in 2010, 2009 and 2008, respectively, paid to members of the Board of Directors and advisors as compensation for their services to the Company.

Income Taxes

The Company accounts for income taxes using the asset and liability approach for financial accounting and reporting. The Company evaluates the probability of realizing the future benefits of its deferred tax assets and provides a valuation allowance for the portion of any deferred tax assets where the likelihood of realizing an income tax benefit in the future does not meet the more likely than not criteria for recognition.

At January 1, 2008, the Company adopted the accounting guidance related to accounting for uncertainty in income taxes which provides for the financial statement benefit of a tax position as being recognized only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. Following adoption, the Company evaluated all tax positions for which the statute of limitations remained open, and management believes that the material positions taken by the Company would more likely than not be sustained by examination. Therefore, at December 31, 2010, the Company had not established any reserves for, nor recorded any unrecognized tax benefits related to, uncertain tax positions.

When necessary, the Company would include interest assessed by taxing authorities in "Interest expense" and penalties related to income taxes in "Other expense" on its consolidated statements of operations. At December 31, 2010, 2009 and 2008, the Company did not record any interest or penalties related to income tax.

Earnings Per Common Share

The Company reports basic earnings per common share, which excludes the effect of potentially dilutive securities, and diluted earnings per common shares, which includes the effect of all potentially dilutive securities, unless their impact is anti-dilutive. The Company has issued two classes of common stock, Class A and Class B. The holders of the Class B shares are entitled to be paid cumulative dividends at a per share rate of $0.26-2/3 annually out of funds legally available for the payment of dividends. These

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

dividends are accrued and paid quarterly. Dividends declared during 2010, 2009 and 2008 totaled $274,853 in each year. The holders of the Class B shares are also entitled to share on an equivalent basis in any dividends paid to holders of the Class A shares when and as declared by the Board of Directors. At December 31, 2010, the Company had not paid any dividends to holders of the Class A shares.

The following are reconciliations of the numerators and denominators used to compute the Company's basic and diluted distributed and undistributed earnings per common share as reported for the years ended December 31, 2010, 2009 and 2008.

	Year ended December 31,		
	2010	2009	2008
Net income (loss) — numerator			
Net income (loss)	$ 6,376,963	$ (14,425,342)	$ 103,877,797
Less dividends to Class B shareholders — distributed earnings	(274,853)	(274,853)	(274,853)
Undistributed earnings	$ 6,102,110	$ (14,700,195)	$ 103,602,944
Weighted average common shares outstanding — denominator			
Basic			
Class A	40,006,787	39,092,567	40,354,618
Class B	1,030,700	1,030,700	1,030,700
Total	41,037,487	40,123,267	41,385,318
Diluted			
Class A			
Weighted average common shares outstanding for basic earnings per share	40,006,787	39,092,567	40,354,618
Dilutive effect of options	96,140	–	772,721
Class A weighted average common shares outstanding — diluted	41,102,927	39,092,567	41,127,339
Class B			
Weighted average common shares outstanding — no associated dilutive shares	1,030,700	1,030,700	1,030,700
Total diluted weighted average common shares outstanding	41,133,627	40,123,267	42,158,039

Matador Resources Company and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

December 31, 2010, 2009 and 2008

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

	Year ended December 31,		
	2010	2009	2008
Earnings (loss) per common share			
Basic			
Class A			
Distributed earnings	$ –	$ –	$ –
Undistributed earnings (loss)	$ 0.15	$ (0.37)	$ 2.50
Total	$ 0.15	$ (0.37)	$ 2.50
Class B			
Distributed earnings	$ 0.27	$ 0.27	$ 0.27
Undistributed earnings (loss)	$ 0.15	$ (0.37)	$ 2.50
Total	$ 0.42	$ (0.10)	$ 2.77
Diluted			
Class A			
Distributed earnings	$ –	$ –	$ –
Undistributed earnings (loss)	$ 0.15	$ (0.37)	$ 2.46
Total	$ 0.15	$ (0.37)	$ 2.46
Class B			
Distributed earnings	$ 0.27	$ 0.27	$ 0.27
Undistributed earnings (loss)	$ 0.15	$ (0.37)	$ 2.46
Total	$ 0.42	$ (0.10)	$ 2.73

A total of 1,551,750 options to purchase shares of the Company’s Class A common stock was excluded from the calculations above for the year ended December 31, 2009, because their effects were anti-dilutive.

Fair Value Measurements

The Company measures and reports certain assets and liabilities on a fair value basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company follows FASB guidance establishing a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value.

The carrying amounts reported on the balance sheet for cash and cash equivalents, certificates of deposit, accounts receivable, prepaid expenses, accounts payable, accrued liabilities, royalties payable, advances from joint interest owners, dividends payable and other liabilities approximate their fair values, due to the short-term maturity of these instruments.

At December 31, 2010, the carrying value of $25,000,000 for the Company’s borrowings under its $150,000,000 senior secured revolving credit agreement (“Credit Agreement”) on the consolidated balance

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

sheet is approximately fair value as it is subject to short-term floating interest rates that approximate the rates available to the Company at the time.

Credit Risk

The Company uses derivative financial instruments to hedge its exposure to natural gas price volatility. These transactions expose the Company to potential credit risk from its single counterparty. Accounts receivable constitute the principal component of additional credit risk to which the Company may be exposed. The Company believes that any credit risk posed is insignificant and is offset by the credit worthiness of its customer base and industry partners.

Risks and Uncertainties

As an oil and natural gas exploration and production company focused on finding and developing its own prospects and reserves, the Company's success is highly dependent on the results of its exploration program. Exploration activities involve numerous risks, including the risk that no commercially productive oil or natural gas reserves will be discovered. In addition, there are uncertainties as to the future costs or timing of drilling, completing and producing wells. Poor results from the Company's exploration activities could limit the Company's ability to replace and grow reserves and materially and adversely affect the Company's financial position, results of operations and cash flows.

The Company does not operate properties constituting a significant portion of its oil and natural gas reserves. As a result of the Company's sale of certain assets to Chesapeake Louisiana, L.P. ("Chesapeake") in 2008, the Company does not operate its most significant natural gas asset, that being the deep rights to explore for and develop the Haynesville shale formation (underlying its existing Cotton Valley production) on the Company's Elm Grove/Caspiana leasehold in north Louisiana. Although the Company has reserved the right to participate for a proportionately reduced 25% working interest in all wells that Chesapeake drills or participates in to develop the Haynesville formation on this acreage, and although the Company has the right to propose the drilling of Haynesville wells on these properties, the Company may have limited influence on when, how and at what pace these properties are developed. This could impact the Company's ability to replace and grow reserves and materially and adversely affect the Company's financial position, results of operations and cash flows. In addition, in 2009 and 2010, the Company acquired other non-operated acreage positions in north Louisiana that it believes to be prospective for the Haynesville shale. The Company has, or will have, small, non-operated working interests in the Haynesville units including these properties, and as a result, the Company will have limited influence on when, how and at what pace these properties are developed.

Estimating oil and natural gas reserves is complex and is not exact because of the numerous uncertainties inherent in the process. The process relies on interpretations of available geological, geophysical, petrophysical, engineering and production data. The extent, quality and reliability of both the data and the associated interpretations of that data can vary. The process also requires certain economic assumptions, including, but not limited to, oil and natural gas prices, drilling and operating expenses, capital

Matador Resources Company and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

December 31, 2010, 2009 and 2008

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

expenditures and taxes. Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas most likely will vary from the Company's estimates. Any significant variance could materially and adversely affect the Company's future reserves estimates, financial position, results of operations and cash flows.

Historically, the market for oil and natural gas has experienced significant price fluctuations, and this has been particularly evident in recent years. Oil and natural gas prices are impacted by supply and demand, both domestic and international, seasonal variations caused by changing weather conditions, political conditions, governmental regulations, the availability, proximity and capacity of gathering systems for natural gas and numerous other factors. Increases or decreases in prices received could have a significant and material impact on the Company's future reserves estimates, financial position, results of operations and cash flows.

To mitigate its exposure to fluctuations in natural gas prices, the Company, from time to time, enters into hedging arrangements, typically using put and call options in the form of "costless collars," with respect to a portion of its natural gas production. Decisions as to whether and at what production volumes to hedge are difficult and depend on market conditions and the Company's forecast of future production and commodity prices, and the Company may not always employ the optimal hedging strategy. The Company currently has no hedging contracts in place with regard to any of its oil production and no hedging contracts in place beyond 2011 with regard to any of its natural gas production.

The federal, state and local governments in the areas in which the Company operates or has assets impose taxes on the oil and gas products sold, and sales and use taxes are charged on significant portions of the Company's drilling, completion and operating costs. Historically, there has been a significant amount of discussion by legislators and presidential administrations concerning a variety of energy tax proposals. U.S. President Obama has proposed sweeping changes in federal laws on the income taxation of oil and gas exploration and production companies. President Obama has proposed to eliminate allowing U.S. oil and gas companies to deduct intangible well costs as incurred and percentage depletion, among other proposals. Many states have raised state taxes on energy sources, and additional increases may occur. Changes to tax laws could materially and adversely affect the Company's future financial position, results of operations and cash flows.

Recent Accounting Pronouncements

Subsequent Events. The Company incorporates the accounting and disclosure requirements for subsequent events in its financial statements. In accordance with U.S. GAAP, new terminology was introduced recently which defines the date through which management must evaluate subsequent events and lists the circumstances under which an entity must recognize and disclose events or transactions occurring after the balance sheet date. The Company adopted this guidance at December 31, 2009.

Oil and Natural Gas Reserves Reporting Requirements. In January 2009, the SEC issued *The Modernization of Oil and Gas Reporting, Final Rule.* In January 2010, the FASB amended *Topic 932, Extractive Activities — Oil and Gas* to align with this rule. The changes are designed to modernize and

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

update the oil and gas disclosure requirements to align them with current practices and changes in technology. The new rules made a number of important changes including the following: (i) expanded the definition of oil and gas producing activities to include the extraction of saleable hydrocarbons from oil sands, shale, coalbeds, or other nonrenewable natural resources, (ii) amended the required price for estimating economic quantities for year-end reserves reporting to be the unweighted, arithmetic average of the first-day-of-the-month price for each month within the previous 12-month period, rather than the year-end price, and (iii) permitted proved reserves to be claimed beyond those development spacing areas that are immediately adjacent to developed spacing areas if it can be established with reasonable certainty that these reserves are economically producible. At December 31, 2009, the Company adopted the provisions of the new rule, and the Company has applied this new guidance for the reserves estimates at December 31, 2010 and 2009 included herein.

Derivative Financial Instruments. At December 31, 2008, the Company adopted new guidance to provide qualitative disclosures about its objectives and strategies for using derivative financial instruments and to provide a tabular presentation of quantitative information for derivatives designated as hedges, hedged items and other derivatives. This new guidance was effective for annual periods beginning after November 15, 2008. As its only requirement is to enhance disclosures, the new guidance had no material impact on the Company’s consolidated financial statements.

Fair Value. In May 2011, the FASB issued Accounting Standards Update (“ASU”) 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS* (“ASU 2011-04”). ASU 2011-04 amends Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements* (“ASC 820”), providing a consistent definition and measurement of fair value, as well as similar disclosure requirements between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles, clarifies the application of existing fair value measurements and expands the ASC 820 disclosure requirements, particularly for Level 3 fair value measurements. The adoption of ASU 2011-04 is not expected to have a material effect on the Company’s consolidated financial statements, but may require certain additional disclosures. The amendments in ASU 2011-04 are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011.

In January 2010, the FASB issued authoritative guidance to update certain disclosure requirements and added two new disclosure requirements to fair value measurements. The guidance requires a gross presentation of activities within the Level 3 roll forward and adds a new requirement to disclose details of significant transfers in and out of Level 1 and 2 measurements and the reasons for the transfers. The new disclosures are required for all companies that are required to provide disclosures about recurring and non-recurring fair value measurements and are effective for the first interim or annual reporting period beginning after December 15, 2009, except for the gross presentation of Level 3 roll forward information, which is required for annual reporting periods beginning after December 15, 2010 and for interim reporting periods within those years. The Company adopted the first portion of this guidance beginning January 1, 2010. The Company does not expect the adoption of this new guidance to have a significant impact on the Company’s financial position, results of operations or cash flows.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

In September 2006, the FASB issued authoritative guidance for using fair value to measure assets and liabilities. The guidance applies whenever other standards require or permit assets or liabilities to be measured at fair value, but it did not expand the use of fair value in any new circumstances. In February 2009, the FASB delayed the effective date by one year for non-financial assets and liabilities. The Company adopted this guidance effective January 1, 2008 and delayed guidance relating to non-financial assets and liabilities until January 1, 2009. The adoption of this guidance did not have a significant impact on the Company’s financial position, results of operations or cash flows.

In February 2007, the Company adopted the accounting guidance permitting entities to choose to measure certain financial instruments and other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Unrealized gains and losses on any items for which the fair value measurement option is elected are to be reported in the consolidated statement of operations. The Company adopted this guidance at January 1, 2008. The Company elected not to measure any eligible items using the fair value option in accordance with this guidance, and therefore, it did not have an impact on the Company’s financial position, results of operations or cash flows.

Matador Resources Company and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

December 31, 2010, 2009 and 2008

NOTE 3 — PROPERTY AND EQUIPMENT

The following table presents a summary of the Company's property and equipment balances at December 31, 2010 and 2009.

	December 31,	
	2010	2009
Oil and natural gas properties		
Evaluated (subject to amortization)	$ 255,408,993	$ 192,249,326
Unproved and unevaluated (not subject to amortization)		
Incurred in 2010	121,950,288	–
Incurred in 2009	14,267,810	21,835,909
Incurred in 2008	26,155,365	26,526,395
Incurred in 2007 and prior	10,077,986	11,452,242
Total unproved and unevaluated	172,451,449	59,814,546
Total oil and natural gas properties	427,860,442	252,063,872
Accumulated depletion	(134,700,857)	(119,643,416)
Net oil and natural gas properties	293,159,585	132,420,456
Other property and equipment		
Computer equipment	685,493	601,289
Furniture	416,095	407,723
Software	1,000,558	953,596
Other equipment	111,450	90,671
Leasehold improvements	65,899	65,899
Support equipment and facilities	11,755,515	10,355,037
Total other property and equipment	14,035,010	12,474,215
Accumulated depreciation	(3,314,129)	(2,816,541)
Net other property and equipment	10,720,881	9,657,674
Net property and equipment	$ 303,880,466	$ 142,078,130

The following table provides a breakdown of the Company's unproved and unevaluated property costs not subject to amortization at December 31, 2010 and the year in which these costs were incurred.

Description	2010	2009	2008	2007 and prior	Total
Costs incurred for					
Property acquisition	$ 86,043,632	$ 14,267,810	$ 26,155,365	$ 10,077,986	$ 136,544,793
Exploration wells	35,906,656	–	–	–	35,906,656
Development wells	–	–	–	–	–
Capitalized interest	–	–	–	–	–
Total	$ 121,950,288	$ 14,267,810	$ 26,155,365	$ 10,077,986	$ 172,451,449

NOTE 3 — PROPERTY AND EQUIPMENT — Continued

Property acquisition costs primarily include leasehold costs paid to secure oil and gas mineral leases, but may also include broker and legal expenses, geological and geophysical expenses and capitalized internal costs associated with defining oil and natural gas prospects on these properties. Property acquisition costs are transferred into the amortization base on an ongoing basis as these properties are evaluated and proved reserves are established or impairment is determined. Unproved and undeveloped properties are assessed for possible impairment on a periodic basis based upon changes in operating or economic conditions.

Property acquisition costs incurred in 2010 were primarily related to the Company's leasing activities in the Eagle Ford shale play in south Texas and the Haynesville shale play in north Louisiana. At December 31, 2010, the Company had only just begun drilling wells on its Eagle Ford shale acreage. Portions of these costs will be transferred to the amortization base periodically as the Company drills wells and assigns proved reserves to these properties or determines that certain portions of this acreage, if any, cannot be assigned proved reserves. The same is true for the Haynesville acreage acquired in 2010, although some portions of the Company's Haynesville acreage acquired in 2010 have already been assigned proved reserves and the corresponding leasehold acquisition costs have been transferred to the amortization base. The Company estimates that evaluation of most of these properties and the inclusion of their costs in the amortization base is expected to be completed within five years.

The 2009 and 2008 property acquisition costs were related primarily to the Company's leasing activities in the Haynesville shale play. These costs are associated with acreage for which proved reserves have yet to be assigned. The Company estimates that evaluation of most of these properties and the inclusion of their costs in the amortization base is expected to be completed within three to five years. Property acquisition costs incurred in 2007 and prior years were related primarily to the Company's leasing activities in southwest Wyoming, northeast Utah and southeast Idaho. The majority of the leases acquired in these areas have primary expiration terms of five to ten years and do not begin to expire until various times in 2012. At December 31, 2010, the Company was preparing to drill its first exploration well on this acreage in southwest Wyoming. The Company estimates that evaluation of most of these properties and the inclusion of their costs in the amortization base is expected to be completed within two to five years.

Costs excluded from amortization also include those costs associated with exploration and development wells in progress or awaiting completion at year-end. These costs are transferred into the amortization base on an ongoing basis, as these wells are completed and proved reserves are established or confirmed. These costs totaled $35,906,656 at December 31, 2010 and were all associated with exploration wells. The Company anticipates that the entire $35,906,656 associated with these wells in progress at December 31, 2010 will be transferred to the amortization base during 2011. At December 31, 2010, there were no well costs excluded from amortization that were incurred in years prior to 2010.

NOTE 4 — ASSET RETIREMENT OBLIGATIONS

The following table summarizes the changes in the Company's asset retirement obligations for the years ended December 31, 2010 and 2009.

	Year ended December 31,	
	2010	2009
Beginning asset retirement obligations	$ 2,551,637	$ 1,763,299
Liabilities incurred during period	847,845	199,556
Revisions in estimated cash flows	140,779	634,745
Liabilities settled during period	–	(183,310)
Accretion expense	154,756	137,347
Ending asset retirement obligations	$ 3,695,017	$ 2,551,637

NOTE 5 — ASSET SALES AND IMPAIRMENT

In December 2010, the Company wrote off the Boise South Pipeline asset in Orange County, Texas from its Longwood Gathering and Disposal Systems, LP subsidiary and recorded a net loss of $173,690. The decision to write off this asset resulted from the fact that natural gas is no longer being put through this pipeline, nor is natural gas expected to be put through this pipeline in the future. In December 2010, the Company also recorded an impairment to some of its equipment held in inventory following a determination that the current market value of the equipment, consisting primarily of drilling rig parts, was less than the cost. The carrying value of the inventory was reduced by $50,000 on the balance sheet, and a corresponding charge was recorded to the consolidated statement of operations.

In December 2009, the Company recorded an impairment to some of its equipment held in inventory following a determination that the current market value of the equipment, consisting primarily of drilling rig parts, was less than the cost. The carrying value of the inventory was reduced by $323,500 on the balance sheet, and a corresponding charge was recorded to the consolidated statement of operations. In addition, the Company recorded a loss of $55,816 on certain other equipment that was sold during 2009.

In July 2008, the Company signed an agreement with Chesapeake for the joint exploration and development of the Haynesville shale formation (underlying its existing Cotton Valley production) on the Company's Elm Grove/Caspiana leasehold in north Louisiana and received proceeds of $182,281,196. At the time of the Chesapeake transaction, the Company had no production from and no reserves assigned to the Haynesville formation. As noted previously, sales of the Company's oil and natural gas properties are typically accounted for as adjustments to net capitalized costs with no gain or loss recognized, unless such adjustments would significantly alter the relationship between net capitalized costs and proved reserves of oil and natural gas (see Note 2). In accounting for this transaction, the Company concluded that such treatment would, in fact, substantially alter the relationship between net capitalized costs and proved reserves of oil and natural gas. Further, the Company determined there were significant differences between the properties sold and those retained, and in accordance with SEC Rule 4-10(C)(6)(i), capitalized costs should be allocated on the basis of the relative fair value of the properties at the time of the sale. The Company estimated that it sold approximately one-third of the then-fair value of its oil and natural gas

NOTE 5 — ASSET SALES AND IMPAIRMENT — Continued

properties in this transaction, and corresponding adjustments were made to its net capitalized costs. The Company reported a gain on this sale of $137,021,015, which is reflected in its consolidated statement of operations for 2008.

Additionally, in November 2008, certain equipment held in inventory was sold. The Company recorded a loss of $43,585 on the sale of this inventory.

NOTE 6 — REVOLVING CREDIT AGREEMENT

In March 2008, the Company entered into the Credit Agreement with Comerica Bank as Administrative Agent, Syndication and Documentation Agent and Issuing Lender. The Credit Agreement is secured by a significant portion of the Company’s oil and natural gas producing properties and by the equity interests of all its subsidiaries. In addition, all obligations under the Credit Agreement are guaranteed by the Company’s subsidiaries. The Credit Agreement matures in March 2013.

Borrowings under the Credit Agreement are limited to the lesser of $150,000,000 or the borrowing base, which is determined by the bank semi-annually on May 1 and November 1. The Company and Comerica Bank may each request an unscheduled redetermination of the borrowing base one time during any 12-month period. The borrowing base is adjusted at the discretion of the bank and is based in part on estimates of the Company’s proved oil and natural gas reserves, but also on external factors, such as Comerica Bank’s lending policies and estimates of future oil and natural gas prices, over which the Company has no control. In the event of a borrowing base increase, the Company pays a fee to Comerica Bank equal to 0.25% of the amount of the increase. If the borrowing base were to be less than the outstanding borrowings under the Credit Agreement at any time, the Company would be required to provide additional collateral satisfactory in nature and value to Comerica Bank to increase the borrowing base to an amount sufficient to cover such excess or to repay the deficit in equal installments over a period of six months.

Borrowings under the Credit Agreement are subject to varying interest rates based on the total outstanding borrowings relative to the borrowing base and whether the loan is a Eurodollar loan or a base rate loan. Eurodollar loans bear interest at the Eurodollar rate plus the applicable margin of 1.250% to 1.875% based on the ratio of outstanding borrowings to the borrowing base. The Eurodollar rate for any interest period (one, two, three, six or twelve months as designated by the Company) is the rate equal to LIBOR, as published by Bloomberg Financial Markets Information Service or another source agreed upon by the Company and Comerica Bank, for deposits in United States dollars for a similar interest period. The base rate is the higher of the federal funds rate plus 1.0% or the annual rate of interest designated by Comerica Bank as its prime rate. A commitment fee of 0.250% to 0.375% based on the unused portion of the borrowing base is paid quarterly in arrears.

Key financial covenants under the Credit Agreement require the Company to maintain (1) a minimum current ratio (defined as total current assets plus availability under the Credit Agreement divided by total current liabilities) of 1.0 or greater at all times and (2) a debt to EBITDA ratio (defined as total debt outstanding divided by a rolling four-quarter EBITDA) of 3.75 or less at all times beginning twelve months

NOTE 6 — REVOLVING CREDIT AGREEMENT — Continued

from closing (4.00 or less until that time). Other restrictive covenants (1) prevent the Company from incurring other debt, subject to permitted exceptions, (2) prohibit the Company from declaring and paying dividends, except on its Class B common stock, and (3) limit the aggregate amount of oil and natural gas production that can be hedged pursuant to commodity hedging agreements and the maturity of those agreements. The Company was in compliance with all Comerica Bank's covenants at December 31, 2010, 2009 and 2008.

At December 31, 2009 and 2008, the borrowing base was $20,000,000. In December 2010, the Credit Agreement was amended to increase the borrowing base from $20,000,000 to $55,000,000. At December 31, 2010, the Company had $25,000,000 of outstanding borrowings under the Credit Agreement and $50,000 in letters of credit secured by the Credit Agreement. At December 31, 2010, all borrowings under the Credit Agreement were Eurodollar loans, and the interest rate on the outstanding borrowings was 1.553%. The Company had an additional $325,000 in letters of credit secured by CD's at Comerica Bank at December 31, 2010. The Company had no borrowings under the Credit Agreement at December 31, 2009 and 2008.

The Company obtained a written extension from Comerica Bank until July 15, 2011 to comply with a covenant under the Credit Agreement requiring submission of audited annual financial statements within 120 days of the prior year end and the submission of unaudited quarterly financial statements within 45 days of the prior quarter end. The Company submitted both sets of financial statements to Comerica Bank prior to this deadline.

NOTE 7 — INCOME TAXES

Deferred tax assets and liabilities are the result of temporary differences between the financial statement carrying values and the tax bases of assets and liabilities. The Company's net deferred tax position at December 31, 2010 and 2009, respectively, is as follows.

	December 31,	
	2010	2009
Deferred tax assets		
Net operating loss — federal and state	$ 21,768,007	$ 12,003,245
Federal alternative minimum tax	6,659,528	8,070,166
Total deferred tax assets	28,427,535	20,073,411
Deferred tax liabilities		
Property and equipment	(33,800,718)	(21,834,370)
Other	(1,533,074)	(213,515)
Total deferred tax liabilities	(35,333,792)	(22,047,885)
Total net deferred tax liabilities	$ (6,906,257)	$ (1,974,474)

NOTE 7 — INCOME TAXES — Continued

At December 31, 2010, the Company recorded $1,473,619 of its deferred tax liabilities as current; these liabilities were attributable to the current portion of its unrealized derivative fair value.

At December 31, 2010, the Company had net operating loss carryforwards of $59,003,700 for federal income tax purposes and $49,317,749 for state income tax purposes available to offset future taxable income, as limited by the applicable provisions, and which expire at various dates through the tax year ending December 31, 2030.

The income tax expense reconciled to the tax computed at the statutory federal rate for the years ended December 31, 2010, 2009 and 2008, respectively, is as follows.

	Year ended December 31,		
	2010	2009	2008
Current income tax provision (benefit)			
State income tax	$ 30	$ (994,504)	$ 1,048,000
Federal alternative minimum tax	(1,410,638)	(1,329,834)	9,400,000
Net current income tax provision (benefit)	(1,410,608)	(2,324,338)	10,448,000
Deferred income tax provision			
Federal tax expense at statutory rate (34%)	3,365,367	(7,941,036)	41,770,049
Statutory depletion carryover	(157,278)	(610,013)	(273,484)
Change in state rate applied	275,030	(158,638)	2,183,239
Nondeductible (additional) expense	38,026	41,857	(1,542)
Dividends received deduction	–	(262,815)	–
Federal alternative minimum tax	1,410,638	1,329,834	(9,400,000)
Change in valuation allowance	–	–	(24,702,976)
Net deferred income tax provision	4,931,783	(7,600,811)	9,575,286
Total income tax provision (benefit)	$ 3,521,175	$ (9,925,149)	$ 20,023,286

As a result of the sale of certain assets in 2008 (see Note 5) resulting in the use of a majority of the Company’s net operating loss carryforwards, the Company released the valuation allowance against its remaining deferred tax assets in the amount of $24,702,976. The Company believes it is more likely than not that future income, including income that may be generated as a result of certain tax planning strategies, together with future reversals of existing temporary tax differences, will be sufficient to fully recover the remaining deferred tax assets. Should the Company determine that all or part of its net deferred tax assets may not be realizable in the future, the Company will make an adjustment to the valuation allowance that would be charged against operations in the period such determination is made.

The Company files a United States federal income tax return and several state tax returns, a number of which remain open for examination. The tax years open for examination for the federal tax return are 2007, 2008, 2009 and 2010. The tax years open for examination by the state of Texas are 2008, 2009 and 2010. The tax years open for examination by the state of Louisiana are 2007, 2008, 2009 and 2010. At August 12,

NOTE 7 — INCOME TAXES — Continued

2011, the Company's 2007, 2008 and 2009 income and franchise tax returns are under examination by the state of Louisiana. The tax years open for examination by the state of New Mexico are 2008, 2009 and 2010. The Company has not paid any interest or penalties associated with its income taxes.

NOTE 8 — EMPLOYEE BENEFIT PLANS

Stock Options, Restricted Stock Grants and Performance Awards

The Company's Board of Directors and shareholders approved in 2003 the Matador Resources Company 2003 Stock and Incentive Plan ("Stock and Incentive Plan"). The Stock and Incentive Plan, as amended, provides that a maximum of 3,481,569 shares of Class A common stock in the aggregate may be issued pursuant to options or restricted stock grants. The persons eligible to receive awards under the Stock and Incentive Plan include employees, directors, officers, consultants or advisors of the Company.

The Stock and Incentive Plan is administered by the Board of Directors, which determines the number of option or restricted shares to be granted, the effective dates and terms of the grants, the option or restricted share price, and the vesting period. Incentive stock options become exercisable in one to four years from the grant date and expire five years or ten years after the grant date. Non-qualified options become exercisable immediately upon grant and expire five years after the grant date. In the absence of an established market for shares of the Company's common stock, the Board of Directors determines the fair market value of the Company's common stock for purposes of awards under the Stock and Incentive Plan. The Company typically uses newly issued shares of common stock to satisfy option exercises or restricted share grants.

Non-qualified stock option expense is recognized in the Company's consolidated statement of operations on the date of grant. Incentive stock option expense is recognized on a straight-line basis over the vesting period. Prior to November 22, 2010, all of the Company's outstanding stock options were classified as equity instruments, with all stock-based compensation expense measured on the date of grant and recognized over the vesting period, if any.

Prior to November 22, 2010, the fair value of stock options granted under the Stock and Incentive Plan was estimated using the following weighted average assumptions for 2010, 2009 and 2008, respectively.

	Year ended December 31,		
	2010	2009	2008
Stock option pricing model	Binomial Lattice	Binomial Lattice	Binomial Lattice
Expected option life	5.41 years	3.73 years	4.14 years
Risk-free interest rate	2.58%	2.43%	2.84%
Volatility	46.17%	52.55%	35.35%
Dividend yield	0.0%	0.0%	0.0%
Estimated forfeiture rate	11.15%	3.39%	11.39%
Weighted average fair value of options granted during the year	$3.02	$1.82	$1.76

Matador Resources Company and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED
December 31, 2010, 2009 and 2008

NOTE 8 — EMPLOYEE BENEFIT PLANS — Continued

On November 22, 2010, the Company changed its method of accounting for its outstanding stock options, reclassifying all outstanding stock options from equity to liability instruments (see Note 2). As a result, at December 31, 2010, the Company measured and recognized the fair value of the liability associated with its outstanding stock options using an estimated fair value of $11.00 per share for the Company's Class A common stock.

Summarized information about stock options outstanding under the Company's Stock and Incentive Plan is as follows.

	Number of options	Price per share	Aggregate option price	Weighted average exercise price
Options outstanding at January 1, 2008	1,669,875		$10,139,250	$ 6.07
Options granted	608,250	$10.00-13.33	6,362,500	10.46
Options exercised	(235,500)	3.33-13.33	(1,048,500)	4.45
Options forfeited	(154,875)	3.33-10.00	(1,020,750)	6.59
Options outstanding at December 31, 2008	1,887,750		$14,432,500	$ 7.65
Options granted	45,000	$ 7.50	337,500	7.50
Options exercised	(343,500)	3.33-5.00	(1,281,500)	3.73
Options forfeited	(37,500)	3.33-13.33	(360,500)	9.61
Options outstanding at December 31, 2009	1,551,750		13,128,000	8.46
Options granted	158,000	$ 9.00-11.00	1,468,000	9.29
Options exercised	(392,375)	5.00-10.00	(1,978,375)	5.04
Options forfeited or expired	(99,875)	5.00-13.33	(773,875)	7.75
Options outstanding at December 31, 2010	1,217,500		$11,843,750	$ 9.73

	Options outstanding			Options exercisable	
Range of exercise prices	Shares outstanding	Weighted average remaining contractual life	Weighted average exercise price	Shares exercisable	Weighted average exercise price
$7.50-$9.00	566,750	2.99 years	$ 8.96	347,250	$ 8.98
$10.00-$13.33	650,750	2.41 years	$ 10.40	352,500	$ 10.38

At December 31, 2010, the Company recognized a total stock-based liability of $1,250,467 resulting from the reclassification of its outstanding stock options from equity to liability instruments, including a charge to shareholders' equity of $1,086,271 and an additional (non-cash) compensation expense of $164,196. The Company recorded $1,095,014 of this stock-based liability as a current liability and $155,453 as a long-term liability.

NOTE 8 — EMPLOYEE BENEFIT PLANS — Continued

At December 31, 2010, 2009 and 2008, the total remaining unrecognized compensation expense related to unvested stock options was approximately $376,986, $807,324 and $1,162,275, respectively, and the weighted average remaining requisite service period (vesting period) of all unvested stock options was approximately 1.65, 1.93 and 2.53 years, respectively.

Non-vested stock options	Shares	Weighted average grant date fair value
Non-vested at January 1, 2010	658,125	$ 9.78
Granted	158,000	9.29
Vested	(246,750)	9.78
Forfeited	(51,625)	8.33
Non-vested at December 31, 2010	517,750	$ 9.78

The fair value of option shares vested during 2010 was $2,413,250. Total compensation (non-cash) costs for stock-based payment arrangements recognized in the Company's consolidated statement of operations were $897,737 for the year ending December 31, 2010. The tax-related benefit from the exercise of stock options totaled $779,907 for 2010.

On May 17, 2007, the Company made a restricted stock grant of 4,500 shares of Class A common stock to an employee. These shares vested according to the following schedule: 1,500 shares each on December 31, 2007, 2008 and 2009, respectively. At December 31, 2009, all 4,500 shares were vested to the employee.

On February 13, 2008, the Company made a restricted stock grant of 9,000 shares of Class A common stock to an employee. These shares vested according to the following schedule: 3,000 shares each on December 31, 2008, 2009 and 2010, respectively. At December 31, 2010, all 9,000 shares were vested to the employee.

On October 28, 2010, the Company made a restricted stock grant of 15,000 shares of Class A common stock to an employee. These shares vested or will vest according to the following schedule: 3,000 shares were fully vested upon grant and an incremental 4,000 shares will vest on each of October 28, 2011, 2012 and 2013. Should the employee cease to remain in service with the Company other than by death or disability, all unvested shares will be forfeited.

Following the closing of its transaction with Chesapeake in July 2008, the Board of Directors and/or Company management authorized the award of one-time, special cash bonuses to eligible employees in recognition of the significant increase in the Company's value achieved as a result of the transaction and as an incentive to retain these employees. The Company recorded a compensation expense of $1,660,375 related to these bonuses in 2008.

In October 2008, the Company's Board of Directors approved the adoption of the Employee Share Repurchase Program ("Repurchase Program") authorizing the Company to repurchase shares of its Class A

NOTE 8 — EMPLOYEE BENEFIT PLANS — Continued

common stock from its employees, directors and officers, subject to certain conditions and restrictions. In 2010, the Company repurchased 117,505 shares of Class A common stock at $11.00 per share from thirteen employees (including the Executive Vice President, Chief Financial Officer and Chief Operating Officer, the Executive Vice President — Operations and the Vice President — Reservoir Engineering). In 2009, the Company repurchased 114,000 shares of Class A common stock at $7.33-$7.50 per share from ten employees (including the Vice President — Reservoir Engineering and the Vice President — Geophysics and New Ventures). In 2008, the Company repurchased 26,250 shares of Class A common stock at $13.33 per share from three employees (including the Vice President — Geophysics and New Ventures). No director nor the Company’s Chairman and Chief Executive Officer has ever participated in the Repurchase Program. The Company’s Board of Directors terminated the Repurchase Program in April 2011, and the Company is no longer authorized to repurchase shares of Class A common stock from its employees, directors and officers. No shares were repurchased in 2011 prior to the termination of the Repurchase Program by the Board of Directors.

In October 2008, the Company’s Board of Directors approved the adoption of the Employee Option Exercise Loan Program (“Loan Program”), authorizing the Company to establish a loan program with a financial institution to assist its employees, directors and officers in the exercise of their outstanding options to purchase shares of Class A common stock, subject to certain conditions and restrictions outlined in the Loan Program. As part of the Loan Program, the Company provides the financial institution with a guaranty of repayment of the loan and makes deposits of funds in certificates of deposit to secure its guaranty. Notwithstanding the guaranty, these loans are full recourse obligations of each loan recipient, and each loan recipient agrees to indemnify and reimburse the Company in full for all liabilities incurred by the Company in the event of the recipient’s default on the loan. Each loan recipient also pledges all shares purchased from the Company with the loan proceeds to further secure his or her obligations to the Company in return for its guaranty. No director nor the Company’s Chairman and Chief Executive Officer has ever participated in the Loan Program.

At December 31, 2010, the Company had secured the loans of eight employees (including the Executive Vice President, Chief Financial Officer and Chief Operating Officer, the Executive Vice President — Operations and the Vice President — Reservoir Engineering) pursuant to this Loan Program in the aggregate amount of $1,326,000. The Company considers the fair value of this aggregate guaranty to be minimal and has recorded no liability provision associated with this guaranty on its consolidated balance sheets in any reporting period presented. The Company’s Board of Directors terminated the Loan Program in April 2011, and the Company is no longer authorized to provide financial guaranties for additional loans. No new loans were guaranteed in 2011 prior to the termination of the Loan Program by the Board of Directors.

401(k) Plan

Effective July 3, 2003, the Company established a defined contribution retirement plan. All full-time Company employees are eligible to join the plan the first day of the calendar month immediately following their date of employment. Each participant may contribute up to the maximum allowable under the Internal

NOTE 8 — EMPLOYEE BENEFIT PLANS — Continued

Revenue Code. Each year, the Company makes a contribution to the plan which equals 3% of the employee's annual compensation, referred to as the Employer's Safe Harbor Non-Elective Contribution. The Company's Safe Harbor match was $159,995, $140,543 and $142,779 in 2010, 2009 and 2008, respectively. In addition, each year the Company may determine and make a discretionary matching contribution as well as additional contributions. The Company's discretionary matching contributions totaled $197,504, $167,456 and $176,545 in 2010, 2009 and 2008, respectively. The Company made no additional discretionary contributions in any reporting period presented.

NOTE 9 — COMMON STOCK

Increase in Authorized Shares

On October 23, 2008, at a Special Meeting of Shareholders called for the express purpose, the Company's shareholders approved an amendment to the Articles of Incorporation of the Company increasing the number of shares of Class A common stock authorized to be issued by the Company to 80,000,000 shares having a par value of $0.01 per share.

Stock Split

The Company declared a three-for-one split of all its issued and outstanding shares of Class A and Class B common stock effective October 31, 2008. Each Class A and Class B shareholder received two new shares of Class A common stock for each share of Class A and Class B common stock held of record at October 31, 2008. All common shares and per common share amounts in the accompanying consolidated financial statements and notes have been adjusted to affect this stock split retroactively.

Dividends

The Company has issued two classes of common stock, Class A and Class B. The holders of the Class B shares are entitled to be paid cumulative dividends at a per share rate of $0.26-2/3 annually out of funds legally available for the payment of dividends. These dividends are accrued and paid quarterly. Dividends declared during 2010, 2009 and 2008 totaled $274,853 in each year. Dividends for the fourth quarter of 2010 were accrued and paid in January 2011. Dividends for the fourth quarter of 2009 and 2008 were accrued and paid in January 2010 and 2009, respectively. At December 31, 2010, the Company has not paid any dividends to holders of the Class A shares.

Stock Offerings, Retirement and Issuances

In October 2010, the Board of Directors approved and authorized the private offering and sale of additional shares of the Company's Class A common stock at $11.00 per share in the period from October 2010 through January 2011. At December 31, 2010, the Company sold 1,868,427 shares and received net proceeds of $20,536,167. In January 2011, the Company sold an additional 53,772 shares as part of this private offering and received net proceeds of $584,918. The Company also sold 11,000 shares of Class A common stock at $9.00 per share to an accredited investor and received net proceeds of $99,000 in May 2010.

NOTE 9 — COMMON STOCK — Continued

In February 2009, one of the Company's largest shareholders at the time, Gandhara Capital ("Gandhara"), a large international hedge fund, notified the Company of its need to sell its entire holdings of the Company's Class A common stock totaling 5,422,713 shares due to its plan for liquidation. The Board of Directors unanimously authorized the repurchase of all of Gandhara's outstanding shares at $5.00 per share, and Gandhara accepted this offer. In April 2009, the Company repurchased 5,422,713 shares of its Class A common stock from Gandhara for $27,113,565. These shares were effectively retired by the Company; however, this share repurchase and effective retirement did not reduce the 80,000,000 total shares authorized for issue by the Company.

Following the repurchase of these shares from Gandhara, the Board of Directors approved and authorized the Company's May 2009 private offering in which the Company sold 4,950,694 shares of Class A common stock and received net proceeds of $27,982,569. In addition to this private offering, the Company sold 23,500 shares of Class A common stock to two accredited shareholders and received net proceeds of $176,250 during 2009.

Treasury Stock

During 2010, the Company issued 6,000 shares of Class A common stock valued at $7.50-$9.00 per share from treasury stock. The Company also purchased 1,117,505 shares of Class A common stock for $9.00-$11.00 per share. These purchases included 1,000,000 shares of Class A common stock purchased from five shareholders, all advised by Wellington Management Company, in April 2010 at $9.00 per share, for a total of $9,000,000.

During 2009, the Company issued 652,126 shares of Class A common stock valued at $5.00-$7.50 per share from treasury stock. The Company also purchased 679,923 shares of Class A common stock from certain shareholders at $5.00-$7.50 per share.

During 2008, the Company issued 5,775 shares of Class A common stock valued at $13.33 per share from treasury stock. The Company also purchased 450 and 26,250 shares of Class A common stock from certain shareholders at $10.00 and $13.33 per share, respectively.

NOTE 10 — DERIVATIVE FINANCIAL INSTRUMENTS

From time to time, the Company uses derivative financial instruments to hedge its exposure to commodity price risk associated with natural gas prices. These instruments consist of put and call options in the form of costless collars. The Company records derivative financial instruments on its balance sheet as either an asset or a liability measured at fair value. The Company has elected not to apply hedge accounting for its existing derivative financial instruments. As a result, the Company recognizes the change in derivative fair value between reporting periods currently in its consolidated statement of operations as an unrealized gain or loss. The fair value of the Company's derivative financial instruments is determined based on its counterparty's valuation model, which the Company verifies for its reasonableness with an independent third-party valuation using observable, market-corroborated inputs.

Matador Resources Company and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED
December 31, 2010, 2009 and 2008

NOTE 10 — DERIVATIVE FINANCIAL INSTRUMENTS — Continued

During 2010, 2009 and 2008, the Company entered into various costless collar transactions, each with an established price floor and ceiling. For each calculation period, the specified price for determining the realized gain or loss to the Company pursuant to any of these transactions is the settlement price for the NYMEX Henry Hub natural gas futures contract for the delivery month corresponding to the calculation period's calendar month for the last day of that contract period. When the settlement price is below the price floor established by these collars, the Company receives from Comerica Bank, as counterparty, an amount equal to the difference between the settlement price and the price floor multiplied by the contract natural gas volume hedged. When the settlement price is above the price ceiling established by these collars, the Company pays to Comerica Bank, as counterparty, an amount equal to the difference between the settlement price and the price ceiling multiplied by the contract natural gas volume hedged.

At December 31, 2010, the Company had seven costless collar contracts open and in place to mitigate its exposure to natural gas price volatility, each with a specific term (calculation period), notional quantity (volume hedged) and price floor and ceiling. Each contract is set to expire at varying times during 2011. The Company has no hedging contracts in place with regard to any of its oil production, and no hedging contracts in place beyond 2011 with regard to any of its natural gas production.

The following is a summary of the Company's open costless collar contracts at December 31, 2010.

Commodity	Calculation Period	Notional Quantity (MMBtu/month)	Price Floor ($/MMBtu)	Price Ceiling ($/MMBtu)	Fair Value of Asset
Natural Gas	01/01/2010 - 12/31/2011	50,000	5.25	8.10	$ 533,839
Natural Gas	01/01/2010 - 12/31/2011	50,000	5.50	7.65	649,497
Natural Gas	01/01/2010 - 12/31/2011	50,000	5.00	8.65	420,065
Natural Gas	01/01/2010 - 12/31/2011	50,000	5.50	7.70	649,497
Natural Gas	01/01/2011 - 12/31/2011	90,000	5.50	7.85	1,172,754
Natural Gas	11/01/2010 - 03/31/2011	120,000	6.00	7.65	597,038
Natural Gas	07/01/2010 - 06/30/2011	60,000	4.50	6.55	121,721
Total					$4,144,411

Additional Disclosures about Derivative Financial Instruments

The following table summarizes the location and fair value of all derivative financial instruments recorded in the consolidated balance sheets for the periods presented. These derivative financial instruments are not designated as hedging instruments.

Type of Instrument	Location in Balance Sheet	December 31, 2010	December 31, 2009
Derivative Instrument			
Natural Gas	Current assets: Derivative instruments	$ 4,144,411	$ 1,005,685
Total		$ 4,144,411	$ 1,005,685

Matador Resources Company and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

December 31, 2010, 2009 and 2008

NOTE 10 — DERIVATIVE FINANCIAL INSTRUMENTS — Continued

The following table summarizes the location and fair value of all derivative financial instruments recorded in the consolidated statements of operations for the periods presented. These derivative financial instruments are not designated as hedging instruments.

Type of Instrument	Location in Statement of Operations	Year ended December 31, 2010	2009	2008
Derivative Instrument				
Natural Gas	Revenues: Realized gain (loss) on derivatives	$ 5,299,380	$ 7,625,120	$ (1,325,970)
	Revenues: Unrealized gain (loss) on derivatives	3,138,726	(2,374,638)	3,591,928
Total		$ 8,438,106	$ 5,250,482	$ 2,265,958

NOTE 11 — FAIR VALUE MEASUREMENTS

The Company measures and reports certain financial and non-financial assets and liabilities on a fair value basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Fair value measurements are classified and disclosed in one of the following categories.

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. Active markets are considered to be those in which transactions for the assets or liabilities occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability. This category includes those derivative instruments that are valued using observable market data. Substantially all of these inputs are observable in the marketplace throughout the full term of the derivative instrument, can be derived from observable data or supported by observable levels at which transactions are executed in the marketplace.

Level 3 Unobservable inputs that are not corroborated by market data. This category is comprised of financial and non-financial assets and liabilities whose fair value is estimated based on internally developed models or methodologies using significant inputs that are generally less readily observable from objective sources.

Financial and non-financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment, which may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

NOTE 11 — FAIR VALUE MEASUREMENTS — Continued

The following tables summarize the valuation of the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis in accordance with the classifications provided above at December 31, 2010 and 2009.

Description	Fair Value Measurements at December 31, 2010 using			
	Level 1	Level 2	Level 3	Total
Assets (Liabilities)				
Certificates of deposit	$ –	$ 2,349,313	$ –	$ 2,349,313
Natural gas derivatives	–	4,144,411	–	4,144,411
Total	$ –	$ 6,493,724	$ –	$ 6,493,724

Description	Fair Value Measurements at December 31, 2009 using			
	Level 1	Level 2	Level 3	Total
Assets (Liabilities)				
Certificates of deposit	$ –	$15,675,346	$ –	$15,675,346
Natural gas derivatives	–	1,005,685	–	1,005,685
Total	$ –	$16,681,031	$ –	$16,681,031

The Company's accounting policies for certificates of deposit and derivative financial instruments are discussed in Note 2; additional disclosures related to derivative financial instruments are provided in Note 10. For purposes of fair value measurement, the Company determined that CDs and derivative financial instruments (e.g., natural gas derivatives) should be classified at Level 2.

Effective January 1, 2009, the Company adopted the new disclosure requirements for non-financial assets and liabilities that are measured at fair value on a non-recurring basis. The Company accounts for additions to asset retirement obligations and lease and well equipment inventory at fair value on a non-recurring basis. The following tables summarize the valuation of the Company's assets and liabilities that were accounted for at fair value on a non-recurring basis at December 31, 2010 and 2009.

Description	Fair Value Measurements at December 31, 2010 using			
	Level 1	Level 2	Level 3	Total
Assets (Liabilities)				
Asset retirement obligations	$ –	$ –	$(847,845)	$(847,845)
Lease and well equipment inventory	–	–	442,500	442,500
Total	$ –	$ –	$(405,345)	$(405,345)

NOTE 11 — FAIR VALUE MEASUREMENTS — Continued

Description	Fair Value Measurements at December 31, 2009 using			
	Level 1	Level 2	Level 3	Total
Assets (Liabilities)				
Asset retirement obligations	$ –	$ –	$(199,556)	$(199,556)
Lease and well equipment inventory	–	–	492,500	492,500
Total	$ –	$ –	$(292,944)	$(292,944)

The Company’s accounting policies for asset retirement obligations are discussed in Note 2; reconciliations of the Company’s asset retirement obligations are provided in Note 4 for the periods presented. For purposes of fair value measurement, the Company determined that the additions to asset retirement obligations should be classified at Level 3. The Company recorded additions to asset retirement obligations of $847,845 and $199,556 in 2010 and 2009, respectively.

The Company’s accounting policies for lease and well equipment inventory are discussed in Note 2. For purposes of fair value measurement, the Company determined that lease and well equipment inventory should be classified at Level 3. The Company recorded an impairment to some of its equipment held in inventory, consisting primarily of drilling rig parts, of $50,000 and $323,500 in 2010 and 2009, respectively. The Company periodically obtains estimates of the market value of its drilling rig parts held in inventory from an independent third-party seller of similar equipment and uses these estimates as a basis for its measurement of the fair value of its drilling rig parts.

NOTE 12 — COMMITMENTS AND CONTINGENCIES

Office Lease

The Company’s corporate headquarters are located in 20,869 square feet of office space at One Lincoln Centre, 5400 LBJ Freeway, Suite 1500, Dallas, Texas. The office lease commencement date was September 25, 2003 with an expiration date of June 30, 2011. In December 2010, the Company agreed to a third amendment to its office lease agreement, in which the office space will be increased to 26,089 square feet and the term of the lease is extended from July 1, 2011 to June 30, 2022. The effective base rent over the term of the new lease extension is $19.75 per square foot per year.

The following is a schedule of future minimum lease payments required under the office lease agreement at December 31, 2010.

Year ending December 31,	Amount
2011	$ 207,232
2012	260,890
2013	521,780
2014	521,780
2015	534,825
Thereafter	3,827,256

NOTE 12 — COMMITMENTS AND CONTINGENCIES — Continued

Rent expense, including fees for operating expenses and consumption of electricity, was $386,092, $417,371 and $431,880 for 2010, 2009 and 2008, respectively.

Other Capital Commitments

At December 31, 2010, the Company had outstanding capital commitments to participate in the drilling and completion of 10 gross non-operated wells in the Haynesville shale in north Louisiana. The Company has a 1.9% working interest in each well. At December 31, 2010, the Company had minimum outstanding capital commitments for its participation in these wells of approximately $1.7 million, assuming that all 10 wells were subsequently drilled and completed by the operator. The Company expects these costs to be incurred in the next 12 months.

At December 31, 2010, the Company had outstanding capital commitments with a geophysical contractor for two 3D seismic acquisition projects on a portion of its Eagle Ford acreage in south Texas and with a division of Core Laboratories, LP for core analysis services. At December 31, 2010, the outstanding aggregate capital commitments for these projects were approximately $1.2 million, and the Company expects these costs to be incurred in the next 12 months.

Legal Proceedings

The Company is a defendant in four lawsuits encountered in the ordinary course of its business, none of which, in the opinion of management, will have a material adverse impact on the Company’s financial position, results of operations or cash flows. Certain of these matters are covered to an extent by insurance. In other cases, the Company believes it has a meritorious defense.

General Federal and State Regulations

Oil and natural gas exploration, production and related operations are subject to extensive federal and state laws, rules and regulations. Failure to comply with these laws, rules and regulations can result in substantial penalties. The regulatory burden on the oil and natural gas industry increases the cost of doing business and affects profitability. The Company believes that it is in compliance with currently applicable state and federal regulations. Because these rules and regulations are frequently amended or reinterpreted, however, the Company is unable to predict the future cost or impact of complying with these regulations.

Environmental Regulations

The exploration, development and production of oil and natural gas, including the operation of saltwater injection and disposal wells, are subject to various federal, state and local environmental laws and regulations. These laws and regulations can increase the costs of planning, designing, installing, and operating oil and natural gas wells. The Company’s activities are subject to a variety of environmental laws and regulations, including, but not limited to, the Oil Pollution Act of 1990, the Clean Water Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation and Recovery Act, the Clean Air Act, the Safe Drinking Water Act, and the Occupational Safety and Health

NOTE 12 — COMMITMENTS AND CONTINGENCIES — Continued

Act, as well as comparable state statutes and regulations. The Company is also subject to regulations governing the handling, transportation, storage and disposal of waste generated by its activities and of naturally occurring radioactive materials, or NORM, that may result from its oil and natural gas operations. Civil and criminal fines and penalties may be imposed for noncompliance with these environmental laws and regulations. Additionally, these laws and regulations require the acquisition of permits or other governmental authorizations before undertaking some activities, limit or prohibit other activities because of protected wetlands, areas or species, and require investigation and cleanup of pollution. The Company has no outstanding material environmental remediation liabilities and believes that it is in compliance with currently applicable environmental laws and regulations and that these laws and regulations will not have a material adverse impact on the financial position, results of operations or cash flows of the Company.

Changes in environmental laws and regulations occur frequently, however, and any changes that result in more stringent and costly waste handling, storage, transport, disposal or cleanup requirements could, and in all likelihood would, materially adversely affect the Company’s financial position, results of operations and cash flows, as well as those of the oil and natural gas industry in general. Because these rules and regulations are frequently amended or reinterpreted, the Company is unable to predict the future cost or impact of complying with these regulations. For instance, recent scientific studies have suggested that emissions of certain gases, commonly referred to as “greenhouse gases,” and including carbon dioxide and methane, may be contributing to the warming of the Earth’s atmosphere. As a result, there have been attempts to pass comprehensive greenhouse gas legislation. To date, such legislation has not been enacted. Any future federal or state laws or implementing regulations that may be adopted to address greenhouse gas emissions could, and in all likelihood would, require the Company to incur increased operating costs adversely affecting its financial position, results of operations and cash flows.

The Company’s activities involve the use of hydraulic fracturing. Recently, there has been increasing regulatory scrutiny of hydraulic fracturing, which is generally exempted from regulation as underground injection at the federal level. At the federal level and in some states, there have been efforts to place additional regulatory burdens on hydraulic fracturing activities. In addition, certain bills have been introduced in the Senate and the House of Representatives that, if adopted, could increase the possibility of litigation and establish an additional level of regulation at the federal level that could lead to operational delays or increased operating costs and could, and in all likelihood, would, result in additional regulatory burdens, making it more difficult to perform hydraulic fracturing operations and increasing the Company’s costs of compliance. At the state level, Wyoming and Texas, for example, have enacted requirements for the disclosure of the composition of the fluids used in hydraulic fracturing. On June 17, 2011, Texas signed into law a mandate for public disclosure of the chemicals that operators use during hydraulic fracturing in Texas. The law goes into effect September 1, 2011. State regulators have until 2013 to complete implementing rules. In addition, at least three local governments in Texas have imposed temporary moratoria on drilling permits within city limits so that local ordinances may be reviewed to assess their adequacy to address hydraulic fracturing activities. Additional burdens on hydraulic fracturing, such as reporting requirements or permitting requirements for hydraulic fracturing activities, could, and in all likelihood would, result in additional expense and delay the Company’s operations adversely affecting its financial position, results of operations and cash flows.

NOTE 12 — COMMITMENTS AND CONTINGENCIES — Continued

Oil and natural gas exploration and production, operations and other activities have been conducted at some of the Company’s properties by previous owners and operators. Materials from these operations remain on some of the properties, and, in some instances, require remediation. In addition, the Company occasionally must agree to indemnify sellers of producing properties the Company acquires against some or all of the liability for environmental claims associated with these properties. While the Company does not believe that the costs it incurs for compliance with environmental regulations and remediating previously or currently owned or operated properties will be material, the Company cannot provide assurances that these costs will not result in material expenditures that adversely affect its financial position, results of operations and cash flows.

The Company maintains insurance against some, but not all, potential risks and losses associated with the oil and natural gas industry and operations. The Company does not carry business interruption insurance. For some risks, the Company may not obtain insurance if it believes the cost of available insurance is excessive relative to the risks presented. In addition, pollution and environmental risks generally are not fully insurable. If a significant accident or other event occurs and is not fully covered by insurance, it could, and in all likelihood would, materially adversely affect the Company’s financial position, results of operations and cash flows.

NOTE 13 — MAJOR CUSTOMERS

For the year ended December 31, 2010, the Company had three significant purchasers that each accounted for more than 10% of its total oil and natural gas revenues: Chesapeake Operating, Inc. (42%), Regency Gas Services LP (17%) and Petrohawk Energy Corporation (11%). For the year ended December 31, 2009, the Company had three significant purchasers that each accounted for more than 10% of its total oil and natural gas revenues: Chesapeake Operating, Inc. (32%), Regency Gas Services LP (25%) and J-W Operating Company (17%). For the year ended December 31, 2008, the Company had two significant purchasers that each accounted for more than 10% of its total oil and natural gas revenues: Regency Gas Services LP (45%) and J-W Operating Company (24%). Due to the nature of the markets for oil and natural gas, the Company does not believe that the loss of any one purchaser would have a material adverse impact on the Company’s financial position, results of operations or cash flows.

For the years ended December 31, 2010 and 2009, the Company had one industry partner that accounted for approximately 93% and 94%, respectively, of its accounts receivable: Goodrich Petroleum Corporation.

NOTE 14 — SUPPLEMENTAL DISCLOSURES

Accrued Liabilities

The following table summarizes the Company’s current accrued liabilities at December 31, 2010 and 2009.

	December 31,	
	2010	2009
Accrued evaluated and unproved and unevaluated property costs	$ 12,119,475	$ 3,932,500
Accrued support equipment and facilities costs	40,145	4,875
Accrued cost to issue equity	359,175	–
Accrued stock-based compensation	1,095,014	–
Other	1,044,737	1,269,069
Total accrued liabilities	$ 14,658,546	$ 5,206,444

Supplemental Cash Flow Information

The following table provides supplemental disclosures of cash flow information for the years ended December 31, 2010, 2009 and 2008.

	Year ended December 31,		
	2010	2009	2008
Cash (refunded) paid for income taxes	$ (2,155,517)	$ (1,235,672)	$ 10,400,000
Asset retirement obligations related to mineral properties	862,238	642,836	435,089
Asset retirement obligations related to support equipment and facilities	126,386	8,155	158,756
Increase/(decrease) in liabilities for oil and natural gas properties capital expenditures	15,530,871	(2,470,798)	(5,155,186)
Increase in liabilities for support equipment and facilities	39,657	–	–
Issuance of treasury stock for Board and advisor services	47,250	29,375	77,000
Increase in liabilities for accrued cost to issue equity	359,174	–	–
Stock-based compensation expense recognized as liability	164,188	–	–
Transfer of inventory to oil and natural gas properties	353,395	–	–

NOTE 15 — TRANSACTIONS WITH RELATED PARTIES

In January 2007, the Company entered into a joint venture with Marlan Downey and Julie Downey Garvin of Roxanna Oil Company (“Roxanna”) to assemble acreage for and to market a new gas shale prospect in southwest Wyoming, northeast Utah and southeast Idaho. Mr. Downey is a special advisor to the Company’s Board of Directors and a shareholder in the Company. Ms. Garvin is President of Roxanna, which is also a shareholder in Matador. Mr. Downey and Ms. Garvin developed the prospect concept independently and sought the Company’s expertise in assembling a large acreage position across the prospect. To date, the Company has assembled over 140,000 acres across the prospect at a total cost of

NOTE 15 — TRANSACTIONS WITH RELATED PARTIES — Continued

approximately $9,300,000. The Company actively marketed this prospect in conjunction with Mr. Downey and Ms. Garvin. In May 2010, the Company, Roxanna and its subsidiary, Roxanna Rocky Mountains, LLC, entered into participation and joint operating agreements with an industry partner for the joint exploration and development of this opportunity. Under these agreements, Roxanna Rocky Mountains, LLC reserves a 2.5% overriding royalty interest in the leases and has the opportunity to earn up to a 10% working interest in all wells drilled. The industry partner has a 50% working interest in the project, and the Company retains a working interest equal to the difference between 50% and the working interest participation elected by Roxanna Rocky Mountains, LLC. The Company, as operator, began drilling the initial test well for this prospect located in Lincoln County, Wyoming in February 2011.

On April 15, 2008, Joseph Wm. Foran, the Company’s Chairman of the Board and Chief Executive Officer, made a partial assignment to the Company of his rights, title and interest in and to oil and gas leases in lands located in southeast New Mexico, being specifically an undivided 29.222591% working interest in a 40-acre tract (approximately 12 net acres). Prior to this assignment, Mr. Foran had received a proposal from Samson Resources Company (“Samson”) requesting an assignment of this same undeveloped working interest in the subject lands in return for a substantial cash consideration and with Mr. Foran retaining a 12.5% overriding royalty interest proportionally reduced. Mr. Foran offered the Company the opportunity to acquire this interest on terms more favorable to the Company than he was offered by Samson. Following review of this opportunity, the Company’s technical staff and management (excluding Mr. Foran) recommended pursuing an assignment of these leasehold interests from Mr. Foran. With the full approval of the Company’s management and Board of Directors (excluding Mr. Foran), Mr. Foran assigned to the Company a 29.222591% working interest in the subject lands for no cash consideration, while retaining a proportionately reduced 12.5% overriding royalty interest as to the Company’s assigned working interest and a 4% working interest for his own account. Subsequent to this transaction, one well was drilled and completed as an oil producer by Samson, and both the Company and Mr. Foran participated in the drilling and completion of this well in accordance with their respective working interests.

NOTE 16 — SUPPLEMENTAL OIL AND NATURAL GAS DISCLOSURES (Unaudited)

Costs Incurred

The following table summarizes costs incurred and capitalized by the Company in the acquisition, exploration, and development of oil and natural gas properties for the years ended December 31, 2010, 2009 and 2008.

	Year ended December 31,		
	2010	2009	2008
Property acquisition costs			
Proved	$ –	$ –	$ –
Unproved and unevaluated	100,730,019	24,803,480	30,508,649
Exploration costs	60,718,511	21,386,885	43,888,609
Development costs	14,348,040	6,225,511	25,001,284
Total costs incurred	$ 175,796,570	$ 52,415,876	$ 99,398,542

NOTE 16 — SUPPLEMENTAL OIL AND NATURAL GAS DISCLOSURES (Unaudited) — Continued

Property acquisition costs are costs incurred to purchase, lease or otherwise acquire oil and natural gas properties, including both unproved and unevaluated leasehold and purchases of reserves in place. For the years ended December 31, 2010, 2009 and 2008, respectively, almost all of the Company's property acquisition costs resulted from the acquisition of unproved and unevaluated leasehold positions.

Exploration costs are costs incurred in identifying areas of these oil and gas properties that may warrant further examination and in examining specific areas that are considered to have prospects of containing oil and natural gas, including costs of drilling exploratory wells, geological and geophysical costs, and costs of carrying and retaining unproved and unevaluated properties. Exploration costs may be incurred before or after acquiring the related oil and natural gas properties.

Development costs are costs incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering and storing oil and natural gas. Development costs include the costs of preparing well locations for drilling, drilling and equipping development wells and related service wells (e.g., salt water disposal wells), and acquiring, constructing and installing production facilities.

Costs incurred also include new asset retirement obligations established, as well as changes to asset retirement obligations resulting from revisions in cost estimates or abandonment dates. Asset retirement obligations included in the table above were $988,624, $650,991 and $593,845 for the years ended December 31, 2010, 2009 and 2008, respectively. Capitalized general and administrative expenses that are directly related to acquisition, exploration and development activities are also included in the table above. The Company capitalized $1,604,682, $1,642,868 and $1,679,992 of these internal costs in 2010, 2009 and 2008, respectively.

Oil and Natural Gas Operating Results

The following table provides the results of operations from oil and gas producing activities, excluding corporate overhead and interest costs, for the years ended December 31, 2010, 2009 and 2008.

	Year ended December 31,		
	2010	2009	2008
Oil and natural gas revenues	$ 34,041,607	$ 19,038,514	$ 30,645,065
Production taxes and marketing expenses	1,981,550	1,077,145	1,639,198
Lease operating expenses	5,284,362	4,725,022	4,666,591
Depletion, depreciation and amortization	15,423,044	10,510,769	11,786,399
Full-cost ceiling impairment	–	25,243,738	22,195,127
Net operating income (loss)	11,352,651	(22,518,160)	(9,642,250)
Income tax provision (benefit)	4,037,877	(8,006,782)	(3,428,495)
Results of oil and natural gas operations	$ 7,314,774	$ (14,511,378)	$ (6,213,755)
Depletion, depreciation and amortization per MMcfe	$ 1.79	$ 2.10	$ 3.56

NOTE 16 — SUPPLEMENTAL OIL AND NATURAL GAS DISCLOSURES (Unaudited) — Continued

Oil and Natural Gas Reserves

Proved reserves are estimated quantities of oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs using existing economic and operating conditions. Estimating oil and natural gas reserves is complex and is not exact because of the numerous uncertainties inherent in the process. The process relies on interpretations of available geological, geophysical, petrophysical, engineering and production data. The extent, quality and reliability of both the data and the associated interpretations of that data can vary. The process also requires certain economic assumptions, including, but not limited to, oil and natural gas prices, drilling and operating expenses, capital expenditures and taxes. Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas most likely will vary from the Company's estimates.

Oil and natural gas reserves are estimated using then-current operating and economic conditions, with no provision for price and cost escalations in future periods except by contractual arrangements. In January 2009, the SEC issued *The Modernization of Oil and Gas Reporting*, *Final Rule* and in January 2010, the FASB amended *Topic 932*, *Extractive Activities — Oil and Gas* to align with this rule. As a result, beginning December 31, 2009, the commodity prices used to estimate oil and natural gas reserves are based on unweighted, arithmetic averages of first-day-of-the-month oil and natural gas prices for the previous 12-month period. For the period January through December 2010, these average oil and natural gas prices were $75.96 per barrel and $4.376 per MMBtu (million British thermal units), respectively. For the period January through December 2009, these average oil and natural gas prices were $57.65 per barrel and $3.866 per MMBtu, respectively. Prior to 2009, SEC guidelines for estimating and reporting oil and natural gas reserves required using commodity prices at the last day of the year. For 2008, these year-end oil and natural gas prices were $41.00 per barrel and $5.71 per MMBtu, respectively.

The Company's oil and natural gas reserves estimates are prepared by the Company's engineering staff in accordance with guidelines established by the SEC and then audited for their reasonableness and conformance with SEC guidelines and generally accepted petroleum engineering and evaluation principles by independent outside petroleum engineers. For the year ended December 31, 2008, these reserves estimates were audited by LaRoche Petroleum Consultants, Ltd. For the years ended December 31, 2009 and 2010, the Company's reserves estimates were audited by Netherland, Sewell & Associates, Inc.

The Company's net ownership in estimated quantities of proved oil and natural gas reserves and changes in net proved reserves are summarized as follows. All of the Company's oil and natural gas reserves are attributable to properties located in the United States. The estimated reserves shown below are for proved reserves only and do not include any value for unproved reserves classified as probable or possible reserves that might exist for these properties, nor do they include any consideration that could be attributed to interests in unevaluated acreage beyond those tracts for which reserves have been estimated. In the tables presented throughout this section, oil is converted to gas equivalent using the ratio of one barrel of oil, condensate or natural gas liquids to 6 Mcf (thousand standard cubic feet) of natural gas.

Matador Resources Company and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

December 31, 2010, 2009 and 2008

NOTE 16 — SUPPLEMENTAL OIL AND NATURAL GAS DISCLOSURES (Unaudited) — Continued

	Net Proved Reserves		
	Oil (Mbbl)	Gas (MMcf)	Gas Equivalent (MMcfe)
Proved Developed and Proved Undeveloped Reserves			
Total at December 31, 2007	136	33,280	34,098
Revisions of prior estimates	12	(17,492)	(17,426)
Extensions and discoveries	20	6,493	6,614
Production	(37)	(3,085)	(3,307)
Total at December 31, 2008	131	19,196	19,979
Revisions of prior estimates	(13)	(811)	(883)
Extensions and discoveries	15	50,367	50,454
Production	(30)	(4,823)	(5,002)
Total at December 31, 2009	103	63,929	64,548
Revisions of prior estimates	66	874	1,265
Extensions and discoveries	16	71,009	71,107
Production	(33)	(8,400)	(8,597)
Total at December 31, 2010	152	127,412	128,323
Proved Developed Reserves			
December 31, 2007	129	14,271	15,042
December 31, 2008	131	19,196	19,979
December 31, 2009	103	25,369	25,988
December 31, 2010	152	43,143	44,054
Proved Undeveloped Reserves			
December 31, 2007	7	19,009	19,056
December 31, 2008	–	–	–
December 31, 2009	–	38,560	38,560
December 31, 2010	–	84,269	84,269

The following is a discussion of the changes in the Company's proved oil and natural gas reserves estimates for the years ended December 31, 2010, 2009 and 2008.

The Company's proved oil and natural gas reserves increased to 128.3 Bcfe at December 31, 2010 from 64.5 Bcfe at December 31, 2009. The Company increased its proved oil and natural gas reserves by 72.4 Bcfe and produced 8.6 Bcfe during the year ended December 31, 2010, resulting in a net gain of 63.8 Bcfe. A total of 71.1 Bcfe of the increase in proved oil and gas reserves was a result of extensions and discoveries during the year, almost all of which was attributable to drilling operations in the Haynesville shale play in north Louisiana. A total of 1.3 Bcfe of the increase in proved oil and natural gas reserves was attributable to revisions of previous estimates, representing the net impact of small changes in prior estimates of proved reserves on a well-by-well basis. The Company's proved developed oil and natural gas

NOTE 16 — SUPPLEMENTAL OIL AND NATURAL GAS DISCLOSURES (Unaudited) — Continued

reserves increased to 44.1 Bcfe at December 31, 2010 from 26.0 Bcfe at December 31, 2009, primarily due to proved developed reserves added as a result of drilling operations in the Haynesville shale play. At December 31, 2010, the Company's proved reserves were made up of approximately 99% natural gas and 1% oil.

The Company's proved oil and natural gas reserves increased to 64.5 Bcfe at December 31, 2009 from 20.0 Bcfe at December 31, 2008. The Company increased its proved oil and natural gas reserves by 49.5 Bcfe and produced 5.0 Bcfe during the year ended December 31, 2009, resulting in a net gain of 44.5 Bcfe. The Company added 50.4 Bcfe in proved oil and natural gas reserves as a result of extensions and discoveries during the year, almost all of which was attributable to drilling operations in the Haynesville shale play in north Louisiana. The Company's oil and natural gas reserves decreased by 0.9 Bcfe during the year as a result of revisions to previous estimates, representing the net impact of small changes in prior estimates of proved reserves on a well-by-well basis. The Company's proved developed oil and natural gas reserves increased to 26.0 Bcfe at December 31, 2009 from 20.0 Bcfe at December 31, 2008, primarily due to proved developed reserves added as a result of drilling operations in the Haynesville shale play. At December 31, 2009, the Company's proved reserves were made up of approximately 99% natural gas and 1% oil.

The Company's proved oil and natural gas reserves decreased to 20.0 Bcfe at December 31, 2008 from 34.1 Bcfe at December 31, 2007. The Company produced 3.3 Bcfe during the year and added 6.6 Bcfe in proved oil and natural gas reserves as a result of extensions and discoveries, almost all of which was attributable to drilling operations in the Cotton Valley play in north Louisiana. The Company's oil and natural gas reserves decreased by 17.4 Bcfe during the year due to revisions of previous estimates, primarily attributable to a sharp decline in natural gas prices during the latter half of 2008, causing the Company to remove all proved undeveloped reserves (primarily in the Cotton Valley play) from its total proved reserves estimates. The Company's proved developed oil and natural gas reserves increased to 20.0 Bcfe at December 31, 2008 from 14.3 Bcfe at December 31, 2007, primarily due to proved developed reserves added as a result of drilling operations in the Cotton Valley play. At December 31, 2008, the Company's proved reserves were made up of approximately 96% natural gas and 4% oil.

Standardized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to Proved Oil and Natural Gas Reserves

The standardized measure of discounted future net cash flows relating to proved oil and natural gas reserves is not intended to provide an estimate of the replacement cost or fair market value of the Company's oil and natural gas properties. An estimate of fair market value would also take into account, among other things, the recovery of reserves not presently classified as proved, anticipated future changes in prices and costs, potential improvements in industry technology and operating practices, the risks inherent in reserves estimates and perhaps different discount rates.

As noted previously, for the period January through December 2010, average oil and natural gas prices were $75.96 per barrel and $4.376 per MMBtu (million British thermal units), respectively. For the period January through December 2009, average oil and natural gas prices were $57.65 per barrel and $3.866 per

NOTE 16 — SUPPLEMENTAL OIL AND NATURAL GAS DISCLOSURES (Unaudited) — Continued

MMBtu, respectively. Prior to 2009, SEC guidelines for estimating and reporting oil and natural gas reserves required using commodity prices at the last day of the year. For 2008, year-end oil and natural gas prices were $41.00 per barrel and $5.71 per MMBtu, respectively.

Future net cash flows were computed by applying these oil and natural gas prices, adjusted for all associated transportation costs, gravity and energy content, and regional price differentials, to year-end quantities of proved oil and natural gas reserves and accounting for any future production and development costs associated with producing these reserves; neither prices nor costs were escalated with time in these computations.

Future income taxes were computed by applying the statutory tax rate to the excess of future net cash flows relating to proved oil and natural gas reserves less the tax basis of the associated properties. Tax credits and net operating loss carryforwards available to the Company were also considered in the computation of future income taxes. Future net cash flows after income taxes were discounted using a 10% annual discount rate to derive the standardized measure of discounted future net cash flows.

The following table presents the standardized measure of discounted future net cash flows relating to proved oil and natural gas reserves (in thousands) for the years ended December 31, 2010, 2009 and 2008.

	Year ended December 31,		
	2010	2009	2008
Future cash inflows	$ 470,386	$219,410	$113,940
Future production costs	(107,183)	(55,513)	(37,871)
Future development costs	(107,277)	(35,788)	(3,330)
Future income tax expense	(35,352)	(15,805)	(3,406)
Future net cash flows	220,574	112,304	69,333
10% annual discount for estimated timing of cash flows	(109,497)	(47,243)	(26,079)
Standardized measure of discounted future net cash flows	$ 111,077	$ 65,061	$ 43,254

Matador Resources Company and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

December 31, 2010, 2009 and 2008

NOTE 16 — SUPPLEMENTAL OIL AND NATURAL GAS DISCLOSURES (Unaudited) — Continued

The following table summarizes the changes in the standardized measure of discounted future net cash flows relating to proved oil and natural gas reserves (in thousands) for the years ended December 31, 2010, 2009 and 2008.

	Year ended December 31,		
	2010	2009	2008
Balance, beginning of period	$ 65,061	$ 43,254	$ 53,934
Net changes in sales and transfer prices and in production (lifting) costs related to future production	7,632	(10,433)	(18,682)
Changes in estimated future development costs	(36,821)	(17,502)	40,902
Sales and transfers of oil and gas produced during the period	(26,776)	(13,236)	(24,339)
Net change due to extensions and discoveries	94,265	70,361	15,257
Net change due to purchase of minerals in place	–	–	–
Net changes due to revisions in estimates of reserves quantities	1,676	(1,232)	(40,197)
Previously estimated development costs incurred during the period	7,125	(590)	9,108
Accretion of discount	7,036	4,317	5,621
Other	1,035	(3,068)	3,713
Net change in income taxes	(9,156)	(6,810)	(2,063)
Standardized measure of discounted future net cash flows	$111,077	$ 65,061	$ 43,254

NOTE 17 — SUBSEQUENT EVENTS

Subsequent events have been evaluated by the Company through August 12, 2011, the date the financial statements were available to be issued.

In January 2011, the Company sold 53,772 shares of Class A common stock at $11.00 per share and received net proceeds of $584,918 in conclusion of its October 2010 through January 2011 private offering (see Note 9).

Between January and July 2011, the Company committed to participate in 36 gross (approximately 1.1 net) non-operated wells in the Haynesville shale in north Louisiana. The Company has working interests ranging from 0.2% to 18.7% in these wells, and most of these wells are already in progress. The Company’s minimum outstanding capital commitments for its participation in these non-operated Haynesville wells are approximately $3.2 million, assuming that all these wells are drilled and completed by the operators.

In May and July 2011, the Company entered into two drilling rig contracts to explore and develop its Eagle Ford acreage in south Texas. The Company expects the first rig will begin drilling operations on its acreage in August 2011, with the second rig beginning drilling operations on its acreage in October 2011. Both contracts are for a term of six months. Should the Company elect to terminate both contracts prior to initiating drilling operations, and if the drilling contractor were unable to secure work for both rigs prior to the end of their respective contract terms, the Company would incur an aggregate termination obligation of approximately $5.5 million.

NOTE 17 — SUBSEQUENT EVENTS — Continued

In May 2011, the Company entered into three additional costless collar transactions to mitigate its risks associated with fluctuations in natural gas prices. The following table summarizes these natural gas hedging contracts.

Commodity	Calculation Period	Notional Quantity (MMBtu/ month)	Price Floor ($/MMBtu)	Price Ceiling ($/MMBtu)
Natural Gas	07/01/2011 - 12/31/2012	300,000	4.50	5.60
Natural Gas	07/01/2011 - 07/31/2013	150,000	4.50	5.75
Natural Gas	01/01/2012 - 12/31/2012	150,000	4.25	6.17

Between March and July 2011, the Company acquired leasehold interests in approximately 6,274 gross and 4,802 net acres in Karnes, DeWitt, Wilson and Gonzales Counties, Texas. This acreage is prospective for the Eagle Ford shale, an emerging oil and natural gas play in south Texas. The Company paid approximately $31.5 million in cash and agreed to additional drilling and completion incentives to the seller in the form of back-in interests and future participation rights to acquire this acreage.

In May 2011, the Company amended and restated its Credit Agreement with Comerica Bank. This amendment increased the borrowing base under the Credit Agreement from $55,000,000 to $80,000,000 and amended the debt to EBITDA ratio (defined as total debt outstanding divided by a rolling four-quarter EBITDA) to 4.00 or less at all times. Under the amended and restated Credit Agreement, the Company also entered into a term loan for $25,000,000 with a maturity date of December 31, 2011. Proceeds from the term loan were used in partial payment of the acreage acquisition described above; the remaining funds required for the acreage acquisition were provided under the borrowing base. The term loan bears interest at LIBOR plus 5.00%, and while the term loan is outstanding, the Company's other borrowings under the Credit Agreement bear interest at the maximum rate of LIBOR plus 1.875%. At August 12, 2011, including the term loan, the Company had $85,000,000 of outstanding borrowings under the Credit Agreement and $375,000 in letters of credit secured by the Credit Agreement. All borrowings under the Credit Agreement are Eurodollar loans. The term loan bears interest at approximately 5.3%, and the other borrowings bear interest at approximately 2.1%.

In June 2011, the Company awarded bonuses to certain of its current employees, but not including any of its executive officers, in the aggregate amount of $1,240,000. These bonuses will be payable in a lump sum to each of these employees in June 2014, provided each continues to remain an employee in good standing with the Company at that time.

Matador Resources Company and Subsidiaries

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011

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Matador Resources Company and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2011	December 31, 2010
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 9,923,081	$ 21,059,519
Certificates of deposit	2,084,313	2,349,313
Accounts receivable		
Oil and natural gas revenues	9,504,755	6,514,122
Joint interest billings	2,048,976	2,042,999
Other	3,666,236	3,091,372
Derivative instruments	2,808,026	4,144,411
Lease and well equipment inventory	1,737,393	1,423,197
Prepaid expenses	1,509,973	1,876,358
Total current assets	33,282,753	42,501,291
Property and equipment, at cost		
Oil and natural gas properties, full-cost method		
Evaluated	330,621,075	255,408,993
Unproved and unevaluated	174,077,321	172,451,449
Other property and equipment	15,715,575	14,035,010
Less accumulated depletion, depreciation and amortization	(188,978,261)	(138,014,986)
Net property and equipment	331,435,710	303,880,466
Total assets	$ 364,718,463	$ 346,381,757
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 1,929,520	$ 12,166,938
Accrued liabilities	8,623,389	14,658,546
Royalties payable	2,625,387	982,270
Advances from joint interest owners	–	722,843
Deferred income taxes	–	1,473,619
Borrowings under Credit Agreement	25,000,000	–
Dividends payable — Class B	68,713	68,713
Other liabilities	125,000	23,577
Total current liabilities	38,372,009	30,096,506
Long-term liabilities		
Borrowings under Credit Agreement	60,000,000	25,000,000
Asset retirement obligations	3,785,780	3,695,017
Deferred income taxes	–	5,432,638
Other long-term liabilities	118,039	280,453
Total long-term liabilities	63,903,819	34,408,108
Commitments and contingencies (Note 8)		
Shareholders' equity		
Common stock — Class A, $0.01 par value, 80,000,000 shares authorized; 42,893,148 and 42,749,820 shares issued; and 41,713,973 and 41,570,645 shares outstanding, respectively	428,931	427,498
Common stock — Class B, $0.01 par value, 2,000,000 shares authorized; 1,030,700 shares issued and outstanding	10,307	10,307
Additional paid-in capital	264,486,570	263,341,642
Retained earnings	8,281,649	28,862,518
Treasury stock, at cost, 1,179,175 shares	(10,764,822)	(10,764,822)
Total shareholders' equity	262,442,635	281,877,143
Total liabilities and shareholders' equity	$ 364,718,463	$ 346,381,757

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

Matador Resources Company and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenues				
Oil and natural gas revenues	$ 20,863,572	$ 7,537,345	$ 34,562,150	$ 16,727,418
Realized gain on derivatives	952,450	1,514,400	2,802,200	1,815,960
Unrealized gain (loss) on derivatives	331,730	(2,821,705)	(1,336,385)	3,271,750
Total revenues	22,147,752	6,230,040	36,027,965	21,815,128
Expenses				
Production taxes and marketing	1,653,799	552,482	2,953,356	819,806
Lease operating	1,969,017	1,083,076	3,574,109	2,415,112
Depletion, depreciation and amortization	8,178,966	3,701,795	15,290,177	7,063,630
Accretion of asset retirement obligations	57,074	30,155	96,294	67,955
Full-cost ceiling impairment	–	–	35,673,098	–
General and administrative	3,093,453	2,487,951	5,712,044	4,519,675
Total expenses	14,952,309	7,855,459	63,299,078	14,886,178
Operating income (loss)	7,195,443	(1,625,419)	(27,271,113)	6,928,950
Other income (expense)				
Interest and other income	94,498	126,037	165,597	221,727
Interest expense	(183,354)	–	(289,819)	–
Total other (expense) income	(88,856)	126,037	(124,222)	221,727
Income (loss) before income taxes	7,106,587	(1,499,382)	(27,395,335)	7,150,677
Income tax (benefit) provision				
Current	(45,636)	–	(45,636)	–
Deferred	–	(515,597)	(6,906,257)	2,458,925
Total income tax (benefit) provision	(45,636)	(515,597)	(6,951,893)	2,458,925
Net income (loss)	$ 7,152,223	$ (983,785)	$ (20,443,442)	$ 4,691,752
Earnings (loss) per common share				
Basic				
Class A	$ 0.17	$ (0.03)	$ (0.48)	$ 0.11
Class B	$ 0.23	$ 0.03	$ (0.35)	$ 0.24
Diluted				
Class A	$ 0.17	$ (0.03)	$ (0.48)	$ 0.11
Class B	$ 0.23	$ 0.03	$ (0.35)	$ 0.24
Weighted average common shares outstanding				
Basic				
Class A	41,667,384	39,605,203	41,645,984	39,994,483
Class B	1,030,700	1,030,700	1,030,700	1,030,700
Total	42,698,084	40,635,903	42,676,684	41,025,183
Diluted				
Class A	41,781,881	39,605,203	41,645,984	40,063,626
Class B	1,030,700	1,030,700	1,030,700	1,030,700
Total	42,812,581	40,635,903	42,676,684	41,094,326

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

Matador Resources Company and Subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)

For the six months ended June 30, 2011

	Common stock				Additional		Treasury stock		
	Class A		Class B		paid-in	Retained			
	Shares	Amount	Shares	Amount	capital	earnings	Shares	Amount	Total
Balance at January 1, 2011	42,749,820	$ 427,498	1,030,700	$ 10,307	$ 263,341,642	$ 28,862,518	(1,179,175)	$ (10,764,822)	$ 281,877,143
Issuance of Class A common stock	53,772	538	–	–	590,954	–	–	–	591,492
Additional cost to issue equity	–	–	–	–	(466,156)	–	–	–	(466,156)
Issuance of Class A common stock to Board members and advisors	9,000	90	–	–	98,910	–	–	–	99,000
Stock options granted	–	–	–	–	175,019	–	–	–	175,019
Stock options exercised	80,556	805	–	–	724,199	–	–	–	725,004
Restricted stock vested	–	–	–	–	22,002	–	–	–	22,002
Class B dividends declared	–	–	–	–	–	(137,427)	–	–	(137,427)
Current period net loss	–	–	–	–	–	(20,443,442)	–	–	(20,443,442)
Balance at June 30, 2011	42,893,148	$ 428,931	1,030,700	$ 10,307	$ 264,486,570	$ 8,281,649	(1,179,175)	$ (10,764,822)	$ 262,442,635

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

Matador Resources Company and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended June 30,	
	2011	2010
Operating activities		
Net (loss) income	$ (20,443,442)	$ 4,691,752
Adjustments to reconcile net (loss) income to net cash provided by operating activities		
Unrealized loss (gain) on derivatives	1,336,385	(3,271,750)
Depletion, depreciation and amortization	15,290,177	7,063,630
Accretion of asset retirement obligations	96,294	67,955
Full-cost ceiling impairment	35,673,098	–
Stock option and grant expense	158,977	333,600
Restricted stock grants	22,002	13,500
Deferred income tax (benefit) provision	(6,906,257)	2,458,925
Changes in operating assets and liabilities		
Accounts receivable	(3,526,458)	3,410,313
Lease and well equipment inventory	(784)	(2,262)
Prepaid expenses	366,385	(1,537,131)
Accounts payable, accrued liabilities and other liabilities	(3,330,567)	19,342,535
Royalties payable	1,643,117	177,565
Advances from joint interest owners	(722,843)	1,000,000
Other long-term liabilities	(125,000)	(23,577)
Net cash provided by operating activities	19,531,084	33,725,055
Investing activities		
Oil and natural gas properties capital expenditures	(89,631,842)	(68,294,955)
Expenditures for other property and equipment	(1,722,212)	(887,284)
Purchases of certificates of deposit	(2,663,000)	(3,739,000)
Sales of certificates of deposit	2,928,000	9,094,468
Net cash used in investing activities	(91,089,054)	(63,826,771)
Financing activities		
Borrowings under Credit Agreement	60,000,000	–
Proceeds from issuance of common stock	591,492	99,000
Cost to issue equity	(757,537)	–
Proceeds from stock options exercised	725,004	773,125
Payment of dividends — Class B	(137,427)	(137,427)
Issuance of treasury stock	–	–
Purchase of treasury stock	–	(9,000,000)
Net cash provided by (used in) financing activities	60,421,532	(8,265,302)
Decrease in cash and cash equivalents	(11,136,438)	(38,367,018)
Cash and cash equivalents at beginning of period	21,059,519	104,229,709
Cash and cash equivalents at end of period	$ 9,923,081	$ 65,862,691

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

NOTE 1 — NATURE OF OPERATIONS

Matador Resources Company (“Matador” or “Company”) is an independent energy company engaged in the exploration, development, acquisition and production of oil and natural gas resources in the United States, with a particular emphasis on oil and natural gas shale plays and other unconventional resources. Matador’s current operations are located primarily in the Haynesville shale play in north Louisiana and east Texas and the Eagle Ford shale play in south Texas; these plays are key elements of the Company’s growth strategy. In addition to these primary operating areas, Matador has significant acreage positions in southeast New Mexico and west Texas and in southwest Wyoming and adjacent areas in Utah and Idaho where the Company continues to identify new oil and natural gas prospects.

On November 22, 2010, Matador Resources Company formed a wholly-owned subsidiary, Matador Holdco, Inc. Pursuant to the terms of the corporate reorganization that was completed on August 9, 2011, Matador Resources Company changed its corporate name to MRC Energy Company and Matador Holdco, Inc. changed its corporate name to Matador Resources Company. As a part of this reorganization, MRC Energy Company became a wholly owned subsidiary of Matador Resources Company.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim Financial Statements, Basis of Presentation, Consolidation and Significant Estimates

The accompanying unaudited condensed consolidated financial statements of Matador and its subsidiaries have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”), but do not include all of the information and footnotes required for complete financial statements. All intercompany accounts and transactions have been eliminated in consolidation. In management’s opinion, these interim unaudited condensed consolidated financial statements include all adjustments of a normal recurring nature necessary for a fair presentation of the Company’s consolidated financial position as of June 30, 2011, consolidated results of operations for the three and six months ended June 30, 2011 and 2010, consolidated shareholders’ equity for the six months ended June 30, 2011 and consolidated cash flows for the six months ended June 30, 2011 and 2010.

Accounting measurements at interim dates inherently involve greater reliance on estimates than at year end and the results for the interim periods shown in this report are not necessarily indicative of results to be expected for the full year due in part to volatility in oil and natural gas prices, global economic and financial market conditions, interest rates, access to sources of liquidity, estimates of reserves, drilling risks, geological risks, transportation restrictions, oil and natural gas supply and demand, market competition and interruptions of production. These interim unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto for the year ended December 31, 2010.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates and assumptions may also affect disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

period. The Company's consolidated financial statements are based on a number of significant estimates, including accruals for oil and natural gas revenues, accrued assets and liabilities primarily related to oil and natural gas operations, stock-based compensation, valuation of derivative instruments and oil and natural gas reserves. The estimates of oil and natural gas reserves quantities and future net cash flows are the basis for the calculations of depletion and impairment of oil and natural gas properties, as well as estimates of asset retirement obligations and certain tax accruals. While the Company believes its estimates are reasonable, changes in facts and assumptions or the discovery of new information may result in revised estimates. Actual results could differ from these estimates.

Property and Equipment

The Company uses the full-cost method of accounting for its investments in oil and natural gas properties. Under this method of accounting, all costs associated with the acquisition, exploration and development of oil and natural gas properties and reserves, including unproved and unevaluated property costs, are capitalized as incurred and accumulated in a single cost center representing the Company's activities, which are undertaken exclusively in the United States Such costs include lease acquisition costs, geological and geophysical expenditures, lease rentals on undeveloped properties, costs of drilling both productive and non-productive wells, capitalized interest on qualifying projects and general and administrative expenses directly related to exploration and development activities, but do not include any costs related to production, selling or general corporate administrative activities. The Company capitalized $898,855 of its general and administrative costs for the six months ended June 30, 2011 and $1,604,682 of these costs for the year ended December 31, 2010. The Company capitalized $268,937 of its interest expense for the six months ended June 30, 2011.

The net capitalized costs of oil and natural gas properties are limited to the lower of unamortized costs less related deferred income taxes or the cost center ceiling, with any excess above the cost center ceiling charged to operations as a full-cost ceiling impairment. The cost center ceiling is defined as the sum of (a) the present value discounted at 10 percent of future net revenues of proved oil and natural gas reserves, plus (b) unproved and unevaluated property costs not being amortized, plus (c) the lower of cost or estimated fair value of unproved and unevaluated properties included in the costs being amortized, if any, less (d) income tax effects related to differences between the book and tax basis of the properties involved. Future net revenues from proved non-producing and proved undeveloped reserves are reduced by the estimated costs of developing these reserves. The fair value of the Company's derivative instruments is not included in the ceiling test computation as the Company does not designate these instruments as hedge instruments for accounting purposes.

The estimated present value of after-tax future net cash flows from proved oil and natural gas reserves is highly dependent on the commodity prices used in these estimates. These estimates are determined in accordance with guidelines established by the Securities and Exchange Commission ("SEC") for estimating and reporting oil and natural gas reserves. Under these guidelines, oil and natural gas reserves are estimated using then-current operating and economic conditions, with no provision for price and cost escalations in future periods except by contractual arrangements.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

Beginning December 31, 2009, the commodity prices used to estimate oil and natural gas reserves are based on unweighted, arithmetic averages of first-day-of-the-month oil and natural gas prices for the previous 12-month period. For the period July 1, 2010 through June 30, 2011, these average oil and natural gas prices were $86.60 per barrel and $4.209 per MMBtu (million British thermal units), respectively. In estimating the present value of after-tax future net cash flows from proved oil and natural gas reserves, the average oil prices were adjusted by property for quality, transportation fees and regional price differentials, and the average natural gas prices were adjusted by property for energy content, transportation fees and regional price differentials. At June 30, 2011, the Company's oil and natural gas reserves estimates were prepared by the Company's engineering staff in accordance with guidelines established by the SEC and then audited for their reasonableness and conformance with SEC guidelines by Netherland, Sewell & Associates, Inc., independent petroleum engineers.

Using the average commodity prices, as adjusted, to determine the Company's estimated proved oil and natural gas reserves at June 30, 2011, the Company's net capitalized costs did not exceed the cost center ceiling. As a result, the Company recorded no impairment to its net capitalized costs and no corresponding charge to its consolidated statement of operations for the three months ended June 30, 2011. At March 31, 2011, the Company's net capitalized costs exceeded the cost center ceiling by $22,989,866. The Company recorded an impairment charge of $35,673,098 to its net capitalized costs and a deferred income tax credit of $12,683,232 related to the cost center ceiling limitation at March 31, 2011. These charges are reflected in the Company's unaudited condensed consolidated statement of operations for the six months ended June 30, 2011. The Company recorded no impairment to its net capitalized costs and no corresponding charge to its unaudited condensed consolidated statement of operations for the three and six months ended June 30, 2010. Changes in oil and natural gas production rates, reserves estimates, future development costs and other factors will determine the Company's actual ceiling test computation and impairment analyses in future periods.

As a non-cash item, the full-cost ceiling impairment impacts the accumulated depletion and the net carrying value of the Company's assets on its balance sheet, as well as the corresponding shareholders' equity, but it has no impact on the Company's net cash flows as reported.

Capitalized costs of oil and natural gas properties are amortized using the unit-of-production method based upon production and estimates of proved reserves quantities. Unproved and unevaluated property costs excluded from the amortization base used to determine depletion. Unproved and unevaluated properties are assessed for possible impairment on a periodic basis based upon changes in operating or economic conditions. This assessment includes consideration of the following factors, among others: the assignment of proved reserves, geological and geophysical evaluations, intent to drill, remaining lease term, and drilling activity and results. Upon impairment, the costs of the unproved and unevaluated properties are immediately included in the amortization base. Dry holes are included in the amortization base immediately upon determination that the well is not productive.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

Income Taxes

The Company files a United States federal income tax return and several state tax returns, a number of which remain open for examination. The tax years open for examination for the federal tax return are 2007, 2008, 2009 and 2010. The tax years open for examination by the state of Texas are 2008, 2009 and 2010. The tax years open for examination by the state of New Mexico are 2008, 2009 and 2010. The tax years open for examination by the state of Louisiana are 2007, 2008, 2009 and 2010. As of November 14, 2011, the Company's 2007, 2008 and 2009 income and franchise tax returns are under examination by the state of Louisiana. The Company has received preliminary findings from the state of Louisiana and does not currently believe that any final assessment will be significant.

The Company accounts for income taxes using the asset and liability approach for financial accounting and reporting. The Company evaluates the probability of realizing the future benefits of its deferred tax assets and provides a valuation allowance for the portion of any deferred tax assets where the likelihood of realizing an income tax benefit in the future does not meet the more likely than not criteria for recognition.

As noted previously, the Company recorded an impairment charge of $22,989,866 to its net capitalized costs, net of a deferred income tax credit of $12,683,232 related to the full-cost ceiling limitation at March 31, 2011. This deferred income tax credit exceeded the Company's deferred tax liabilities at March 31, 2011. As a result, the Company established a valuation allowance as of March 31, 2011 and retains a valuation allowance in the amount of $2,809,419 as of June 30, 2011 due to uncertainties regarding the future realization of its deferred tax assets. The Company will continue to assess the valuation allowance on a periodic basis and to the extent the Company determines that the allowance is no longer required, the tax benefit of the remaining deferred tax assets will be recognized in the future.

The Company had a net loss for the six months ended June 30, 2011 and its effective tax rate for the six months ended June 30, 2010 was 34.39%. Total income tax expense for the six months ended June 30, 2011 and 2010 differed from the amounts computed by applying the U.S. statutory tax rates to income before income taxes due primarily to state taxes and the impact of permanent differences between book and taxable income.

Earnings Per Common Share

The Company reports basic earnings per common share, which excludes the effect of potentially dilutive securities, and diluted earnings per common share, which includes the effect of all potentially dilutive securities, unless their impact is anti-dilutive.

The Company has issued two classes of common stock, Class A and Class B. The holders of the Class B shares are entitled to be paid cumulative dividends at a per share rate of $0.26-2/3 annually out of funds legally available for the payment of dividends. These dividends are accrued and paid quarterly. Dividends declared during the three and six months ended June 30, 2011 and 2010 totaled $68,713 and $137,427, respectively, in each period. As of June 30, 2011, the Company has not paid any dividends to holders of the Class A shares.

Matador Resources Company and Subsidiaries

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

June 30, 2011

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

The following are reconciliations of the numerators and denominators used to compute the Company’s basic and diluted distributed and undistributed earnings (loss) per common share as reported for the three and six months ended June 30, 2011 and 2010.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net income (loss) — numerator				
Net income (loss)	$ 7,152,223	$ (983,785)	$(20,443,442)	$ 4,691,752
Less dividends to Class B shareholders — distributed earnings	(68,714)	(68,714)	(137,427)	(137,427)
Undistributed earnings (loss)	$ 7,083,509	$ (1,052,499)	$(20,580,869)	$ 4,554,325
Weighted average common shares outstanding — denominator				
Basic				
Class A	41,667,384	39,605,203	41,645,984	39,994,483
Class B	1,030,700	1,030,700	1,030,700	1,030,700
Total	42,698,084	40,635,903	42,676,684	41,025,183
Diluted				
Class A				
Weighted average common shares outstanding for basic earnings per share	41,667,384	39,605,203	41,645,984	39,994,483
Dilutive effect of options	114,497	–	–	69,143
Class A weighted average common shares outstanding — diluted	41,781,881	39,605,203	41,645,984	40,063,626
Class B				
Weighted average common shares outstanding — no associated dilutive shares	1,030,700	1,030,700	1,030,700	1,030,700
Total diluted weighted average common shares outstanding	42,812,581	40,635,903	42,676,684	41,094,326

Matador Resources Company and Subsidiaries

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

June 30, 2011

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Earnings (loss) per common share				
Basic				
Class A				
Distributed earnings	$ –	$ –	$ –	$ –
Undistributed earnings (loss)	$ 0.17	$ (0.03)	$ (0.48)	$ 0.11
Total	$ 0.17	$ (0.03)	$ (0.48)	$ 0.11
Class B				
Distributed earnings	$ 0.06	$ 0.06	$ 0.13	$ 0.13
Undistributed earnings (loss)	$ 0.17	$ (0.03)	$ (0.48)	$ 0.11
Total	$ 0.23	$ 0.03	$ (0.35)	$ 0.24
Diluted				
Class A				
Distributed earnings	$ –	$ –	$ –	$ –
Undistributed earnings (loss)	$ 0.17	$ (0.03)	$ (0.48)	$ 0.11
Total	$ 0.17	$ (0.03)	$ (0.48)	$ 0.11
Class B				
Distributed earnings	$ 0.06	$ 0.06	$ 0.13	$ 0.13
Undistributed earnings (loss)	$ 0.17	$ (0.03)	$ (0.48)	$ 0.11
Total	$ 0.23	$ 0.03	$ (0.35)	$ 0.24

A total of 1,076,000 options to purchase shares of the Company's Class A common stock were excluded from the calculations above for the six months ended June 30, 2011 because their effects were anti-dilutive. These options were included in the calculations above for the three months ended June 30, 2011.

Fair Value Measurements

The Company measures and reports certain assets and liabilities on a fair value basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company follows Financial Accounting Standards Board ("FASB") guidance establishing a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value.

The carrying amounts reported on the unaudited condensed consolidated balance sheet for cash and cash equivalents, certificates of deposit, accounts receivable, prepaid expenses, accounts payable, accrued

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

liabilities, royalties payable, advances from joint interest owners, dividends payable and other liabilities approximate their fair values, due to the short-term maturity of these instruments.

At June 30, 2011, the carrying value of $85,000,000 for the Company's borrowings (both current and long-term liabilities) under its $150,000,000 senior secured revolving credit agreement (the "Credit Agreement") on the unaudited condensed consolidated balance sheet is approximately fair value as it is subject to short-term floating interest rates that approximate the rates available to the Company at the time.

Recent Accounting Pronouncements

Fair Value. In May 2011, the FASB issued Accounting Standards Update ("ASU") 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS* ("ASU 2011-04"). ASU 2011-04 amends Accounting Standards Codification ("ASC") 820, *Fair Value Measurements* ("ASC 820"), providing a consistent definition and measurement of fair value, as well as similar disclosure requirements between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles, clarifies the application of existing fair value measurements and expands the ASC 820 disclosure requirements, particularly for Level 3 fair value measurements. The adoption of ASU 2011-04 is not expected to have a material effect on the Company's consolidated financial statements, but may require certain additional disclosures. The amendments in ASU 2011-04 are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011.

NOTE 3 — ASSET RETIREMENT OBLIGATIONS

The following table summarizes the changes in the Company's asset retirement obligations for the six months ended June 30, 2011.

Beginning asset retirement obligations	$ 3,695,017
Liabilities incurred during period	77,276
Liabilities settled during period	(82,807)
Accretion expense	96,294
Ending asset retirement obligations	$ 3,785,780

NOTE 4 — REVOLVING CREDIT AGREEMENT

In March 2008, the Company entered into the Credit Agreement with Comerica Bank as Administrative Agent, Syndication and Documentation Agent and Issuing Lender. The Credit Agreement is secured by a significant portion of the Company's oil and natural gas producing properties and by the equity interests of all its subsidiaries. In addition, all obligations under the Credit Agreement are guaranteed by the Company's subsidiaries. The Credit Agreement matures in March 2013.

NOTE 4 — REVOLVING CREDIT AGREEMENT — Continued

Borrowings under the Credit Agreement are limited to the lesser of $150,000,000 or the borrowing base, which is determined by Comerica Bank semi-annually on May 1 and November 1. At June 30, 2011, the borrowing base was $80,000,000. The Company and Comerica Bank may each request an unscheduled redetermination of the borrowing base one time during any 12-month period. The borrowing base is adjusted at the discretion of Comerica Bank and is based in part on estimates of the Company's proved oil and natural gas reserves, but also on external factors, such as Comerica Bank's lending policies and estimates of future oil and natural gas prices, over which the Company has no control. In the event of a borrowing base increase, the Company pays a fee to Comerica Bank equal to 0.25% of the amount of the increase. If the borrowing base were to be less than the outstanding borrowings under the Credit Agreement at any time, the Company would be required to provide additional collateral satisfactory in nature and value to Comerica Bank to increase the borrowing base to an amount sufficient to cover such excess or to repay the deficit in equal installments over a period of six months.

Borrowings under the Credit Agreement are subject to varying interest rates based on the total outstanding borrowings relative to the borrowing base and whether the loan is a Eurodollar loan or a base rate loan. Eurodollar loans bear interest at the Eurodollar rate plus the applicable margin of 1.250% to 1.875% based on the ratio of outstanding borrowings to the borrowing base. The Eurodollar rate for any interest period (one, two, three, six or twelve months as designated by the Company) is the rate equal to LIBOR, as published by Bloomberg Financial Markets Information Service or another source agreed upon by the Company and Comerica Bank, for deposits in United States dollars for a similar interest period. The base rate is the higher of the federal funds rate plus 1.0% or the annual rate of interest designated by Comerica Bank as its prime rate. A commitment fee of 0.250% to 0.375% based on the unused portion of the borrowing base is paid quarterly in arrears.

In May 2011, the Company amended and restated the Credit Agreement with Comerica Bank. This amendment increased the borrowing base under the Credit Agreement from $55,000,000 to $80,000,000 and amended the maximum leverage ratio (defined as total debt outstanding divided by a rolling four-quarter EBITDA) to 4.00 or less at all times. Under the amended and restated Credit Agreement, the Company also entered into a term loan for $25,000,000 with a maturity date of December 31, 2011. The term loan bears interest at LIBOR plus 5.00%, and while the term loan is outstanding, the Company's other borrowings under the Credit Agreement bear interest at the maximum rate of LIBOR plus 1.875%.

Key financial covenants under the Credit Agreement require the Company to maintain (1) a minimum current ratio (defined as total current assets plus availability under the Credit Agreement divided by total current liabilities) of 1.0 or greater at all times and (2) a maximum leverage ratio (defined as total debt outstanding divided by a rolling four-quarter EBITDA) of 4.00 or less at all times. Other restrictive covenants (1) prevent the Company from incurring other debt, subject to permitted exceptions, (2) prohibit the Company from declaring and paying dividends, except on its Class B common stock, and (3) limit the aggregate amount of oil and natural gas production that can be hedged pursuant to commodity hedging agreements and the maturity of those agreements. The Company was in compliance with all of Comerica Bank's covenants as of June 30, 2011 and December 31, 2010.

NOTE 4 — REVOLVING CREDIT AGREEMENT — Continued

The Company obtained a written extension from Comerica Bank until July 15, 2011 to comply with a covenant under the Credit Agreement requiring submission of audited annual financial statements within 120 days of the prior year end. The Company submitted its 2010 audited financial statements to Comerica Bank prior to this July 15, 2011 deadline.

As of June 30, 2011, including the term loan, the Company had $85,000,000 of outstanding borrowings under the Credit Agreement (both current and long-term liabilities) and $375,000 in letters of credit secured by the Credit Agreement. All borrowings under the Credit Agreement were Eurodollar loans. The term loan bears interest at approximately 5.3% and the other borrowings bear interest at approximately 2.1%.

NOTE 5 — COMMON STOCK

In October 2010, the Board of Directors approved and authorized the private offering and sale of additional shares of the Company’s Class A common stock at $11.00 per share in the period from October 2010 through January 2011. As of December 31, 2010, the Company sold 1,868,427 shares and received net proceeds of $20,536,167. In January 2011, the Company sold an additional 53,772 shares as part of this offering and received net proceeds of $584,918.

NOTE 6 — DERIVATIVE FINANCIAL INSTRUMENTS

From time to time, the Company uses derivative financial instruments to hedge its exposure to commodity price risk associated with natural gas prices. These instruments consist of put and call options in the form of costless collars. The Company records derivative financial instruments on its balance sheet as either an asset or a liability measured at fair value. The Company has elected not to apply hedge accounting for its existing derivative financial instruments. As a result, the Company recognizes the change in derivative fair value between reporting periods currently in its consolidated statement of operations as an unrealized gain or loss. The fair value of the Company’s derivative financial instruments is determined for interim periods based on its counterparty’s valuation model. The Company verifies its counterparty’s valuation model annually for its reasonableness with an independent third-party valuation using observable, market-corroborated inputs.

The Company has entered into various costless collar transactions to mitigate its exposure to natural gas price volatility, each with an established price floor and ceiling. For each calculation period, the specified price for determining the realized gain or loss to the Company pursuant to any of these transactions is the settlement price for the NYMEX Henry Hub natural gas futures contract for the delivery month corresponding to the calculation period’s calendar month for the last day of that contract period. When the settlement price is below the price floor established by these collars, the Company receives from Comerica Bank, as counterparty, an amount equal to the difference between the settlement price and the price floor multiplied by the contract natural gas volume hedged. When the settlement price is above the price ceiling established by these collars, the Company pays to Comerica Bank, as counterparty, an amount

NOTE 6 — DERIVATIVE FINANCIAL INSTRUMENTS — Continued

equal to the difference between the settlement price and the price ceiling multiplied by the contract natural gas volume hedged. These transactions expose the Company to potential credit risk from its single counterparty, Comerica Bank; however, the Company believes that any credit risk posed is insignificant and is offset by the credit worthiness of Comerica Bank.

At June 30, 2011, the Company had eight costless collar contracts open and in place, each with a specific term (calculation period), notional quantity (volume hedged) and price floor and ceiling. Each contract is set to expire at varying times during 2011, 2012 and 2013. The Company has no hedging contracts in place with regard to any of its oil production.

The following table presents the fair value of the Company's open costless collar contracts at June 30, 2011.

Commodity	Calculation Period	Notional Quantity (MMBtu/ month)	Price Floor ($/MMBtu)	Price Ceiling ($/MMBtu)	June 30, 2011 Fair Value of Asset
Natural Gas	01/01/2010 - 12/31/2011	50,000	5.25	8.10	$ 255,246
Natural Gas	01/01/2010 - 12/31/2011	50,000	5.50	7.65	322,667
Natural Gas	01/01/2010 - 12/31/2011	50,000	5.00	8.65	191,255
Natural Gas	01/01/2010 - 12/31/2011	50,000	5.50	7.70	322,703
Natural Gas	01/01/2011 - 12/31/2011	90,000	5.50	7.85	581,030
Natural Gas	07/01/2011 - 12/31/2012	300,000	4.50	5.60	677,273
Natural Gas	07/01/2011 - 07/13/2013	150,000	4.50	5.75	316,358
Natural Gas	01/01/2012 - 12/31/2012	150,000	4.25	6.17	141,494
Total					$2,808,026

Additional Disclosures about Derivative Financial Instruments

The following table summarizes the location and fair value of all derivative financial instruments recorded in the consolidated balance sheets for the periods presented. These derivative financial instruments are not designated as hedging instruments.

Type of Instrument	Location in Balance Sheet	June 30, 2011	December 31, 2010
Derivative Instrument			
Natural Gas	Current assets: Derivative instruments	$ 2,808,026	$ 4,144,411
Total		$ 2,808,026	$ 4,144,411

Matador Resources Company and Subsidiaries

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

June 30, 2011

NOTE 6 — DERIVATIVE FINANCIAL INSTRUMENTS — Continued

The following table summarizes the location and fair value of all derivative financial instruments recorded in the consolidated statements of operations for the periods presented. These derivative financial instruments are not designated as hedging instruments.

		Three Months Ended June 30,		Six Months Ended June 30,	
Type of Instrument	Location in Statement of Operations	2011	2010	2011	2010
Derivative Instrument					
Natural Gas	Revenues: Realized gain on derivatives	$ 952,450	$ 1,514,400	$ 2,802,200	$ 1,815,960
	Revenues: Unrealized gain (loss) on derivatives	331,730	(2,821,705)	(1,336,385)	3,271,750
Total		$ 1,284,180	$ (1,307,305)	$ 1,465,815	$ 5,087,710

NOTE 7 — FAIR VALUE MEASUREMENTS

The Company measures and reports certain financial and non-financial assets and liabilities on a fair value basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Fair value measurements are classified and disclosed in one of the following categories.

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. Active markets are considered to be those in which transactions for the assets or liabilities occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability. This category includes those derivative instruments that are valued using observable market data. Substantially all of these inputs are observable in the marketplace throughout the full term of the derivative instrument, can be derived from observable data or supported by observable levels at which transactions are executed in the marketplace.

Level 3 Unobservable inputs that are not corroborated by market data. This category is comprised of financial and non-financial assets and liabilities whose fair value is estimated based on internally developed models or methodologies using significant inputs that are generally less readily observable from objective sources.

NOTE 7 — FAIR VALUE MEASUREMENTS — Continued

Financial and non-financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment, which may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

The following tables summarize the valuation of the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis in accordance with the classifications provided above as of June 30, 2011 and December 31, 2010.

Description	Fair Value Measurements at June 30, 2011 using			
	Level 1	Level 2	Level 3	Total
Assets (Liabilities)				
Certificates of deposit	$ –	$2,084,313	$ –	$2,084,313
Derivative instruments	–	2,808,026	–	2,808,026
Total	$ –	$4,892,339	$ –	$4,892,339

Description	Fair Value Measurements at December 31, 2010 using			
	Level 1	Level 2	Level 3	Total
Assets (Liabilities)				
Certificates of deposit	$ –	$2,349,313	$ –	$2,349,313
Derivative instruments	–	4,144,411	–	4,144,411
Total	$ –	$6,493,724	$ –	$6,493,724

Additional disclosures related to derivative financial instruments are provided in Note 6. For purposes of fair value measurement, the Company determined that certificates of deposit and derivative financial instruments (e.g., natural gas derivatives) should be classified at Level 2.

NOTE 7 — FAIR VALUE MEASUREMENTS — Continued

The Company accounts for additions to asset retirement obligations and lease and well equipment inventory at fair value on a non-recurring basis. The following tables summarize the valuation of the Company's assets and liabilities that were accounted for at fair value on a non-recurring basis for the periods ended June 30, 2011 and December 31, 2010.

Description	Fair Value Measurements for the period ended June 30, 2011 using			
	Level 1	Level 2	Level 3	Total
Assets (Liabilities)				
Asset retirement obligations	$ –	$ –	$ (77,276)	$ (77,276)
Total	$ –	$ –	$ (77,276)	$ (77,276)

Description	Fair Value Measurements for the period ended December 31, 2010 using			
	Level 1	Level 2	Level 3	Total
Assets (Liabilities)				
Asset retirement obligations	$ –	$ –	$(847,845)	$(847,845)
Lease and well equipment inventory	–	–	442,500	442,500
Total	$ –	$ –	$(405,345)	$(405,345)

For purposes of fair value measurement, the Company determined that the additions to asset retirement obligations should be classified at Level 3. The Company recorded additions to asset retirement obligations of $77,276 for the six months ended June 30, 2011 and $847,845 for the year ended December 31, 2010, respectively.

For purposes of fair value measurement, the Company determined that lease and well equipment inventory should be classified at Level 3. The Company recorded an impairment to some of its equipment held in inventory, consisting primarily of drilling rig parts, of $50,000 in 2010. The Company periodically obtains estimates of the market value of its drilling rig parts held in inventory from an independent third-party seller of similar equipment and uses these estimates as a basis for its measurement of the fair value of its drilling rig parts.

NOTE 8 — COMMITMENTS AND CONTINGENCIES

Office Lease

The Company's corporate headquarters are located in 20,869 square feet of office space at One Lincoln Centre, 5400 LBJ Freeway, Suite 1500, Dallas, Texas. The office lease commencement date was September 25, 2003 with an expiration date of June 30, 2011. In April 2011, the Company agreed to a restated third amendment to its office lease agreement, in which the office space will be increased to 28,743 square feet and the term of the lease is extended from July 1, 2011 to June 30, 2022. The effective base rate over the term of the new lease is $19.75 per square foot per year. The base rate escalates several times during the course of the lease, specifically in July 2015, July 2017, July 2019 and July 2020.

NOTE 8 — COMMITMENTS AND CONTINGENCIES — Continued

Other Capital Commitments

At June 30, 2011, the Company had outstanding capital commitments to participate in the drilling and completion of 46 gross (approximately 1.3 net) non-operated wells in the Haynesville shale in north Louisiana. The Company has working interests ranging from 0.05% to 18.7% in these wells, and most of these wells are already in progress. The Company's minimum outstanding capital commitments at June 30, 2011 for its participation in these non-operated Haynesville wells are approximately $4.0 million.

At June 30, 2011, the Company had outstanding capital commitments with a geophysical contractor for two 3D seismic acquisition projects on a portion of its Eagle Ford acreage in south Texas and with a division of Core Laboratories, LP for core analysis services. At June 30, 2011, the outstanding aggregate capital commitments for these projects were approximately $404,000.

In June 2011, the Company awarded bonuses to certain of its current employees, but not including any of its executive officers, in the aggregate amount of $1,240,000. These bonuses will be payable in a lump sum to each of these employees in June 2014, provided each continues to remain an employee in good standing with the Company at that time.

In May 2011, the Company entered into a contract for a drilling rig to explore and develop its acreage in south Texas. The Company expects this rig to begin drilling operations on its acreage in September 2011. This contract is for a term of six months. Should the Company elect to terminate this contract prior to initiating drilling operations, and if the drilling contractor were unable to secure work for this rig prior to the end of the contract term, the Company would incur an aggregate termination obligation of approximately $2.7 million.

Loan Program

As of June 30, 2011, the Company has guaranteed the loans of eight employees (including the Executive Vice President, Chief Financial Officer and Chief Operating Officer, the Executive Vice President — Operations and the Vice President — Reservoir Engineering) with a financial institution pursuant to its Employee Option Exercise Loan Program ("Loan Program") in the aggregate amount of $1,326,000. The Company considers the fair value of this aggregate guaranty to be minimal and has recorded no liability provision associated with this guaranty on its consolidated balance sheets in any reporting period presented. The Company's Board of Directors terminated the Loan Program in April 2011, and the Company is no longer authorized to provide financial guaranties for additional loans. No new loans were guaranteed in 2011 prior to the termination of the Loan Program by the Board of Directors. No director nor the Company's Chairman and Chief Executive Officer has ever participated in the Loan Program.

Legal Proceedings

The Company is a defendant in five lawsuits encountered in the ordinary course of its business, none of which, in the opinion of management, will have a material adverse impact on the Company's financial position, results of operations or cash flows. Certain of these matters are covered to an extent by insurance. In other cases, the Company believes it has a meritorious defense.

Matador Resources Company and Subsidiaries

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

June 30, 2011

NOTE 9 — SUPPLEMENTAL DISCLOSURES

Accrued Liabilities

The following table summarizes the Company’s current accrued liabilities at June 30, 2011 and December 31, 2010.

	June 30, 2011	December 31, 2010
Accrued evaluated and unproved and unevaluated property costs	$ 3,890,812	$ 12,119,475
Accrued support equipment and facilities costs	110,535	40,145
Accrued cost to issue equity	67,795	359,175
Accrued stock-based compensation	1,017,386	1,095,014
Accrued lease operating expenses	1,127,551	428,481
Accrued interest on bank borrowings	236,264	3,235
Other	2,173,046	613,021
Total accrued liabilities	$ 8,623,389	$ 14,658,546

Supplemental Cash Flow Information

The following table provides supplemental disclosures of cash flow information for the six months ended June 30, 2011 and 2010.

	Six Months Ended June 30,	
	2011	2010
Asset retirement obligations related to mineral properties	$ (22,349)	$ 41,146
Asset retirement obligations related to support equipment and facilities	16,818	22,421
Decreases/increases in liabilities for oil and natural gas properties capital expenditures	(12,586,982)	2,987,608
Increases in liabilities for support equipment and facilities	70,391	–
Increases in accounts receivable for oil and natural gas properties capital expenditures	45,016	–
Issuance of common stock and treasury stock for Board and advisor services	99,000	126,000
Decreases in liabilities for accrued cost to issue equity	(291,381)	–
Stock-based compensation expense recognized as liability	115,042	–
Transfer of costs to support equipment and facilities from oil and natural gas properties capital expenditures	128,856	–
Transfer of inventory from oil and natural gas properties	(313,412)	–
Interest paid, net of capitalized interest	36,541	–

Matador Resources Company and Subsidiaries

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

June 30, 2011

NOTE 10 — SUBSEQUENT EVENTS

Subsequent events have been evaluated by the Company through November 14, 2011, the date the interim unaudited condensed consolidated financial statements were available to be issued.

Between March and July 2011, the Company acquired approximately 6,274 gross and 4,802 net acres in Karnes, DeWitt, Wilson and Gonzales Counties, Texas. This acreage is prospective for the Eagle Ford shale, an emerging oil and natural gas play in south Texas. To acquire this acreage, the Company paid a total of approximately $31.5 million in cash and agreed to additional drilling and completion incentives to the seller in the form of back-in interests and future participation rights. Although approximately $28.7 million of these costs were incurred prior to June 30, 2011, approximately $2.8 million of these costs were incurred in July 2011 to conclude the acquisition.

In July 2011, the Company entered into a contract for a second drilling rig to explore and develop its Eagle Ford acreage in south Texas. The Company expects this rig to begin drilling operations on its acreage in October 2011. This contract is for a term of six months. Should the Company elect to terminate this contract prior to initiating drilling operations, and if the drilling contractor were unable to secure work for this rig prior to the end of the contract term, the Company would incur an aggregate termination obligation of approximately $2.8 million.

On August 12, 2011, the Company filed a Form S-1 Registration Statement under the Securities Act of 1933 with the SEC to commence the initial public offering of its common stock. The Company’s common stock will not be sold to the public and the Company will not be a public company until the SEC declares the Registration Statement effective and the Company’s underwriters complete the sale of its common stock. As of November 14, 2011, the Company’s Registration Statement has not been declared effective and is still under review by the SEC.

In September 2011, the Company’s outstanding letters of credit secured by the Credit Agreement increased to $1,262,934. On November 4, 2011, the Company borrowed an additional $10,000,000 under the Credit Agreement to fund a portion of its working capital requirements. As of November 14, 2011, including the term loan, the Company had $95,000,000 of outstanding borrowings under the Credit Agreement (both current and long-term liabilities) and $1,262,934 in letters of credit secured by the Credit Agreement; all borrowings under the Credit Agreement were Eurodollar loans. The term loan bears interest at approximately 5.3% and the other borrowings bear interest at approximately 2.2%.

APPENDIX A

GLOSSARY OF OIL AND NATURAL GAS TERMS

The following is a description of the meanings of some of the oil and natural gas industry terms used in this prospectus.

Bbl. One stock tank barrel, or 42 U.S. gallons liquid volume, used in this prospectus in reference to crude oil or other liquid hydrocarbons.

Bcf. One billion cubic feet.

Bcfe. One billion cubic feet of natural gas equivalents, determined using the ratio of six Mcf of natural gas to one Bbl of crude oil, condensate or natural gas liquids.

BOE. Barrels of oil equivalent, determined using the ratio of one Bbl of crude oil, condensate or natural gas liquids, to six Mcf of natural gas.

Btu or British thermal unit. The quantity of heat required to raise the temperature of one pound of water by one degree Fahrenheit.

Completion. The operations required to establish production of oil or natural gas from a wellbore, usually involving perforations, stimulation and/or installation of permanent equipment in the well, or in the case of a dry hole, the reporting of abandonment to the appropriate agency.

Condensate. Liquid hydrocarbons associated with the production of a primarily natural gas reserve.

Conventional resources. Natural gas or oil that is produced by a well drilled into a geologic formation in which the reservoir and fluid characteristics permit the natural gas or oil to readily flow to the wellbore.

Developed acreage. The number of acres that are allocated or assignable to productive wells.

Development well. A well drilled into a proved oil or natural gas reservoir to the depth of a stratigraphic horizon known to be productive.

Dry hole. A well found to be incapable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production exceed production-related expenses and taxes.

Exploratory well. A well drilled to find and produce oil or natural gas reserves not classified as proved, to find a new reservoir in a field previously found to be productive of oil or natural gas in another reservoir or to extend a known reservoir.

Farmin or farmout. An agreement under which the owner of a working interest in an oil or natural gas lease assigns the working interest or a portion of the working interest to another party who desires to drill on the leased acreage. Generally, the assignee is required to drill one or more wells in order to earn its interest in the acreage. The assignor usually retains a royalty or reversionary interest in the lease. The interest received by an assignee is a “farmin” while the interest transferred by the assignor is a “farmout.”

FERC. Federal Energy Regulatory Commission.

Field. An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition.

Fracture stimulation technology. The technique of improving a well's production or injection rates by pumping a mixture of fluids into the formation and rupturing the rock, creating an artificial channel. As part of this technique, sand or other material may also be injected into the formation to prop the channel open, so that fluids or gases may more easily flow from the formation, through the fracture channel and into the wellbore. This technique may also be referred to as hydraulic fracturing.

Gross acres or gross wells. The total acres or wells in which a working interest is owned.

Held by production. An oil and natural gas property under lease in which the lease continues to be in force after the primary term of the lease in accordance with its terms as a result of production from the property.

Horizontal drilling or well. A drilling operation in which a portion of the well is drilled horizontally within a productive or potentially productive formation. This operation typically yields a horizontal well that has the ability to produce higher volumes than a vertical well drilled in the same formation. A horizontal well is designed to replace multiple vertical wells, resulting in lower capital expenditures for draining like acreage and limiting surface disruption.

Liquids. Liquids, or natural gas liquids, are marketable liquid products including ethane, propane, butane and pentane resulting from the further processing of liquefiable hydrocarbons separated from raw natural gas by a gas processing facility.

MBbl. One thousand barrels of crude oil or other liquid hydrocarbons.

Mcf. One thousand cubic feet of natural gas.

Mcfe. One thousand cubic feet of natural gas equivalents, determined using the ratio of six Mcf of natural gas to one Bbl of crude oil, condensate or natural gas liquids.

MMBtu. One million British thermal units.

MMcf. One million cubic feet of natural gas.

MMcf/d. MMcf per day.

MMcfe. One million cubic feet of natural gas equivalents, determined using the ratio of six Mcf of natural gas to one Bbl of crude oil, condensate or natural gas liquids.

MMcfe/day. MMcfe per day.

Net acres or net wells. The sum of the fractional working interest owned in gross acres or wells.

Net revenue interest. The interest that defines the percentage of revenue that an owner of a well receives from the sale of oil, gas and/or natural gas liquids that are produced from the well.

NYMEX. New York Mercantile Exchange.

Overriding royalty interest. A fractional interest in the gross production of oil and natural gas under a lease, in addition to the usual royalties paid to the lessor, free of any expense for exploration, drilling, development, operating, marketing and other costs incident to the production and sale of oil and natural gas produced from the lease. It is an interest carved out of the lessee's working interest, as distinguished from the lessor's reserved royalty interest.

Permeability. A reference to the ability of oil and/or natural gas to flow through a reservoir.

Petrophysical analysis. The interpretation of well log measurements, obtained from a string of electronic tools inserted into the borehole, and from core measurements, in which rock samples are retrieved from the subsurface, then combining these measurements with other relevant geological and geophysical information to describe the reservoir rock properties.

Play. A set of known or postulated oil and/or natural gas accumulations sharing similar geologic, geographic and temporal properties, such as source rock, migration pathways, timing, trapping mechanism and hydrocarbon type.

Possible reserves. Additional reserves that are less certain to be recognized than probable reserves.

Probable reserves. Additional reserves that are less certain to be recognized than proved reserves but which, in sum with proved reserves, are as likely as not to be recovered.

Producing well, production well or productive well. A well that is found to be capable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of the well’s production exceed production-related expenses and taxes.

Properties. Natural gas and oil wells, production and related equipment and facilities and natural gas, oil or other mineral fee, leasehold and related interests.

Prospect. A specific geographic area which, based on supporting geological, geophysical or other data and also preliminary economic analysis using reasonably anticipated prices and costs, is considered to have potential for the discovery of commercial hydrocarbons.

Proved developed non-producing. Hydrocarbons in a potentially producing horizon penetrated by a wellbore, the production of which has been postponed pending installation of surface equipment or gathering facilities, or pending the production of hydrocarbons from another formation penetrated by the wellbore. The hydrocarbons are classified as proved but non-producing reserves.

Proved developed reserves. Proved reserves that can be expected to be recovered through existing wells and facilities and by existing operating methods.

Proved reserves. Reserves of oil and natural gas that have been proved to a high degree of certainty by analysis of the producing history of a reservoir and/or by volumetric analysis of adequate geological and engineering data.

Proved undeveloped reserves. Proved reserves that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion.

Recompletion. Completing in the same wellbore to reach a new reservoir after production from the original reservoir has been abandoned.

Repeatability. The potential ability to drill multiple wells within a prospect or trend.

Reservoir. A porous and permeable underground formation containing a natural accumulation of producible oil and/or natural gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

Royalty interest. An interest in an oil and natural gas lease that gives the owner of the interest the right to receive a portion of the production from the leased acreage (or of the proceeds of the sale thereof), but generally does not require the owner to pay any portion of the costs of drilling or operating the wells on the leased acreage. Royalties may be either landowner's royalties, which are reserved by the owner of the leased acreage at the time the lease is granted, or overriding royalties, which are usually reserved by an owner of the leasehold in connection with a transfer to a subsequent owner.

2-D seismic. The method by which a cross-section of the earth's subsurface is created through the interpretation of reflecting seismic data collected along a single source profile.

3-D seismic. The method by which a three-dimensional image of the earth's subsurface is created through the interpretation of reflection seismic data collected over a surface grid. 3-D seismic surveys allow for a more detailed understanding of the subsurface than do 2-D seismic surveys and contribute significantly to field appraisal, exploitation and production.

Trend. A region of oil and/or natural gas production, the geographic limits of which have not been fully defined, having geological characteristics that have been ascertained through supporting geological, geophysical or other data to contain the potential for oil and/or natural gas reserves in a particular formation or series of formations.

Unconventional resource play. A set of known or postulated oil and or gas resources or reserves warranting further exploration which are extracted from (i) low-permeability sandstone and shale formations and (ii) coalbed methane. These plays require the application of advanced technology to extract the oil and natural gas resources.

Undeveloped acreage. Lease acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and natural gas, regardless of whether such acreage contains proved reserves. Undeveloped acreage is usually considered to be all acreage that is not allocated or assignable to productive wells.

Unproved and unevaluated properties. Refers to properties where no drilling or other actions have been undertaken that permit such property to be classified as proved.

Vertical well. A hole drilled vertically into the earth from which oil, natural gas or water flows or is pumped.

Visualization. An exploration technique in which the size and shape of subsurface features are mapped and analyzed based upon information derived from well logs, seismic data and other well information.

Volumetric reserve analysis. A technique used to estimate the amount of recoverable oil and natural gas. It involves calculating the volume of reservoir rock and adjusting that volume for the rock porosity, hydrocarbon saturation, formation volume factor and recovery factor.

Wellbore. The hole made by a well.

Working interest. The operating interest that gives the owner the right to drill, produce and conduct operating activities on the property and receive a share of production.

• Shares

Common Stock

Prospectus

•, 2011

Joint Book-Running Managers

RBC CAPITAL MARKETS **CITIGROUP**

Part II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth an itemized statement of the amounts of all expenses (excluding underwriting discounts and commissions) payable by us in connection with the registration of the common stock offered hereby. With the exception of the Registration Fee, FINRA Filing Fee and New York Stock Exchange listing fee, the amounts set forth below are estimates. The selling shareholders will not bear any portion of such expenses.

SEC Registration Fee	$17,415
FINRA Filing Fee	15,500
New York Stock Exchange listing fee	—
Accountants' fees and expenses	—
Legal fees and expenses	—
Printing and engraving expenses	—
Transfer agent and registrar fees	—
Miscellaneous	—
Total	$ —

Item 14. Indemnification of Directors and Officers

Our certificate of formation provides that our directors are not liable to the company or its shareholders for monetary damages for an act or omission in their capacity as a director. A director may, however, be found liable for:

- any breach of the director's duty of loyalty to the company or its shareholders;
- acts or omissions not in good faith that constitute a breach of the director's duty to the company;
- acts or omissions that involve intentional misconduct or a knowing violation of law;
- any transaction from which the director receives an improper benefit; or
- acts or omissions for which the liability is expressly provided by an applicable statute.

Our certificate of formation and the bylaws which will become effective upon the closing of the offering also provide that we will indemnify our directors and our officers, and may indemnify our employees and agents, to the fullest extent permitted by applicable Texas law from any expenses, liabilities or other matters. Insofar as indemnification for liabilities arising under the Securities Act may be permitted for directors, officers and controlling persons of Matador under our certificate of formation, it is the position of the SEC that such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Further, our certificate of formation and the bylaws which will become effective upon the closing of the offering permit us to maintain insurance on behalf of our directors, officers, employees and agents against expense, liability or loss asserted incurred by them in their capacities as directors, officers, employees and agents. We have obtained directors' and officers' insurance to cover our directors, officers and our employees for certain liabilities.

We have entered into indemnification agreements with each of our officers and directors. Under these agreements, we have agreed to indemnify the director or officer who acts on behalf of Matador and is made or threatened to be made a party to any action or proceeding for expenses, judgments, fines and amounts paid in settlement that are actually and reasonably incurred in connection with the action or proceeding. The indemnity provisions apply whether the action was instituted by a third party or by us. Generally, the principal limitation on our obligation to indemnify the director or officer will be if it is determined by a court of law, not subject to further appeal, that indemnification is prohibited by applicable law or the provisions of the indemnification agreement.

Item 15. Recent Sales of Unregistered Securities

In the three years preceding the filing of this registration statement, we have issued and sold the following securities that were not registered under the Securities Act:

1. During 2008, we issued an aggregate of 235,500 shares of common stock pursuant to the exercise of stock options held by certain directors, employees and consultants and received an aggregate of $1,048,500 for such exercises. The issuance of these shares was exempt from the registration requirements of the Securities Act pursuant to Rule 701.

2. During 2008, we issued an aggregate of 2,775 shares of our common stock to our outside directors and advisors in connection with their service to the board. These shares were issued in transactions exempt from the registration requirements of the Securities Act under Section 4(2) of the Securities Act.

3. In October 2008, we issued 3,000 shares of our common stock at a fair market value of $13.33 per share to a consultant in exchange for services performed. These shares were issued in a transaction exempt from the registration requirements of the Securities Act under Section 4(2) of the Securities Act.

4. During 2009, we issued an aggregate of 343,500 shares of common stock pursuant to the exercise of stock options held by certain directors, employees and consultants and received an aggregate of $1,281,500 for such exercises. The issuance of these shares was exempt from the registration requirements of the Securities Act pursuant to Rule 701.

5. During 2009, we issued an aggregate of 5,375 shares of our common stock to our outside directors and advisors in connection with their service to the board. These shares were issued in transactions exempt from the registration requirements of the Securities Act under Section 4(2) of the Securities Act.

6. In June 2009, we sold 166,667 shares of our common stock to an accredited investor for the consideration of $1,000,002. These shares were issued in a transaction exempt from the registration requirements of the Securities Act under Section 4(2) of the Securities Act.

7. In July 2009, we sold 20,550 shares of our common stock to an accredited investor for the consideration of $102,750. These shares were issued in a transaction exempt from the registration requirements of the Securities Act under Section 4(2) of the Securities Act.

8. In July 2009, we sold 333,334 shares of our common stock to an accredited investor for the consideration of $2,000,004. These shares were issued in a transaction exempt from the registration requirements of the Securities Act under Section 4(2) of the Securities Act.

9. In July 2009, we issued 500 shares of our common stock at a fair market value of $5.00 per share to an advisor in exchange for services performed. These shares were issued in a transaction exempt from the registration requirements of the Securities Act under Section 4(2) of the Securities Act.

10. In August 2009, we sold 77,700 shares of our common stock to an accredited investor for the consideration of $524,475. These shares were issued in a transaction exempt from the registration requirements of the Securities Act under Section 4(2) of the Securities Act.

11. In May through September 2009, we sold 4,950,694 shares of our common stock to certain investors for the aggregate consideration of $28,075,118. These shares were issued in a transaction exempt from the registration requirements of the Securities Act under Section 4(2) of the Securities Act and Rule 506.

12. In November 2009, we sold 13,500 shares of our common stock to an accredited investor for the consideration of $101,250. These shares were issued in a transaction exempt from the registration requirements of the Securities Act under Section 4(2) of the Securities Act.

13. In December 2009, we sold 10,000 shares of our common stock to an accredited investor for the consideration of $75,000. These shares were issued in a transaction exempt from the registration requirements of the Securities Act under Section 4(2) of the Securities Act.

14. In December 2009, we sold 40,000 shares of our common stock to an accredited investor for the consideration of $300,000. These shares were issued in a transaction exempt from the registration requirements of the Securities Act under Section 4(2) of the Securities Act.

15. In December 2009, we sold 8,000 shares of our common stock to an accredited investor for the consideration of $60,000. These shares were issued in a transaction exempt from the registration requirements of the Securities Act under Section 4(2) of the Securities Act.

16. During 2010, we issued an aggregate of 392,375 shares of common stock pursuant to the exercise of stock options held by certain employees and received an aggregate of $1,978,375 for such exercises. The issuance of these shares was exempt from the registration requirements of the Securities Act pursuant to Rule 701.

17. During 2010, we issued an aggregate of 20,250 shares of our common stock to our outside directors and advisors in connection with their service to the board. These shares were issued in transactions exempt from the registration requirements of the Securities Act under Section 4(2) of the Securities Act.

18. In June 2010, we issued 11,000 shares of our common stock to an accredited investor for the consideration of $99,000. These shares were issued in a transaction exempt from the registration requirements of the Securities Act under Section 4(2) of the Securities Act.

19. In September 2010, we issued 250 shares of our common stock at a fair market value of $9.00 per share to an advisor in exchange for services performed. These shares were issued in a transaction exempt from the registration requirements of the Securities Act under Section 4(2) of the Securities Act.

20. In October 2010, we issued 5,000 shares of our common stock at a fair market value of $11.00 per share to a consultant in exchange for services performed. These shares were issued in a transaction exempt from the registration requirements of the Securities Act under Section 4(2) of the Securities Act.

21. In December 2010, we issued 500 shares of our common stock at a fair market value of $11.00 per share to an advisor in exchange for services performed. These shares were issued in a transaction exempt from the registration requirements of the Securities Act under Section 4(2) of the Securities Act.

22. From October 2010 through January 2011, we sold 1,922,199 shares of our common stock to accredited investors for the aggregate consideration of $21,144,189. These shares were issued in a transaction exempt from the registration requirements of the Securities Act under Section 4(2) of the Securities Act and Rule 506.

23. From January 1, 2011 through October 31, 2011, we issued an aggregate of 93,001 shares of common stock pursuant to the exercise of stock options held by certain directors and employees and received an aggregate of $837,009 for such exercises. The issuance of these shares was exempt from the registration requirements of the Securities Act pursuant to Rule 701.

24. From January 1, 2011 through October 31, 2011, we issued an aggregate of 15,500 shares of our common stock to our outside directors and advisors in connection with their service to the board. These shares were issued in transactions exempt from the registration requirements of the Securities Act under Section 4(2) of the Securities Act.

25. In October 2011, we issued an aggregate of 2,575 shares of our common stock to General Mills, Inc. Benefits Finance Committee on behalf of General Mills Group Trust and Voluntary Employees Beneficiary Assoc. Trust General Mills & Bakery, Confectionary, Tobacco & Grain Millers in connection with prior service on the board by officers of General Mills, Inc. Benefits Finance Committee. These shares were issued in transactions exempt from the registration requirements of the Securities Act under Section 4(2) of the Securities Act.

Item 16. Exhibits And Financial Statement Schedules

(a) Exhibits

Exhibit Number	Description
1.1*	Form of Underwriting Agreement
2.1***	Agreement and Plan of Merger, by and among Matador Resources Company (now known as MRC Energy Company), Matador Holdco, Inc. (now known as Matador Resources Company) and Matador Merger Co., dated August 8, 2011
3.1***	Certificate of Formation of Matador Resources Company (formerly known as Matador Holdco, Inc.)
3.2***	Certificate of Amendment to Certificate of Formation of Matador Resources Company (formerly known as Matador Holdco, Inc.)
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3.6***	Amendment to the Bylaws of Matador Resources Company (formerly known as Matador Holdco, Inc.)
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3.8**	Form of Amended and Restated Bylaws of Matador Resources Company (formerly known as Matador Holdco, Inc.)
4.1*	Form of Common Stock Certificate
5.1*	Opinion of Haynes and Boone, LLP as to the legality of the securities being registered

10.1**	Amended and Restated Credit Agreement, dated at May 19, 2011, by and among Matador Resources Company (now known as MRC Energy Company), Comerica Bank and the Lenders signatory thereto
10.2**	Pledge and Security Agreement, by and between Matador Resources Company (formerly known as Matador Holdco, Inc.) and Comerica Bank, dated at August 9, 2011
10.3**	Employment Agreement between Matador Resources Company (formerly known as Matador Holdco, Inc.) and Joseph Wm. Foran
10.4**	Employment Agreement between Matador Resources Company (formerly known as Matador Holdco, Inc.) and David E. Lancaster
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10.16**	First Amendment to Matador Resources Company (now known as MRC Energy Company) 2003 Stock and Incentive Plan, dated January 29, 2004
10.17**	Second Amendment to Matador Resources Company (now known as MRC Energy Company) 2003 Stock and Incentive Plan, dated February 3, 2005
10.18**	Third Amendment to Matador Resources Company (now known as MRC Energy Company) 2003 Stock and Incentive Plan, dated February 1, 2006
10.19**	Fourth Amendment to Matador Resources Company (now known as MRC Energy Company) 2003 Stock and Incentive Plan, dated May 1, 2006
10.20**	Fifth Amendment to Matador Resources Company (now known as MRC Energy Company) 2003 Stock and Incentive Plan, dated February 13, 2008

10.21**	Sixth Amendment to Matador Resources Company (now known as MRC Energy Company) 2003 Stock and Incentive Plan, dated August 5, 2008
10.22**	Form of Indemnification Agreement between Matador Resources Company (formerly known as Matador Holdco, Inc.) and each of the directors and executive officers thereof
10.23**	Participation Agreement, by and among MRC Rockies Company, Matador Resources Company (now known as MRC Energy Company), Matador Production Company, Roxanna Rocky Mountains, LLC, Roxanna Oil, Inc., Alliance Capital Real Estate, Inc. and AllianceBernstein L.P., dated at May 14, 2010
10.24**	Assignment, Bill of Sale and Conveyance, by and among Winn Exploration Co., Inc., Pinion Exploration, LLP, McDay Oil & Gas, Inc. and Matador Resources Company (now known as MRC Energy Company), dated effective at December 1, 2010
10.25**	Purchase, Sale and Participation Agreement, by and between Matador Resources Company (now known as MRC Energy Company) and Orca ICI Development, JV, dated at May 16, 2011
16.1**	Letter of Grant Thornton LLP, addressed to the Securities and Exchange Commission
16.2**	Letter of Ernst & Young LLP, addressed to the Securities and Exchange Commission
21.1***	List of Subsidiaries of Matador Resources Company (formerly known as Matador Holdco, Inc.)
23.1**	Consent of Grant Thornton LLP
23.2**	Consent of LaRoche Petroleum Consultants, Ltd.
23.3**	Consent of Netherland, Sewell & Associates, Inc.
23.4*	Consent of Haynes and Boone, LLP (included as part of Exhibit 5.1 hereto)
24.1***	Power of Attorney (included on the signature page of the initial filing of the registration statement)
24.2**	Power of Attorney (included on the signature page of Amendment No. 1 to the registration statement)
99.1**	Audit report of Netherland, Sewell & Associates, Inc. for reserves at June 30, 2011
99.2***	Audit report of Netherland, Sewell & Associates, Inc. for reserves at December 31, 2010
99.3***	Audit report of Netherland, Sewell & Associates, Inc. for reserves at December 31, 2009
99.4***	Audit report of LaRoche Petroleum Consultants, Ltd. for reserves at December 31, 2008

* To be filed by amendment.
** Filed herewith.
*** Previously filed.

ITEM 17. Undertakings

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement at the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Dallas, State of Texas, on November 14, 2011.

MATADOR RESOURCES COMPANY

By: /s/ Joseph Wm. Foran
Joseph Wm. Foran
Chairman, President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Joseph Wm. Foran Joseph Wm. Foran	Chairman, President and Chief Executive Officer (Principal Executive Officer)	November 14, 2011
/s/ David E. Lancaster David E. Lancaster	Executive Vice President, Chief Operating Officer and Chief Financial Officer (Principal Financial Officer)	November 14, 2011
* Kathryn L. Wayne	Controller and Treasurer (Principal Accounting Officer)	November 14, 2011
* Stephen A. Holditch	Director	November 14, 2011
* David M. Laney	Director	November 14, 2011
* Gregory E. Mitchell	Director	November 14, 2011
* Steven W. Ohnimus	Director	November 14, 2011
* Michael C. Ryan	Director	November 14, 2011
* Margaret B. Shannon	Director	November 14, 2011

*By: /s/ David E. Lancaster
Name: David E. Lancaster
Title: Attorney-in-Fact

Each person whose signature appears below appoints Joseph Wm. Foran and David E. Lancaster, and each of them, any of whom may act without the joinder of the other, as his true and lawful agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement and any registration statement (including any amendment thereto) for this offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said agents full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or would do in person, hereby ratifying and confirming all that said agents or any of them or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Signature	**Title**	**Date**
/s/ Charles L. Gummer Charles L. Gummer	Director	November 14, 2011

INDEX TO EXHIBITS

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10.15**	Matador Resources Company (now known as MRC Energy Company) 2003 Stock and Incentive Plan, dated October 23, 2003
10.16**	First Amendment to Matador Resources Company (now known as MRC Energy Company) 2003 Stock and Incentive Plan, dated January 29, 2004
10.17**	Second Amendment to Matador Resources Company (now known as MRC Energy Company) 2003 Stock and Incentive Plan, dated February 3, 2005
10.18**	Third Amendment to Matador Resources Company (now known as MRC Energy Company) 2003 Stock and Incentive Plan, dated February 1, 2006
10.19**	Fourth Amendment to Matador Resources Company (now known as MRC Energy Company) 2003 Stock and Incentive Plan, dated May 1, 2006
10.20**	Fifth Amendment to Matador Resources Company (now known as MRC Energy Company) 2003 Stock and Incentive Plan, dated February 13, 2008
10.21**	Sixth Amendment to Matador Resources Company (now known as MRC Energy Company) 2003 Stock and Incentive Plan, dated August 5, 2008
10.22**	Form of Indemnification Agreement between Matador Resources Company (formerly known as Matador Holdco, Inc.) and each of the directors and executive officers thereof
10.23**	Participation Agreement, by and among MRC Rockies Company, Matador Resources Company (now known as MRC Energy Company), Matador Production Company, Roxanna Rocky Mountains, LLC, Roxanna Oil, Inc., Alliance Capital Real Estate, Inc. and AllianceBernstein L.P., dated at May 14, 2010
10.24**	Assignment, Bill of Sale and Conveyance, by and among Winn Exploration Co., Inc., Pinion Exploration, LLP, McDay Oil & Gas, Inc. and Matador Resources Company (now known as MRC Energy Company), dated effective at December 1, 2010
10.25**	Purchase, Sale and Participation Agreement, by and between Matador Resources Company (now known as MRC Energy Company) and Orca ICI Development, JV, dated at May 16, 2011
16.1**	Letter of Grant Thornton LLP, addressed to the Securities and Exchange Commission
16.2**	Letter of Ernst & Young LLP, addressed to the Securities and Exchange Commission
21.1***	List of Subsidiaries of Matador Resources Company
23.1**	Consent of Grant Thornton LLP
23.2**	Consent of LaRoche Petroleum Consultants, Ltd.
23.3**	Consent of Netherland, Sewell & Associates, Inc.
23.4*	Consent of Haynes and Boone, LLP (included as part of Exhibit 5.1 hereto)
24.1***	Power of Attorney (included on the signature page of the initial filing of the registration statement)
24.2**	Power of Attorney (included on the signature page of Amendment No. 1 to the registration statement)

99.1**	Audit report of Netherland, Sewell & Associates, Inc. for reserves at June 30, 2011
99.2***	Audit report of Netherland, Sewell & Associates, Inc. for reserves at December 31, 2010
99.3***	Audit report of Netherland, Sewell & Associates, Inc. for reserves at December 31, 2009
99.4***	Audit report of LaRoche Petroleum Consultants, Ltd. for reserves at December 31, 2008

* To be filed by amendment.
** Filed herewith.
*** Previously filed.

Exhibit 3.7

FORM OF

AMENDED AND RESTATED CERTIFICATE OF FORMATION

OF

MATADOR RESOURCES COMPANY

The undersigned hereby certifies that:

ONE: The name of the corporation is Matador Resources Company (the "Corporation"). The Corporation filed its original Certificate of Formation with the Secretary of State of the State of Texas on November 22, 2010 under the name "Matador Holdco, Inc." The Corporation filed a Certificate of Amendment to the Certificate of Formation with the Secretary of State of the State of Texas on August 2, 2011, to amend Article IX of the Certificate of Formation. The Corporation filed a Certificate of Amendment to the Certificate of Formation with the Secretary of State of the State of Texas on August 8, 2011, to change the Corporation's name to "Matador Resources Company."

TWO: This Amended and Restated Certificate of Formation amends the original Certificate of Formation, as such has from time to time been amended (the "Current Certificate") and all amendments made herein are in compliance with the Texas Business Organizations Code (the "TBOC").

THREE: Each amendment herein has been properly approved in the manner prescribed by Sections 21.052 through 21.055 of the TBOC and by the Corporation's governing documents.

FOUR: The following alterations have been made to the Current Certificate in this Amended and Restated Certificate of Formation:

(1) ARTICLE I of the Current Certificate is hereby amended to delete the defined term "Corporation."

(2) ARTICLE III of the Current Certificate is hereby amended to delete the defined term "TBOC."

(3) ARTICLE V of the Current Certificate is hereby amended to capitalize the term "Board of Directors."

(4) ARTICLE IV and ARTICLE VII of the Current Certificate are wholly amended as set forth in ARTICLE IV and ARTICLE VII of this Amended and Restated Certificate of Formation.

(5) ARTICLE IX of the Current Certificate is hereby amended to change the number of directors from seven to eight and to list the names and addresses of the current directors of the Corporation, which as amended and restated shall read as follows:

“ARTICLE IX

The number of directors shall be set at eight (8) until changed in the manner provided in the bylaws of the Corporation, except that no such change shall shorten the term of an incumbent director. Beginning with the 2011 annual meeting, the directors shall be classified with respect to the time for which they severally hold office into three (3) classes, as nearly equal in number as possible as determined by the Board of Directors, one class to hold office initially for a term expiring at the annual meeting of shareholders to be held in 2012, another class to hold office initially for a term expiring at the annual meeting of shareholders to be held in 2013, and another class to hold office initially for a term expiring at the annual meeting of shareholders to be held in 2014, with each member of each class to hold office until his successor is elected and qualified, until his death or retirement or until he shall resign or be removed in the manner provided in the bylaws. In any such event, such director’s successor shall become a member of the same class of directors as his predecessor. Beginning with the annual meeting to be held in 2012, the directors elected at an annual meeting shall hold office until the third succeeding annual meeting after such election.

The names and addresses of the current directors of the Corporation are:

Name	Address
Joseph Wm. Foran	One Lincoln Centre 5400 LBJ Freeway, Suite 1500 Dallas, Texas 75240
Charles L. Gummer	One Lincoln Centre 5400 LBJ Freeway, Suite 1500 Dallas, Texas 75240
Stephen A. Holditch	One Lincoln Centre 5400 LBJ Freeway, Suite 1500 Dallas, Texas 75240
David M. Laney	One Lincoln Centre 5400 LBJ Freeway, Suite 1500 Dallas, Texas 75240
Gregory E. Mitchell	One Lincoln Centre 5400 LBJ Freeway, Suite 1500 Dallas, Texas 75240
Steven W. Ohnimus	One Lincoln Centre 5400 LBJ Freeway, Suite 1500 Dallas, Texas 75240
Michael C. Ryan	One Lincoln Centre 5400 LBJ Freeway, Suite 1500 Dallas, Texas 75240

Margaret B. Shannon	One Lincoln Centre 5400 LBJ Freeway, Suite 1500 Dallas, Texas 75240;”

(6) ARTICLE XII is deleted in its entirety.

FIVE: This Amended and Restated Certificate of Formation accurately states the text of the Current Certificate, as further amended by this Amended and Restated Certificate of Formation.

SIX: This Amended and Restated Certificate of Formation does not contain any other change in the Current Certificate other than omissions allowed by Section 3.059 of the TBOC.

SEVEN: The Certificate of Formation of the Corporation is hereby amended and restated to read in its entirety as follows:

ARTICLE I

The name of the Corporation is Matador Resources Company.

ARTICLE II

The Corporation is a for-profit corporation.

ARTICLE III

The purpose for which the Corporation is organized is the transaction of any or all lawful business for which for-profit corporations may be incorporated under the TBOC.

ARTICLE IV

1. Classes of Stock and Authorized Shares. The Corporation is authorized to issue two classes of stock which shall be designated, respectively, “Common Stock” and “Preferred Stock.” The aggregate number of shares of all classes of stock which the Corporation shall have authority to issue is eighty-two million (82,000,000), consisting of (a) eighty million (80,000,000) shares of Common Stock having a par value of $0.01 per share (“Common Stock”), and (b) two million (2,000,000) shares of Preferred Stock, par value $0.01 per share (“Preferred Stock”).

2. Preferred Stock. The Board of Directors is hereby expressly authorized, by resolution or resolutions from time to time adopted, to provide, out of the unissued shares of Preferred Stock, for the issuance of series of Preferred Stock. Before any shares of any such series are issued, the Board of Directors shall fix and determine, and hereby is expressly empowered to fix and determine, by resolution or resolutions, the designations, preferences,

limitations and relative rights, including voting rights, of the shares of each such series, including but not limited to any of the following:

(a) the designation of such series, the number of shares to constitute such series and the stated value thereof if different from the par value thereof;

(b) whether the shares of such series shall have voting rights, in addition to any voting rights provided by law, and, if so, the terms of such voting rights, which may be full or limited;

(c) the dividends, if any, payable on such series and at what rates, whether any such dividends shall be cumulative, and, if so, from what dates, the conditions and dates upon which such dividends shall be payable, the preference or relation which such dividends shall bear to the dividends payable on any shares of stock of any other class or any other series of this class;

(d) whether the shares of such series shall be subject to redemption by the Corporation, and, if so, prices and other terms and conditions of such redemption;

(e) the amount or amounts payable upon shares of such series upon, and the rights of the holders of such series in, the voluntary or involuntary liquidation, dissolution or winding up of, or upon any distribution of the assets of, the Corporation;

(f) whether the shares of such series shall be subject to the operation of a retirement or sinking fund and, if so, the extent to and manner in which any such retirement or sinking fund shall be applied to the purchase or redemption of the shares of such series for retirement or other corporate purposes and other terms and provisions relative to the operation thereof;

(g) whether the shares of such series shall be convertible into, or exchangeable for, shares of stock of any other class or any other series of this class or any other class or classes of securities and, if so, the price or prices or the rate or rates of conversion or exchange and the method, if any, of adjusting the same, and any other terms and conditions of conversion or exchange;

(h) the limitations and restrictions, if any, to be effective while any shares of such series are outstanding upon the payment of dividends or the taking of other distributions on, and upon the purchase, redemption or other acquisition by the Corporation of, the Common Stock or shares of stock of any other class or any other series of this class;

(i) the conditions or restrictions, if any, upon the creation of indebtedness of the Corporation or upon the issue of any additional stock, including additional shares of such series or any other series of this class or of any other class; and

(j) any other powers, preferences and relative, participating, optional and other special rights and any qualifications, limitations and restrictions thereof.

The designations, preferences, limitations and relative rights of each series of Preferred Stock may differ from those of any and all other series at any time outstanding. All shares of any one series of Preferred Stock shall be identical in all respects with all other shares of such series, except that shares of any one series issued at different times may differ as to the date from which dividends thereof shall be cumulative.

ARTICLE V

No holder of any shares of capital stock of the Corporation shall be entitled as a matter of right, preemptive or otherwise, to subscribe for or purchase any class of stock of the Corporation, now or hereafter authorized to be issued, or class of stock held in the treasury of the Corporation, whether issued or sold for cash or other consideration or as a dividend or otherwise. Any such class of stock may be issued or disposed of by the Board of Directors to such persons and on such terms as in its discretion it shall deem advisable.

ARTICLE VI

No shareholder of the Corporation shall have the right of cumulative voting at any election of directors or upon any other matter.

ARTICLE VII

A special meeting of the shareholders of the Corporation may be called by the holders of at least 25 percent of the shares entitled to vote at the proposed special meeting.

ARTICLE VIII

The address of the Corporation’s registered office is 5400 LBJ Freeway, Suite 1500, Dallas, Texas 75240 and the name of its registered agent at such address is Joseph Wm. Foran.

ARTICLE IX

The number of directors shall be set at eight (8) until changed in the manner provided in the bylaws of the Corporation, except that no such change shall shorten the term of an incumbent director. Beginning with the 2011 annual meeting, the directors shall be classified with respect to the time for which they severally hold office into three (3) classes, as nearly equal in number as possible as determined by the Board of Directors, one class to hold office initially for a term expiring at the annual meeting of shareholders to be held in 2012, another class to hold office initially for a term expiring at the annual meeting of shareholders to be held in 2013, and another class to hold office initially for a term expiring at the annual meeting of shareholders to be held in 2014, with each member of each class to hold office until his successor is elected and qualified, until his death or retirement or until he shall resign or be removed in the manner provided in the bylaws. In any such event, such director’s successor shall become a member of the same class of directors as his predecessor. Beginning with the annual meeting to be held in 2012, the directors elected at an annual meeting shall hold office until the third succeeding annual meeting after such election.

The names and addresses of the current directors of the Corporation are:

Name	Address
Joseph Wm. Foran	One Lincoln Centre 5400 LBJ Freeway, Suite 1500 Dallas, Texas 75240
Charles L. Gummer	One Lincoln Centre 5400 LBJ Freeway, Suite 1500 Dallas, Texas 75240
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Gregory E. Mitchell	One Lincoln Centre 5400 LBJ Freeway, Suite 1500 Dallas, Texas 75240
Steven W. Ohnimus	One Lincoln Centre 5400 LBJ Freeway, Suite 1500 Dallas, Texas 75240
Michael C. Ryan	One Lincoln Centre 5400 LBJ Freeway, Suite 1500 Dallas, Texas 75240
Margaret B. Shannon	One Lincoln Centre 5400 LBJ Freeway, Suite 1500 Dallas, Texas 75240

ARTICLE X

A director of the Corporation shall not be liable to the Corporation or its shareholders for monetary damages for an act or omission in the director’s capacity as a director, except to the extent that the director is found liable for (i) any breach of the director’s duty of loyalty to the Corporation or its shareholders; (ii) acts or omissions not in good faith that constitute a breach of duty of the director to the Corporation or acts or omissions that involve intentional misconduct or knowing violation of law; (iii) for any transaction from which the director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the director’s office; or (iv) any act or omission for which the liability of the director is expressly provided for by an applicable statute. If the TBOC or any other applicable Texas statute hereafter is amended to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the Corporation, in addition to the limitation on liability provided herein, shall be limited to the fullest extent permitted by such amended act. Any repeal or modification of this Article X by the shareholders of the Corporation shall be prospective only, and shall not adversely affect any limitation on the liability of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE XI

The Corporation shall indemnify its directors and may indemnify its officers, employees or agents to the full extent permitted by law if any such person was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding. Such right of indemnification shall not be deemed exclusive of any other rights to which such person may be entitled under any bylaw, agreement, vote of shareholders or otherwise. The Corporation shall pay or reimburse reasonable expenses incurred by a director who was, is or is threatened to be made a named defendant or respondent in a proceeding in advance of the final disposition of the proceeding and without the determination or authorization otherwise required under the TBOC after the Corporation receives the written affirmation and written undertaking of such director as set forth in Section 8.104 of the TBOC, or any successor provision.

IN WITNESS WHEREOF, I have hereunto set my hand, this __ day of ______, 2011.

____
Joseph Wm. Foran
Chief Executive Officer

Exhibit 3.8

FORM OF AMENDED AND RESTATED BYLAWS

OF

MATADOR RESOURCES COMPANY

ARTICLE I
OFFICES

1.1 Office. Matador Resources Company (the "Corporation") may have offices at such places both within and without the State of Texas as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II
SHAREHOLDERS

2.1 Place of Meeting. Meetings of shareholders for any purpose may be held at such time and place within or without the State of Texas as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

2.2 Annual Meetings.

(a) An annual meeting of the shareholders, for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held at such place, on such date and at such time as the Board of Directors shall each year fix.

(b) Nominations of persons for election to the Board of Directors and the proposal of business to be transacted by the shareholders at an annual meeting may be made (i) by or at the direction of the Board of Directors or (ii) by any shareholder of record of the Corporation (the "Record Shareholder") at the time of the giving of the notice required in the following paragraph, who is entitled to vote at the meeting and who has complied with the notice procedures set forth in this Section 2.2. For the avoidance of doubt, the foregoing clause (ii) shall be the exclusive means for a shareholder to make nominations or propose business (other than business included in the Corporation's proxy materials pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (such act, and the rules and regulations promulgated thereunder, the "Exchange Act")) at an annual meeting of shareholders.

(c) For nominations or business to be properly brought before an annual meeting by a Record Shareholder pursuant to Section 2.2(b)(ii) above, (i) the Record Shareholder must have given timely notice thereof in writing to the secretary of the Corporation, (ii) any such business must be a proper matter for shareholder action under Texas law and (iii) the Record Shareholder and the beneficial owner, if any, on whose behalf any such proposal or nomination is made, must have acted in accordance with the representations set forth in the Solicitation Statement required by Section 2.2(d)(iii)(D) of these Bylaws. To be timely, a Record Shareholder's notice shall be received by the secretary of the Corporation at the principal executive offices of the Corporation not less than forty five (45) or more than seventy five (75) days prior to the one-year anniversary of the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of shareholders; provided, however, that, subject to the next sentence of this Section 2.2(c), if the meeting is convened more than thirty (30) days prior to or delayed by more than thirty (30) days after the anniversary of the preceding year's annual meeting, or if no annual meeting was held in the preceding year, notice by the Record Shareholder to be timely must be so received not later than the close of business on the later of (i) the ninetieth (90th) day before such annual meeting or (ii) the tenth (10th) day following the day on which public announcement of the date of such meeting is first made. Notwithstanding anything in the preceding sentence to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased and there has been no public announcement naming all of the nominees for director or indicating the increase in the size of the Board of Directors made by the Corporation at least ten (10) days before the last day a Record Shareholder may deliver a notice of nomination in accordance with the preceding sentence, a Record Shareholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be received by the secretary of the Corporation at the principal executive offices of the Corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation. In no event shall an adjournment or postponement of an annual meeting for which notice has been given, commence a new time period for the giving of a Record Shareholder's notice.

(d) The Record Shareholder's notice required by Section 2.2(b)(iii) shall set forth:

i. if such notice pertains to the nomination of directors, as to each person whom the Record Shareholder proposes to nominate for election or reelection as a director, all information relating to such person as would be required to be disclosed in solicitations of proxies for the election of such nominees as directors pursuant to Regulation 14A under the Exchange Act, and such person's written consent to serve as a director if elected;

ii. as to any business that the Record Shareholder proposes to bring before the meeting, a brief description of such business, the reasons for conducting such business at the meeting and any material interest in such business of such Record Shareholder and the beneficial owner, if any, on whose behalf the proposal is made; and

iii. as to (1) the Record Shareholder giving the notice and (2) the beneficial owner, if any, on whose behalf the nomination or proposal is made (each, a "party"):

A. the name and address of each such party;

B. (1) the class, series and number of shares of the Corporation that are owned, directly or indirectly, beneficially and of record by each such party; (2) any option, warrant, convertible security, stock appreciation right or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation or with a value derived in whole or in part from the value of any class or series of shares of the Corporation, whether or not such instrument or right shall be subject to settlement in the underlying class or series of capital stock of the Corporation or otherwise (a "Derivative Instrument") directly or indirectly owned beneficially by each such party, and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Corporation; (3) any proxy, contract, arrangement, understanding or relationship pursuant to which either party has a right to vote, directly or indirectly, any shares of any security of the Corporation; (4) any short interest in any security of the Corporation held by each such party (for purposes of this Section 2.2(d), a person shall be deemed to have a short interest in a security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security); (5) any rights to dividends on the shares of the Corporation owned beneficially directly or indirectly by each such party that are separated or separable from the underlying shares of the Corporation; (6) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which either party is a general partner or, directly or indirectly, beneficially owns an interest in a general partner; and (7) any performance-related fees (other than an asset-based fee) that each such party is directly or indirectly entitled to based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments, if any, as of the date of such notice, including without limitation any such interests held by members of each such party's immediate family sharing the same household (which information set forth in this paragraph shall be supplemented by such shareholder or such beneficial owner, as the case may be, not later than ten (10) days after the record date for determining the shareholders entitled to vote at the meeting; provided, however, that if such date is after the date of the meeting, not later than the day prior to the meeting);

C. any other information relating to each such party that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or the election of directors in a contested election pursuant to Section 14 of the Exchange Act; and

D. a statement whether or not each such party will deliver a proxy statement and form of proxy to holders of, in the case of a proposal, at least the percentage of voting power of all of the shares of capital stock of the Corporation required under applicable law to carry the proposal or, in the case of a nomination or nominations, at least the percentage of voting power of all of the shares of capital stock of the Corporation reasonably believed by the Record Shareholder or beneficial holder, as the case may be, to be sufficient to elect the nominee or nominees proposed to be nominated by the Record Shareholder (such statement, a "Solicitation Statement").

(e) A person shall not be eligible for election or re-election as a director at an annual meeting unless the person is nominated (i) by a Record Shareholder in accordance with Section 2.2(b)(iii) or (ii) by or at the direction of the Board of Directors. Only such business shall be conducted at an annual meeting of shareholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 2.2. The chairman of the meeting shall have the power and the duty to determine whether a nomination or any business proposed to be brought before the meeting has been made in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, to declare that such defectively proposed business or nomination shall not be presented for shareholder action at the meeting and shall be disregarded.

(f) For purposes of these Bylaws, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(g) Notwithstanding the foregoing provisions of this Section 2.2, a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to matters set forth in this Section 2.2. Nothing in this Section 2.2 shall be deemed to affect any rights of shareholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

2.3 Special Meetings.

(a) Unless otherwise prescribed by law or by the Corporation's Certificate of Formation, as amended from time to time ("Certificate of Formation"), special meetings of shareholders, for any purpose or purposes, may be called by the chief executive officer or president and shall be called by any officer at the request in writing of a majority of the Board of Directors or on the written request of holders of at least twenty five percent (25%) of the total number of shares of capital stock of the Corporation issued and outstanding and entitled to vote. As a prerequisite to calling a special meeting, any shareholder(s) acting pursuant to this Section 2.3(a) must submit a request in writing to the secretary of the Corporation stating the purpose or purposes of the proposed meeting.

(b) Only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to Section 2.3(a). The notice of such special meeting shall include the purpose for which the meeting is called, and business transacted at all special meetings shall be confined to the purpose or purposes stated in the notice. Nominations of persons for election to the Board of Directors may be made at a special meeting of shareholders at which directors are to be elected (i) by or at the direction of the Board of Directors or (ii) by any shareholder of record at the time of giving of notice provided for in this paragraph, who shall be entitled to vote at the meeting and who delivers a written notice to the secretary of the Corporation setting forth the information set forth in Section 2.2(d)(i) and Section 2.2(d)(iii) of these Bylaws. Nominations by shareholders of persons for election to the Board of Directors may be made at such a special meeting of shareholders only if such shareholder of record's notice required by the preceding sentence shall be received by the secretary of the Corporation at the principal executive offices of the Corporation not later than the close of business on the later of (1) the ninetieth (90th) day prior to such special meeting or (2) the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall an adjournment or postponement of a special meeting for which notice has been given, commence a new time period for the giving of a shareholder of record's notice. A person shall not be eligible for election or reelection as a director at a special meeting unless the person is nominated (A) by a shareholder of record in accordance with the notice procedures set forth in this Section 2.3 or (B) by or at the direction of the Board of Directors.

(c) Notwithstanding the foregoing provisions of this Section 2.3, a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to matters set forth in this Section 2.3. Nothing in this Section 2.3 shall be deemed to affect any rights of shareholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

2.4 Notice of Meeting. Written or printed notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the chief executive officer, the president, the secretary or the officer or person calling the meeting, to each shareholder of record entitled to vote at such meeting. Any notice required pursuant to this Section 2.4 may be given by a form of electronic transmission consented to by the shareholder to whom notice is given.

2.5 Quorum. The holders of a majority of the shares entitled to vote thereat, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders for the transaction of business except as otherwise provided by statute or by the Corporation's Certificate of Formation. Unless otherwise provided in the Certificate of Formation in accordance with the Texas Business Organizations Code, as amended (the "TBOC"), once a quorum is present at a meeting of the shareholders, the shareholders represented in person or by proxy at the meeting may conduct such business as may be properly brought before the meeting until it is adjourned, and the subsequent withdrawal from the meeting by any shareholder or the refusal of any shareholder represented in person or by proxy to vote shall not affect the presence of a quorum at the meeting. If a quorum shall fail to attend any meeting of the shareholders, the chairman of the meeting shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be represented. At such adjourned meeting, provided a quorum shall be represented thereat, any business may be transacted which might have been transacted if the meeting had been held in accordance with the original notice thereof.

2.6 Vote Required. When a quorum is present at any meeting, the vote of the holders of a majority of the shares having voting power represented in person or by proxy shall decide any question brought before such meeting, unless the question is one upon which, by express provision of statute, the Corporation's Certificate of Formation, these Bylaws or the rules of any stock exchange upon which the corporation's securities are listed, a different vote is required, in which case such express provision shall govern and control the decision of such question; provided, however, that except with respect to the right of holders of any class, classes or series of capital stock to elect directors under specified circumstances, directors shall be elected by a plurality of the votes cast by the holders of shares present in person or represented by proxy and entitled to vote on the election of directors.

2.7 Method of Voting. A shareholder may vote in person or by proxy executed in writing by the shareholder or by his or her duly authorized attorney-in-fact. A telegram, telex, cablegram or other form of electronic transmission, including telephonic transmission, by the shareholder or by his or her duly authorized attorney-in-fact, or a photographic, photostatic, facsimile or similar reproduction of a writing executed by the shareholder or by his or her duly authorized attorney-in-fact shall be considered an execution in writing for purposes of this Section 2.7. Any electronic transmission must contain or be accompanied by information from which it can be determined that the transmission was authorized by the shareholder or by his or her duly authorized attorney-in-fact. No proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided in the proxy. Each proxy shall be revocable unless the proxy form conspicuously states that the proxy is irrevocable and the proxy is coupled with an interest.

2.8 Voting Rights. Each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders, except (a) to the extent that the Certificate of Formation provides for more or less than one vote per share or limits or denies voting rights to the holders of the shares of any class or series or (b) as otherwise provided by law.

2.9 Consent of Shareholder. Any action required or which may be taken at a meeting of the shareholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holder or holders of all the shares entitled to vote with respect to the action that is the subject of the consent. The consent may be in more than one counterpart so long as each shareholder signs one of the counterparts. Any photographic, photostatic, facsimile or similarly reliable reproduction of a consent in writing signed by a shareholder may be substituted or used instead of the original writing for any purpose for which the original writing could be used.

2.10 Organization and Conduct of Business.

(a) Such person as the Board of Directors may have designated or, in the absence of such a person, the chairman of the board or, in his or her absence, the chief executive officer of the Corporation or, in his or her absence, the president of the corporation or, in his or her absence, such person as may be chosen by the holders of a majority of the voting power of the shares entitled to vote who are present, in person or by proxy, shall call to order any meeting of the shareholders and act as chairman of the meeting. Such person as the chairman of the meeting may have designated or, in the absence of such a person, the secretary of the Corporation, shall act as secretary of the meeting. The chairman of any meeting of shareholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him or her in order. The chairman shall have the power to adjourn the meeting to another place, if any, date and time.

(b) The Corporation may, and to the extent required by law, shall, in advance of any meeting of shareholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of shareholders, the person presiding at the meeting may, and to the extent required by law, shall, appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. Every vote taken by ballots shall be counted by a duly appointed inspector or inspectors.

ARTICLE III
DIRECTORS

3.1 Powers. The business and affairs of the Corporation shall be managed by its Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by law or by the Certificate of Formation or by these Bylaws directed or required to be exercised or done by the shareholders.

3.2 Number, Selection and Term. The number of directors which shall constitute the whole Board of Directors shall be not less than one. Such number shall from time to time be fixed and determined by the director(s) and shall be set forth in the notice of any meeting of shareholders held for the purpose of electing directors. The Board of Directors shall be divided into three (3) classes serving for those initial terms as provided in Article IX of the Corporation’s Certificate of Formation. Except as provided in this Article III, at each annual meeting of shareholders following such initial classification and election, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding annual meeting of shareholders and until his or her successor shall be elected and qualified, or until his or her earlier death, resignation, retirement, disqualification or removal. Directors need not be residents of the State of Texas or shareholders of the Corporation. Notwithstanding any provision of this Article III, whenever the holders of preferred stock shall have the right to elect directors at an annual or special meeting of shareholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of the certificate of formation applicable thereto, and such directors so elected shall not be divided into classes unless expressly provided by the terms of the preferred stock. No director shall be eligible for service on the Board of Directors after the age of 70; provided, however, on an annual basis, the Board of Directors may waive this restriction through Board action as to any particular incumbent director of age 75 or less so long as the Board of Directors determines such waiver is in the best interests of the Corporation.

3.3 Vacancies. Any vacancy occurring in the Board of Directors (by death, resignation or removal) may be filled by an affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors, or may be filled by an election at an annual or special meeting of the shareholders called for that purpose. A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office and shall hold office until his or her successor shall be elected and qualified.

3.4 Increases and Decreases. The number of directors may be increased or decreased from time to time as provided in these Bylaws, but no decrease shall have the effect of shortening the term of any incumbent director. Any directorship to be filled by reason of an increase in the number of directors may be filled by the Board of Directors for a term of office continuing only until the next election of one or more directors by the shareholders, provided, however, that the Board of Directors may not fill more than two such directorships during the period between any two successive annual meetings of shareholders.

3.5 Removal from Office. Any director may be removed for cause at any meeting of shareholders duly called and held for such purpose.

3.6 Place of Meeting. Meetings of the Board of Directors, regular or special, may be held either within or without the State of Texas.

3.7 Regular Meetings. Regular meetings of the Board of Directors may be held upon such notice, or without notice, and at such time and at such place as shall from time to time be determined by the Board of Directors.

3.8 Special Meetings. Special meetings of the Board of Directors may be called by the chairman of the Board of Directors, the chief executive officer or the president. Notice of each special meeting of the Board of Directors shall be given to each director at least two (2) days before the date of the meeting.

3.9 Notice of Meetings. Attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except where a director attends for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. Except as may be otherwise provided by law or by the Certificate of Formation or by these Bylaws, neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting. Any notice required pursuant to this Section 3.9 may be given by a form of electronic transmission consented to by the director to whom notice is given.

3.10 Quorum. At all meetings of the Board of Directors a majority of the directors shall constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, unless otherwise specifically provided by law, the Certificate of Formation or these Bylaws. If a quorum shall not be present at any meeting of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

3.11 Committees. By resolution, the Board of Directors may from time to time designate from among the members of the Board of Directors an executive committee and one or more other committees. Each committee shall consist of one or more directors, and, except as limited by law, the Certificate of Formation, these Bylaws or the resolution establishing such committee, each committee shall have and may exercise all of the authority of the Board of Directors as the Board of Directors may determine and specify in the respective resolutions appointing each such committee. A majority of all the members of any such committee may fix the time and place of its meetings, unless the Board of Directors shall otherwise provide, and meetings of any committee may be held upon such notice, or without notice, as shall from time to time be determined by the members of any such committee. At all meetings of any committee a majority of its members shall constitute a quorum for the transaction of business, and the act of a majority of the members present shall be the act of any such committee, unless otherwise specifically provided by law, the Certificate of Formation, these Bylaws or the resolution establishing such committee. The Board of Directors shall have power at any time to change the number, subject as aforesaid, and members of any such committee, to fill vacancies and to discharge any such committee.

3.12 Consent. Any action required or permitted to be taken at a meeting of the Board of Directors or any committee may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all the members of the Board of Directors or committee, as the case may be. Any photographic, photostatic, facsimile or similarly reliable reproduction of a consent in writing signed by a director or member of the committee may be substituted or used instead of the original writing for any purpose for which the original writing could be used. The consent may be in more than one counterpart so long as each director or committee member signs one of the counterparts. Advance notice is not required to be given to take any action by written consent. Such consent shall have the same force and effect as a unanimous vote at a meeting of the Board of Directors or the committee, as the case may be, duly called and held.

3.13 Participation in Meetings by Remote Communication. Directors and committee members may participate in and hold a meeting by means of conference telephone or similar communication equipment, or another suitable electronic communications system, including videoconferencing technology or the Internet, or any combination, if the telephone or other equipment or system permits each person participating in the meeting to communicate with all other persons. If voting is to take place at the meeting, reasonable measures shall be implemented to verify that every director or committee member voting at the meeting by means of remote communications is sufficiently identified, and a record of any vote or other action taken must be kept. Participation in such a meeting shall constitute presence in person at the meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

3.14 Compensation of Directors. The Board of Directors shall have the authority to fix the compensation of the directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid (a) a fixed sum for attendance at each meeting of the Board of Directors, (ii) a stated salary and/or (iii) other compensation as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed compensation for attending committee meetings.

3.15 Resignation. Any director may resign at any time by written notice to the Corporation. Any such resignation shall take effect at the date of receipt of such notice or at such other time as may be specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Any director who does not, for any reason whatsoever, stand for election at any meeting of shareholders called for such purpose shall be conclusively deemed to have resigned, effective as of the date of such meeting, for all purposes, and the Corporation need not receive any written notice to evidence such resignation.

ARTICLE IV
NOTICES

4.1 General. Whenever by law, the Certificate of Formation or these Bylaws, notice is to be given to any shareholder, director or committee member, and no provision is made as to how such notice is to be given, such notice may be given: (i) in writing, by mail, postage prepaid, addressed to such shareholder, director or committee member at such address as appears on the books of the Corporation or (ii) in any other method permitted by law. Any notice required or permitted to be given by mail will be deemed to be given or delivered at the time when the same shall be deposited in the United States mail, with postage thereon prepaid. Notice to a director or committee member may also be given by nationally recognized overnight delivery or courier service, and shall be deemed given when such notice shall be received by the director or committee member or, if earlier, one (1) business day after such notice is sent by such overnight delivery or courier service addressed to such director or committee member at such address as appears on the books of the Corporation. On consent of a shareholder, director or committee member, notice from the Corporation may be given to the shareholder, director or committee member by electronic transmission. The shareholder, director or committee member may specify the form of electronic transmission to be used to communicate notice. The shareholder, director or committee member may revoke this consent by written notice to the Corporation. The consent is deemed to be revoked if the Corporation is unable to deliver by electronic transmission two (2) consecutive notices, and the person responsible for delivering notice on behalf of the Corporation knows that delivery of these two electronic transmissions was unsuccessful. The inadvertent failure to treat the unsuccessful transmissions as a revocation of consent does not invalidate a meeting or other action. Notice by electronic transmission is deemed given when the notice is (i) transmitted to a facsimile number provided by the shareholder, director or committee member for the purpose of receiving notice; (ii) transmitted to an electronic mail address provided by the shareholder, director or committee member for the purpose of receiving notice; (iii) posted on an electronic network and a message is sent to the shareholder, director or committee member at the address provided by the shareholder, director or committee member for the purpose of alerting the shareholder, director or committee member of a posting; or (iv) communicated to the shareholder, director or committee member by any other form of electronic transmission consented to by the shareholder, director or committee member.

4.2 Waiver. Whenever any notice is required to be given by law or under the provisions of the Certificate of Formation or of these Bylaws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE V
OFFICERS

5.1 Officers. The officers of the Corporation shall consist of a president and a secretary. The Board of Directors may also elect or appoint such other officers and agents, including a chairman of the board, a chief executive officer, an assistant president, one or more vice presidents (any one or more of whom may be designated executive vice president or senior vice president and any one of whom may also be designated as the chief operating officer and/or chief financial officer), a treasurer and one or more assistant secretaries and assistant treasurers, as it shall deem necessary. Any two or more offices may be held by the same person. None of the officers need be a director or a shareholder of the Corporation. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officers or agents, notwithstanding any provision hereof.

5.2 Election and Term of Office. The officers of the Corporation shall be elected annually by the Board of Directors at its first regular meeting held after the annual meeting of shareholders or as soon thereafter as conveniently practicable. Each officer shall hold office until his or her successor shall have been elected or appointed and shall have qualified or until his or her earlier death, resignation, retirement, disqualification or removal.

5.3 Removal and Resignation. Any officer or agent of the Corporation may be removed with or without cause by the Board of Directors or the chief executive officer. Such removal shall be without prejudice to the contractual rights, if any, of the person so removed. Any officer may resign at any time by giving written notice to the Corporation. Any such resignation shall take effect at the date of the receipt of such notice or at such other time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

5.4 Vacancies. Any vacancy occurring in any office of the Corporation by death, resignation, retirement, disqualification, removal or otherwise, may be filled by the Board of Directors or the chief executive officer for the unexpired portion of the term.

5.5 Salaries. The salaries of the officers and agents of the Corporation shall be fixed from time to time by the Board of Directors or the chief executive officer. No officer shall be prevented from receiving a salary by reason of his or her also being a director. Election or appointment of an officer or agent shall not of itself create contract rights.

5.6 Chairman of the Board. The chairman of the board, if one be elected, shall preside at all meetings of the Board of Directors and the shareholders and shall have such other powers and duties as may from time to time be prescribed by the Board of Directors, upon written directions given to him or her pursuant to resolutions duly adopted by the Board of Directors.

5.7 Chief Executive Officer. The chief executive officer shall have general and active management of the business of the Corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect. Unless a chairman of the board has been elected, the chief executive officer shall preside at all meetings of the Board of Directors and the shareholders. The chief executive officer shall formulate and submit to the Board of Directors matters of general policy for the Corporation and shall formulate such other duties as usually appertain to the office and such other duties as may be prescribed by the shareholders or the Board of Directors from time to time. The chief executive officer shall have the power to appoint and remove subordinate officers, agents and employees, including assistant secretaries and assistant treasurers. The chief executive officer shall keep the Board of Directors fully informed and shall consult with them concerning the business and affairs of the Corporation. The chief executive officer shall vote, or give a proxy to any other officer of the Corporation to vote, all shares of stock of any other corporation standing in the name of the Corporation. The chief executive officer may execute and deliver certificates for shares of the Corporation, any deeds, mortgages, bonds, contracts or other instruments that the Board of Directors has authorized to be executed and delivered, except in cases where the execution and delivery thereof shall be expressly delegated solely to another officer or delivery thereof shall be otherwise required by law to be executed and delivered by another person.

5.8 President. The president, subject to the supervision of the chairman of the board and the chief executive officer, shall have general executive charge, management and control of the properties of the Corporation in the ordinary course of its business, with all such powers with respect to such properties as may be reasonably incident to such responsibilities. In the absence or inability of the chief executive officer to act, the president shall exercise all of the powers and discharge all of the duties of the chief executive officer. As between the Corporation and third parties, any action taken by the president in the performance of the duties of the chief executive officer shall be conclusive evidence that the chief executive officer is absent or unable to act. The president may sign all certificates for shares of stock of the Corporation. If there is not a chief operating officer, the president shall have general executive charge, management and control of the operations of the Corporation in the ordinary course of its business, with all such powers with respect to such operations as may be reasonable incident to such responsibilities.

5.9 Chief Operating Officer. The chief operating officer, if such officer be elected, shall have general executive charge, management and control of the operations of the Corporation in the ordinary course of its business, with all such powers with respect to such operations as may be reasonably incident to such responsibilities. The chief operating officer shall have the usual powers and duties incident to the position of chief operating officer of a corporation, subject to the control of the Board of Directors, the chairman of the board and the chief executive officer.

5.10 Vice Presidents. Each vice president shall perform such duties and have such other powers as the Board of Directors, chairman of the board, the chief executive officer, the president and the chief operating officer may from time to time prescribe. Certain vice presidents may from time to time be designated by the Board of Directors, the chairman of the board, the chief executive officer, the president and the chief operating officer as executive vice presidents or senior vice presidents which positions shall have such varying degrees of authority as the Board of Directors, chairman of the board, chief executive officer, president and chief operating officer shall prescribe.

5.11 Secretary. The secretary shall record all of the proceedings of the meetings of the Board of Directors, all committees thereof and the shareholders in a minute book to be kept for that purpose. The secretary shall give, or cause to be given, notice of all meetings of the shareholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or the chief executive officer, under whose supervision the secretary shall be. If the secretary shall be unable or shall refuse to cause to be given notice of all meetings of the shareholders and special meetings of the Board of Directors, and if there be no assistant secretary, then either the Board of Directors or the chief executive officer may choose another officer to cause such notice to be given. The secretary shall have custody of the seal of the Corporation and the secretary or an assistant secretary, if there be one, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the secretary or by the signature of any such assistant secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his or her signature. The secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

5.12 Assistant Secretaries. The assistant secretaries in the order of their seniority, unless otherwise determined by the Board of Directors or the chief executive officer, shall, in the absence or disability of the secretary, perform the duties and exercise the powers of the secretary. They shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe or as the chief executive officer may from time to time delegate.

5.13 Treasurer. The treasurer, if one is elected, shall have custody of the corporate funds and securities and shall keep full and accurate accounts and records of receipts, disbursements and other transactions in books belonging to the Corporation, and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the chief executive officer and the Board of Directors, at its regular meetings, or when the chief executive officer or Board of Directors so requires, an account of all transactions made as treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the treasurer shall give the Corporation a bond of such type, character and amount as the Board of Directors may require.

5.14 Assistant Treasurers. The assistant treasurers, if any are elected, in the order of their seniority, unless otherwise determined by the Board of Directors or the chief executive officer, shall, in the absence or disability of the treasurer, perform the duties and exercise the powers of the treasurer. They shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe or the chief executive officer may from time to time delegate. If required by the Board of Directors, the assistant treasurers shall give the Corporation a bond of such type, character and amount as the Board of Directors may require.

ARTICLE VI
CERTIFICATES REPRESENTING SHARES

6.1 Issuance. Shares of stock of the Corporation may, at the discretion of the Board of Directors, be issued in certificated or uncertificated form. Shares issued in certificated form shall be in the form determined by the Board of Directors. Certificates shall be consecutively numbered and shall be entered in the books of the Corporation or its agents as they are issued. Upon the written request of any shareholder holding uncertificated shares, the Corporation shall issue a certificate or certificates representing such shares in the form prescribed. Certificates shall be signed by the chairman of the board, chief executive officer, president or any vice president and either the secretary or any assistant secretary. The signatures of the chairman of the board, chief executive officer, president or vice president, secretary or assistant secretary upon a certificate may be facsimiles, if the certificate is countersigned by a transfer agent or registered by a registrar, either of which is other than the Corporation itself or an employee of the Corporation. In case any officer who has signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if such officer were such officer at the date of such issuance. In the event the Corporation is authorized to issue shares of more than one class, each certificate representing shares issued by the Corporation shall (1) conspicuously set forth on the face or back of the certificate a full statement of (a) all of the designations, preferences, limitations, restrictions and relative rights of the shares of each class authorized to be issued and, (b) if the Corporation is authorized to issue shares of any preferred or special class or series, the variations and the relative rights and preferences of the shares of each such series to the extent they have been fixed and determined and the authority of the Board of Directors to fix and determine the relative rights and preferences of subsequent series; or (2) conspicuously state on the face or back of the certificate that (a) such a statement is set forth in the Certificate of Formation on file in the office of the Secretary of State of the State of Texas and (b) the Corporation will furnish a copy of such statement to the record holder of the certificate without charge on written request to the Corporation at its principal place of business or registered office. All certificates surrendered to the Corporation for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except that in the cases of a lost, stolen, destroyed or mutilated certificate a new one may be issued therefor upon such terms and with such indemnity, if any, to the Corporation as the Board of Directors may prescribe. Certificates shall not be issued representing fractional shares of stock.

6.2 Lost Certificate. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost or destroyed. When authorizing such issue of a new certificate, the Board of Directors, in its discretion and as a condition precedent to the issuance thereof, may prescribe such terms and conditions as it deems expedient and may require such indemnities as it deems adequate to protect the Corporation from any claim that may be made against it with respect to any such certificate alleged to have been lost or destroyed.

6.3 Transfers. Subject to valid transfer restrictions and to stop-transfer orders directed in good faith by the Corporation to any transfer agent to prevent possible violations of federal or state securities laws, rules or regulations or for any other lawful purpose, upon surrender to the Corporation or the transfer agent of the Corporation of a certificate representing shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, a new certificate shall be issued to the person entitled thereto and the old certificate canceled and the transaction recorded upon the books of the Corporation. Transfers of shares shall be made only on the books of the Corporation by the registered holder thereof, or by such holder's attorney thereunto authorized by power of attorney and filed with the secretary of the Corporation or the transfer agent. The Board of Directors may also make such additional rules and regulations as it may deem expedient concerning the issue, transfer and registration of shares of stock of the Corporation and concerning the registration of pledges of uncertificated shares.

6.4 Closing of Transfer Books. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, sixty (60) days. If the stock transfer books shall be closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least ten (10) days immediately preceding such meeting. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than sixty (60) days and, in case of a meeting of shareholders, not less than ten (10) days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive payment of a dividend, the date on which notice is mailed or the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall be applied to any adjournment thereof except where the determination has been made through the closing of the stock transfer books and the stated period of closing has expired.

6.5 Registered Shareholders. Unless otherwise provided in the TBOC, and subject to the provisions of Chapter 8 - Investment Securities of the Texas Business and Commerce Code, as amended:

(a) The Corporation may regard the person in whose name any shares of the Corporation are registered in the share transfer records of the Corporation at any particular time (including, without limitation, as of a record date fixed pursuant to Section 6.4 of these Bylaws) as the owner of those shares.

(b) Neither the Corporation nor any of its officers, directors, employees or agents shall be liable for regarding that person as the owner of those shares at that time for those purposes, regardless of whether that person does not possess a certificate representing those shares.

6.6 List of Shareholders. The officer or agent having charge of the transfer books for shares shall make, at least ten (10) days before each meeting of shareholders, a complete list of the shareholders entitled to vote at such meeting, arranged in alphabetical order, with the address of each and the number of shares held by each, which list, for a period of ten (10) days prior to such meeting, shall be kept on file at the registered office of the Corporation and shall be subject to the inspection of any shareholder during usual business hours. Alternatively, the list of the shareholders may be kept on a reasonably accessible electronic network, if the information required to gain access to the list is provided with the notice of the meeting. This Section 6.6 shall not require the Corporation to include any electronic contact information of any shareholder on the list. If the Corporation elects to make the list available on an electronic network, the Corporation shall take reasonable steps to ensure that the information is available only to shareholders of the Corporation. The list of shareholders shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting. The original share ledger or transfer book, or a duplicate thereof, shall be prima facie evidence as to who are the shareholders entitled to examine such list or share ledger or transfer book or to vote at any meeting of the shareholders.

ARTICLE VII
DIVIDENDS

7.1 Declaration. Subject to the provisions of the Certificate of Formation relating thereto, if any, and the restrictions imposed by applicable law, dividends on the Corporation’s outstanding shares may be declared from time to time by the Board of Directors, in its discretion, at any regular or special meeting. Dividends may be paid in cash, in property or in the Corporation’s own shares, subject to any provisions of the Certificate of Formation.

7.2 Reserve. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve fund for meeting contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the directors shall think conducive to the interests of the Corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE VIII
CONTRACTS, CHECKS, DEPOSITS, BOOKS AND RECORDS

8.1 Contracts. Subject to the provisions of Section 5.1, the Board of Directors may authorize any officer, officers, agent or agents to enter into any contract or agreement of any nature whatsoever, including, without limitation, any contract, deed, bond, mortgage, guaranty, deed of trust, security agreement, pledge agreement, act of pledge, collateral mortgage, collateral chattel mortgage or any other document or instrument of any nature whatsoever, and to execute and deliver any such contract, agreement, document or other instrument of any nature whatsoever for and in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

8.2 Checks, Etc. All checks, demands, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of Corporation shall be signed by such officer or officers or such agent or agents of the Corporation, and in such manner, as shall be determined by the Board of Directors. Subject to the provisions of Section 5.1, the Board of Directors may authorize any officer, officers, agent or agents to execute and deliver any of such documents or instruments for and in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

8.3 Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may select.

8.4 Books and Records. The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its shareholders and Board of Directors and committees thereof, and shall keep at its registered office or principal place of business, or at the office of its transfer agent or registrar, a record of its shareholders, giving the names and addresses of all shareholders and the number and class of the shares held by each. Any books, records and minutes may be in written form or in any other form capable of being converted into written form within a reasonable time.

ARTICLE IX
MISCELLANEOUS

9.1 Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

9.2 Books. The books and records of the Corporation may be kept (subject to any provision of law, the Certificate of Formation or these Bylaws) outside the State of Texas at the offices of the Corporation, or at such other place or places as may be designated from time to time by the Board of Directors.

ARTICLE X
INDEMNIFICATION OF DIRECTORS AND OFFICERS

10.1 Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a “proceeding”), by reason of the fact that he or she is or was a director or an officer of the Corporation or is or was serving at the request of the Corporation as a director, officer or trustee of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an “indemnitee”), whether the basis of such proceeding is alleged action in an official capacity as a director, officer or trustee or in any other capacity while serving as a director, officer or trustee, shall be indemnified and held harmless by the Corporation to the fullest extent permitted by Texas law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith; provided, however, that, except as provided in Section 10.3 with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

10.2 Right to Advancement of Expenses. In addition to the right to indemnification conferred in Section 10.1, an indemnitee shall also have the right to be paid by the Corporation the expenses (including attorney's fees) incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the TBOC requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section 10.2 or otherwise.

10.3 Right of Indemnitee to Bring Suit. If a claim under Section 10.1 or 10.2 of these Bylaws is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. To the fullest extent permitted by law, if successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (a) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) and (b) any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that the indemnitee has not met any applicable standard for indemnification set forth in the TBOC. Neither the failure of the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel or its shareholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the TBOC, nor an actual determination by the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel or its shareholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article X or otherwise shall be on the Corporation.

10.4 Non-Exclusivity of Rights. The rights to indemnification and to the advancement of expenses conferred in this Article X shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Corporation's Certificate of Formation, Bylaws, agreement, vote of shareholders or directors or otherwise. No amendment, alteration or repeal of this Article X or any provision hereof shall be effective, as to any indemnitee for acts, events and circumstances that occurred in whole or in part, before such amendment, alteration or repeal.

10.5 Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the TBOC.

10.6 Indemnification of Employees and Agents of the Corporation. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Article X with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

10.7 Nature of Rights. The rights conferred upon indemnitees in this Article X shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a director, officer or trustee and shall inure to the benefit of the indemnitee's heirs, executors and administrators. Any amendment, alteration or repeal of this Article X that adversely affects any right of an indemnitee or its successors shall be prospective only and shall not limit, eliminate or impair any such right with respect to any proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to such amendment or repeal.

ARTICLE XI
AMENDMENTS

11.1 Amendment. In furtherance and not in limitation of the powers conferred by law, the Board of Directors is expressly authorized to adopt, amend and repeal these Bylaws subject to the power of the holders of capital stock of the Corporation to adopt, amend or repeal the Bylaws; provided, however, that, with respect to the power of holders of capital stock to adopt, amend and repeal Bylaws of the Corporation, notwithstanding any other provision of these Bylaws or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the capital stock of the Corporation required by law, these Bylaws or any preferred stock, the affirmative vote of the holders of at least sixty seven percent (67%) of the voting power of all of the then-outstanding shares entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of these Bylaws.

***

The undersigned secretary of Matador Resources Company hereby certifies that the foregoing Bylaws were duly adopted by the board of directors as of __________ __, 2011.

Joseph Wm. Foran

Exhibit 10.1

Execution Version

AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of May 19, 2011

Among

MATADOR RESOURCES COMPANY,
as Borrower,

COMERICA BANK
as Administrative Agent, Syndication and
Documentation Agent and Issuing Lender

and

THE LENDERS SIGNATORY HERETO

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AMENDED AND RESTATED CREDIT AGREEMENT

This Amended and Restated Credit Agreement (as may be amended, restated, supplemented, or modified from time to time, this "Agreement") executed as of May 19, 2011, by and between Matador Resources Company, a Texas corporation (hereinafter referred to as the "Borrower"), each of the lenders listed on the signature pages hereof or which pursuant to Section 15(f) becomes a "Lender" hereunder (each individually, a "Lender" and collectively, the "Lenders"), Comerica Bank, a Texas banking association, as administrative agent for the Lenders (in such capacity, together with its successors in such capacity, the "Agent"), Comerica Bank, as Issuing Lender (in such capacity, together with its successors in such capacity, the "Issuing Lender") and Comerica Bank, as Syndication and Documentation Agent (in such capacity, together with its successors in such capacity, the "Arranger").

WITNESSETH:

A. The Borrower, the Agent and the lenders party thereto executed that certain Credit Agreement dated as of March 20, 2008 (as has been amended, restated, supplemented or otherwise modified from time to time, the "Existing Credit Agreement"), whereby the lenders thereto made certain loans to and extensions of credit on behalf of the Borrower;

B. The Borrower has requested that the Lenders amend and restate the Existing Credit Agreement and provide certain loans to and extensions of credit on behalf of the Borrower, and the Lenders have agreed to make such loans and extensions of credit subject to the terms and conditions of this Agreement;

C. This amendment and restatement is in extension and renewal, and not in extinguishment or novation, of the indebtedness outstanding under the Existing Credit Agreement, it being acknowledged and agreed by the Borrower that the Obligations under this Agreement constitute an extension, renewal, increase and ratification of the outstanding indebtedness under the Existing Credit Agreement; and

D. In consideration of the mutual covenants and agreements herein contained and of the loans, extensions of credit and commitments hereinafter referred to, the parties hereto agree as follows:

1. **Definitions.** (a) When used herein, the terms "Agent," "Agreement," "Arranger," "Borrower," "Existing Credit Agreement", "Issuing Lender," and "Lender(s)" shall have the meanings indicated above. When used herein, the following terms shall have the following meanings:

Additional Costs - Shall have the meaning assigned to such term in Section 5(a).

Advance - Shall mean a borrowing requested by the Borrower and made by the Lenders under this Agreement, including any refunding of an outstanding Advance as the same Type of Advance or the conversion of any such outstanding Advance to another Type of Advance, and shall include an Advance made as a Base Rate Loan and an Advance made as a Eurodollar Loan.

Affected Loans - Shall have the meaning assigned to such term in Section 5(i).

Affiliate - As to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, “control” of a Person means the power, directly or indirectly, either to (a) vote 30% or more of the securities having ordinary voting power for the election of directors of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

Agent’s Office - Shall mean the office of the Agent, presently located at 1717 Main Street, 4th Floor, Dallas, Texas 75201.

Applicable Lending Office - Shall mean, for each Lender and for each Type of Loan, the lending office of such Lender (or an Affiliate of such Lender) designated for such Type of Loan on the signature pages hereof or such other offices of such Lender (or of an Affiliate of such Lender) as such Lender may from time to time specify to the Agent and the Borrower as the office by which its Loans of such Type are to be made and maintained.

Applicable Margin - Shall mean, (a) with respect to the Term Loan, 500 bps per annum and (b) with respect to the Revolving Loans, the applicable per annum percentage (expressed in basis points or “bps”, 100 bps=1%), set forth at the appropriate intersection in the table shown below, based on the Borrowing Base Utilization as in effect from time to time:

		Applicable Margin		
Tiers	Borrowing Base Utilization	Eurodollar Loans	Base Rate Loans	Unused Facility Fee
Tier 1	Less than 50%	125.0 bps	0.0 bps	25.0 bps
Tier 2	Greater than or equal to 50%, but less than 75%	150.0 bps	0.0 bps	25.0 bps
Tier 3	Greater than or equal to 75%, but less than 90%	162.5 bps	0.0 bps	37.5 bps
Tier 4	Greater than or equal to 90%, but less than or equal to 100%	187.5 bps	0.0 bps	37.5 bps

The Applicable Margin with respect to any particular date shall be based upon the Borrowing Base Utilization on that date and shall remain in effect until the date preceding the effective date of a change in the Borrowing Base Utilization which would result in the application of another tier of the Applicable Margin. Notwithstanding anything to the contrary contained herein, the Applicable Margin with respect to all

Revolving Loans shall be 187.5 basis points per annum and, subject to Section 5(i) hereof, all Revolving Loans shall be Eurodollar Loans, in each case, until payment in full of the Term Loan.

ASC 815 - The Accounting Standards Codification No. 815 (Derivatives and Hedging), as issued by the Financial Accounting Standards Board.

Assignee - As defined in Section 15(f)(ii).

Assignment - Shall have the meaning assigned such term in Section 15(f)(ii).

Assignor - As defined in Section 15(f)(ii).

Base Rate - Shall mean**,** with respect to any Base Rate Loan**,** for any day, the higher of (a) the Federal Funds Rate for any such day plus 1% or (b) the Prime Rate for such day. Each change in any interest rate provided for herein based upon the Base Rate resulting from a change in the Base Rate shall take effect at the time of such change in the Base Rate.

Base Rate Loans - Shall mean Revolving Loans that bear interest at rates based upon the Base Rate.

Borrowing Base - The value assigned by the Revolving Lenders from time to time to the Mortgaged Properties pursuant to Section 6 of this Agreement.

Borrowing Base Utilization - Shall mean the sum of (a)(i) the aggregate outstanding principal amount of the Revolving Loans plus (ii) the aggregate face amount of all undrawn and uncancelled Letters of Credit, plus (iii) the aggregate of all amounts drawn under all Letters of Credit and not yet reimbursed, divided by (b) the Borrowing Base.

Borrowing Date - The date elected by the Borrower pursuant to Section 2(c) hereof for an Advance.

Borrowing, Conversion and Confirmation Notice - Shall mean that certain notice in substantially the form of Exhibit I.

Business Day - Shall mean any day other than a Saturday, Sunday or holiday on which the Agent is open for all or substantially all of its domestic and international commercial banking business (including dealings in foreign exchange) in Dallas, Texas, and, if the applicable day relates to the Eurodollar-based Rate, any Interest Period, or any notice with respect to the Eurodollar-based Rate or any Interest Period, also a day on which dealings in Dollar deposits are also carried on in the London interbank market and on which banks are open for business in London.

Cash Collateral Account Agreement - Shall mean the cash collateral account agreement (whether one or more) between the Borrower, its Subsidiaries and the Agent, in form and substance satisfactory to the Agent covering and granting a perfected, first priority security interest to the Agent, for the benefit of the Lenders, in the cash collateral, and subject only to Liens or any other encumbrances satisfactory to Agent.

Change of Control - Means an event or series of events by which any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have "beneficial ownership" of all securities that such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time (such right, an "option right")), directly or indirectly, of a majority or more of each class of the equity securities of the Borrower entitled to vote for members of the board of directors or equivalent governing body of the Borrower on a fully-diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right); provided, however, such "group" shall not consist of any existing "group" of shareholders (or the members thereof) that may be deemed to beneficially own more than a majority of any class of voting equity securities of the Borrower pursuant to existing voting agreements or otherwise. The term "Change of Control" shall not include any transaction permitted under Section 12(h) hereof.

Closing Date - The date on which the conditions precedent set forth in Section 10 have been satisfied.

Code - Shall mean the Internal Revenue Code of 1986, as amended from time to time and any successor statute.

Collateral - Shall mean all the assets of the Borrower and each Guarantor, now owned or hereafter acquired, upon which a Lien is created by any Security Instrument.

Commitment Percentage - As to any Revolving Lender at any time, the percentage which such Revolving Lender's Revolving Credit Commitment then constitutes of the aggregate Revolving Credit Commitments (or, at any time after the Revolving Credit Commitments shall have expired or terminated, the percentage which the aggregate principal amount of such Revolving Lender's Revolving Loans then outstanding constitutes of the aggregate principal amount of all Revolving Loans then outstanding).

Commodity Hedging Agreement - A commodity hedging or purchase agreement or similar arrangement entered into with the intent of protecting against fluctuations in commodity prices or the exchange of notional commodity obligations, either generally or under specific contingencies, including any such agreements entered into with the Agent prior to the Closing Date.

Compliance Certificate - Shall mean a certificate substantially in the form of Exhibit D.

Consolidated Net Income - Shall mean with respect to the Borrower and its Subsidiaries, for any period, the aggregate of the net income (or loss) of the Borrower and its Subsidiaries, determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded from such net income (to the extent otherwise included therein) the following: (a) the net income of any Person in which the Borrower or any Subsidiary has an interest which interest does not cause the net income of such other Person to be consolidated with the net income of the Borrower and its Subsidiaries in accordance with GAAP, except to the extent of the amount of dividends or distributions actually paid in such period by such other Person to the Borrower or to a Subsidiary, as the case may be; (b) any extraordinary gains or losses, including gains or losses attributable to Property sales not in the ordinary course of business; and (c) the cumulative effect of a change in accounting principles and any gains or losses attributable to writeups or write downs of assets.

Current Assets - The total of the Borrower’s current assets, determined in accordance with GAAP except as provided herein with respect to ASC 815 and any subsequent amendments thereto, at the time of any determination thereof, plus the Unused Availability at such time; for purposes of this definition, “Current Assets” shall not include the amount of any non-cash items resulting from the application of ASC 815 or the fair value of any Commodity Hedging Agreement or any non-hedge derivative contract (whether deemed effective or non-effective).

Current Liabilities - The total of the Borrower’s current liabilities, determined in accordance with GAAP (except as provided herein with respect to ASC 815), at the time of any determination thereof, less current maturities under this Agreement at such time; for purposes of this definition, “Current Liabilities” shall not include any non-cash items resulting from the requirements of ASC 815 or the fair value of any Commodity Hedging Agreement or any non-hedge derivative contract (whether deemed effective or non-effective), or any liability resulting from the accounting for stock option expense.

Debt - Shall mean, for any Person the sum of the following (without duplication): (a) all obligations of such Person for borrowed money or evidenced by bonds, debentures, notes or other similar instruments (including principal, but excluding interest, fees and charges); (b) all obligations of such Person (whether contingent or otherwise) in respect of bankers’ acceptances, letters of credit, surety or other bonds and similar instruments; (c) all obligations of such Person to pay the deferred purchase price of Property or services (other than for borrowed money and other than accounts payable (for the deferred purchase price of Property or services) from time to time incurred in the ordinary course of business which, if greater than ninety (90) days past the invoice or billing date, are being contested in good faith by appropriate proceedings if reserves adequate under GAAP shall have been established therefor); (d) all obligations under leases which shall have been, or should have been, in accordance with GAAP, recorded as capital leases in respect of which such Person is liable (whether contingent or otherwise including principal but excluding interest, fees and charges); (e) all obligations under operating leases which require such Person or its Affiliate to make payments over the term of such lease, including payments at termination, based on the purchase price or appraisal value of the Property subject to such lease plus a marginal interest rate, and used primarily as a financing vehicle for, or to monetize, such Property; (f) all Debt (as described in the other clauses of this definition) of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person; (g) all Debt (as described in the other clauses of this definition) and other obligations of others guaranteed by such Person or in which such Person otherwise assures a creditor against loss of the debtor or obligations of others; (h) all obligations or undertakings of such Person to maintain or cause to be maintained the financial position or covenants of others or to purchase the Debt or Property of others; (i) obligations to deliver or sell Hydrocarbons in consideration of advance payments, as disclosed by Section 11(g)(iii); (j) any capital stock of such Person in which such Person has a mandatory obligation to redeem such stock; and (k) the undischarged balance of any production payment created by such Person or for the creation of which such Person directly or indirectly received payment; provided, however, the items described in clauses (b), (c), (d), (e), (f), (g), (h), (i), (j) and (k) shall only constitute part of Debt if and to the extent the aggregate amount of obligations described in such clauses exceeds $1,000,000.

Debt to EBITDA Ratio - Shall mean, for each fiscal quarter ending on or after March 31, 2008, the ratio of (a) Borrower’s and its Subsidiaries’ Debt on such date, consolidated in accordance with GAAP to (b) EBITDA for the four fiscal quarters ending on such date; provided that the Debt to EBITDA Ratio shall be calculated based on annualized data for fiscal quarters ending during 2011, as follows: (i) EBITDA for the fiscal quarter ended March 31, 2011, shall be multiplied by four, (ii) EBITDA for the two fiscal quarters ending June 30, 2011, shall be multiplied by two, (iii) EBITDA for the three fiscal quarters ending September 30, 2011, shall be multiplied by four and divided by three.

Default - Any event or condition which would with the passage of time or notice or both become an Event of Default.

Default Rate - Shall mean, in respect of any principal of any Loan or any other amount payable by the Borrower under this Agreement or any other Loan Document, a rate per annum during the period commencing on the date of occurrence of an Event of Default until such amount is paid in full or all Events of Default are cured or waived equal to three percent (3%) per annum above the Base Rate as in effect from time to time plus the Applicable Margin (if any), but in no event to exceed the Maximum Rate; provided, however, for a Eurodollar Loan, the “Default Rate” for such principal shall be, for the period commencing on the date of occurrence of an Event of Default and ending on the earlier to occur of the last day of the Interest Period therefor or the date all Events of Default are cured or waived, three percent (3%) per annum above the interest rate for such Loan as provided in Section 3(b)(ii), but in no event to exceed the Maximum Rate.

Dollars and $ - Dollars in lawful currency of the United States of America.

Eagle Ford Acquisition - The acquisition of certain Oil and Gas Properties pursuant to the terms and conditions of the Eagle Ford Acquisition Documents.

Eagle Ford Acquisition Documents - The Purchase, Sale and Participation Agreement dated May 16, 2011, by and between Orca ICI Development, JV, as seller, and the Borrower, as buyer, and each other agreement executed or delivered in connection therewith.

EBITDA - Shall mean, for any period, the sum of Consolidated Net Income for such period plus the following expenses or charges to the extent deducted from Consolidated Net Income in such period: interest, taxes, depreciation, depletion, amortization, and accretion of asset retirement obligations. The term "EBITDA" shall exclude (a) any non-cash revenue or expense associated with hedging contracts resulting from ASC 815 and (b) any non-cash income, gain, loss or expense arising from the issuance of stock options or restricted stock, to the extent such items are included in Consolidated Net Income.

Environmental Laws - Shall mean any and all Governmental Requirements pertaining to public health or the environment in effect in any and all jurisdictions in which the Borrower or any Subsidiary is conducting or at any time has conducted business, or where any Property of the Borrower or any Subsidiary is located, including without limitation, the OPA, as amended, the Comprehensive Environmental, Response, Compensation, and Liability Act of 1980 ("CERCLA"), as amended, the Federal Water Pollution Control Act, as amended, the Occupational Safety and Health Act of 1970, as amended, the Resource Conservation and Recovery Act of 1976 ("RCRA"), as amended, the Safe Drinking Water Act, as amended, the Toxic Substances Control Act, as amended, the Superfund Amendments and Reauthorization Act of 1986, as amended, the Hazardous Materials Transportation Act, as amended, and other environmental conservation or protection laws. As used in Sections 9(p) and 11(d), the term "oil" shall have the meaning specified in OPA, the terms "hazardous substance" and "release" (or "threatened release") have the meanings specified in CERCLA, and the terms "solid waste" and "disposal" (or "disposed") have the meanings specified in RCRA; provided, however, that (a) in the event either OPA, CERCLA or RCRA is amended so as to broaden the meaning of any term defined thereby, such broader meaning shall apply subsequent to the effective date of such amendment and (b) to the extent the laws of the state in which any Property of the Borrower or any Subsidiary is located establish a meaning for "oil," "hazardous substance," "release," "solid waste" or "disposal" which is broader than that specified in either OPA, CERCLA or RCRA, such broader meaning shall apply.

Environmental Lien - A Lien in favor of any court, governmental agency or instrumentality or any other person (a) for any liability under any Environmental Law or (b) for damages arising from, or costs incurred by such court or governmental agency or instrumentality or other person in response to, a release or threatened release of hazardous or toxic waste, substance or constituent into the environment.

ERISA - Shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time and any successor statute.

ERISA Affiliate - Shall mean each trade or business (whether or not incorporated) which together with the Borrower or any Subsidiary would be deemed to be a “single employer” within the meaning of Section 4001(b)(1) of ERISA or subsections (b), (c), (m) or (o) of Section 414 of the Code.

ERISA Event - Shall mean (a) a “Reportable Event” described in Section 4043 of ERISA and the regulations issued thereunder, (b) the withdrawal of the Borrower, any Subsidiary or any ERISA Affiliate from a Plan during a plan year in which it was a “substantial employer” as defined in Section 4001(a)(2) of ERISA, (c) the filing of a notice of intent to terminate a Plan or the treatment of a Plan amendment as a termination under Section 4041 of ERISA, (d) the institution of proceedings to terminate a Plan by the PBGC or (e) any other event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan.

Eurodollar Loans - Shall mean Loans the interest rates on which are determined on the basis of rates referred to in the definition of “Eurodollar-based Rate”.

Eurodollar-based Rate - Shall mean, with respect to the applicable Interest Period and applicable Eurodollar Loan, the quotient of the following: (a) the Eurodollar Rate; divided by (b) a percentage (expressed as a decimal) equal to 1.00 minus the maximum rate during such Interest Period at which the Agent is required to maintain reserves on “Euro-currency Liabilities” as defined in and pursuant to Regulation D of the Board of Governors of the Federal Reserve System or, if such regulation or definition is modified, and as long as the Agent is required to maintain reserves against a category of liabilities which includes Eurodollar deposits or includes a category of assets which includes Eurodollar Loans, the rate at which such reserves are required to be maintained on such category.

Eurodollar Rate - Shall mean, with respect to any Obligations outstanding under this Agreement at the Eurodollar-based Rate, the per annum rate of interest determined on the basis of the rate for deposits in United States Dollars for a period equal to the relevant Interest Period for such Obligations, commencing on the first day of such Interest Period, appearing on Page BBAM of the Bloomberg Financial Markets Information Service as of 10:00 a.m. (Texas time) (or soon thereafter as practical), two (2) Business Days prior to the first day of such Interest Period. In the event that such rate does not appear on Page BBAM of the Bloomberg Financial Markets Information Service (or otherwise on such Service), the “Eurodollar Rate” shall be determined by reference to such other publicly available service for displaying Eurodollar rates as may be agreed upon by the Agent and the Borrower, or, in the absence of such agreement, the “Eurodollar Rate” shall, instead, be the per annum rate equal to the average of the rates at which the Agent is offered dollar deposits at or about 10:00 a.m. (Texas time) (or soon thereafter as practical), two (2) Business Days prior to the first day of such Interest Period in the interbank Eurodollar market in an amount comparable to the principal amount of the respective Eurodollar-based Advance which is to bear interest at such Eurodollar-based Rate and for a period equal to the relevant Interest Period.

Event of Default - The term “Event of Default” is used herein as defined in Section 13 hereof.

Excluded Taxes - Shall have the meaning assigned to such term in Section 4(e)(i).

Existing Letters of Credit - Shall mean letters of credit outstanding on the Closing Date listed on Schedule 1.1 hereto.

Federal Funds Rate - For any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

Financial Statements - Balance sheets, income statements, statements of cash flows, and appropriate footnotes and schedules, prepared in accordance with GAAP.

Form W-8BEN Certification - As defined in Section 4(e)(iv).

Form W-8ECI Certification - As defined in Section 4(e)(iv).

GAAP - Generally accepted accounting principles and practices which are recognized as such by the American Institute of Certified Public Accountants acting through its Accounting Principles Board or by the Financial Accounting Standards Board or through other appropriate boards or committees thereof and which are consistently applied for all periods after the date hereof so as to properly reflect the financial conditions, and the results of operations and changes in financial position, of the Borrower, except that any accounting principle or practice required to be changed by the Accounting Principles Board or Financial Accounting Standards Board (or other appropriate board or committee or such Boards) in order to continue as a generally accepted accounting principle or practice may be so changed.

Governmental Authority - Shall include the country, the state, county, city and political subdivisions in which any Person or such Person’s Property is located or which exercises valid jurisdiction over any such Person or such Person’s Property, and any court, agency, department, commission, board, bureau or instrumentality of any of them including monetary authorities which exercises valid jurisdiction over any such Person or such Person’s Property. Unless otherwise specified, all references to Governmental Authority herein shall mean a Governmental Authority having jurisdiction over, where applicable, the Borrower, its Subsidiaries or any of their Property or the Agent or any Lender or any Applicable Lending Office.

Governmental Requirement - Shall mean any law, statute, code, ordinance, order, determination, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, authorization or other directive or requirement (whether or not having the force of law), including, without limitation, Environmental Laws, energy regulations and occupational, safety and health standards or controls, of any Governmental Authority.

Guarantor - Shall mean, individually and collectively, (a) each and every domestic Subsidiary of the Borrower now or hereafter created, acquired or otherwise owned, directly or indirectly, by the Borrower and (b) each other Person executing a Guaranty in favor of the Lenders.

Guaranty - Shall mean each guaranty agreement (or ratification thereof) executed by a Guarantor in substantially the same form as Exhibit H attached hereto, as may be amended, modified, restated or supplemented from time to time.

Hydrocarbon Interests - Shall mean all rights, titles, interests and estates now or hereafter acquired in and to oil and gas leases, oil, gas and mineral leases, or other liquid or gaseous Hydrocarbon leases, mineral fee interests, overriding royalty and royalty interests, net profit interests and production payment interests, including any reserved or residual interests of whatever nature.

Hydrocarbons - Shall mean oil, gas, casinghead gas, drip gasoline, natural gasoline, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons and all products refined or separated therefrom.

Indemnified Parties - Shall have the meaning assigned to such term in Section 15(c)(i)(B).

Indemnity Matters - shall mean any and all actions, suits, proceedings (including any investigations, litigation or inquiries), claims, demands and causes of action made or threatened against a Person and, in connection therewith, all losses, liabilities, damages (including, without limitation, consequential damages) or reasonable costs and expenses of any kind or nature whatsoever incurred by such Person whether caused by the sole or concurrent negligence of such Person seeking indemnification.

Interest Option - The option, exercisable from time to time by the Borrower, to designate portions of the unpaid principal balance of Revolving Loans as Base Rate Loans or Eurodollar Loans.

Interest Period - Shall mean a period of one (1) month, two (2) months, three (3) months, six (6) months or twelve (12) months with respect to any Advance of Loans, commencing on the day an Advance is made as a Eurodollar Loan or on the effective date of an election of the Eurodollar-based Rate hereunder, as applicable, provided that any Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day, except that (a) if the next succeeding Business Day falls in another calendar month, the Interest Period shall end on the next preceding Business Day, (b) when an Interest Period begins on a day which has no numerically corresponding day in the calendar month during which such Interest Period is to end, it shall end on the last Business Day of such calendar month and (c) an Interest Period must end on a date on or before the Maturity Date with respect to any Advance of

Revolving Loans or the Term Loan Maturity Date with respect to any Advance of the Term Loan.

Lender Termination Date - Shall have the meaning assigned to such term in Section 5(l)(iii).

Letter of Credit Agreements - Shall mean the written applications and agreements of the Borrower with the Issuing Lender executed in connection with the issuance by the Issuing Lender of the Letters of Credit, such applications and agreements to be on the Issuing Lender's customary form for letters of credit of comparable amount and purpose as from time to time in effect or as otherwise agreed to by the Borrower and the Issuing Lender. Such agreements shall contain the reimbursement obligations of the Borrower pertaining to the corresponding Letters of Credit.

Letter of Credit Commitment - Shall mean at any time 10% of the Borrowing Base.

Letter of Credit Exposure - Shall mean, at any time, the aggregate undrawn maximum face amount of all Letters of Credit outstanding at such time and the aggregate amount of all unreimbursed drawings made under Letters of Credit.

Letters of Credit - Shall mean the letters of credit issued by Issuing Lender on behalf of the Borrower pursuant to Section 2(e) (and shall include the Existing Letters of Credit). "Letter of Credit" shall mean any one of the Letters of Credit.

Lien - Shall mean any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract, and whether such obligation or claim is fixed or contingent, and including but not limited to (a) the lien or security interest arising from a mortgage, encumbrance, pledge, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes or (b) production payments and the like payable out of Oil and Gas Properties. The term "Lien" shall include reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting Property. For the purposes of this Agreement, the Borrower or any Subsidiary shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, or leases under a financing lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person in a transaction intended to create a financing.

Loan - Any loan made by a Lender pursuant to this Agreement.

Loan Documents - This Agreement, any Notes, the Guarantees, Letter of Credit Agreements, Letters of Credit, the Security Instruments, and any other agreements, instruments and documents executed pursuant to this Agreement.

Loan Parties - Shall mean collectively the Borrower and each Guarantor.

Material Adverse Effect - Any material and adverse effect on (a) the assets or properties, liabilities, financial condition, business, operations or affairs of the Borrower, the Borrower and its Subsidiaries taken as a whole, or the Mortgaged Properties, as the case may be, from those reflected in the Financial Statements of the Borrower prepared as at September 30, 2010, or in the most current Financial Statements of the Borrower in the possession of the Agent or from the facts represented or warranted in this Agreement or any other Loan Document, or (b) the ability of the Borrower and its Subsidiaries to carry on its business or to meet its obligations under the Notes, this Agreement or the other Loan Documents on a timely basis.

Maturity Date - March 20, 2013.

Maximum Line Amount - $150,000,000.00.

Maximum Rate - Shall mean, with respect to each Lender, the maximum nonusurious interest rate, if any, that at any time may be contracted for, taken, reserved, charged or received on the Notes or on any other Obligations under laws applicable to such Lender which are presently in effect or, to the extent allowed by law, under such applicable laws which may hereafter be in effect and which allow a higher maximum nonusurious interest rate than applicable laws now allow. If such Maximum Rate of interest changes after the date hereof, the Maximum Rate shall be automatically increased or decreased, as the case may be, without notice to the Borrower from time to time as of the effective date of each change in such Maximum Rate. To the extent that Chapter 303 of the Texas Finance Code is relevant for the purpose of determining the Maximum Rate, the Lenders elect to determine the applicable rate ceiling under such Chapter based on the weekly ceiling from time to time in effect. The Maximum Rate shall be computed on the basis of a 360 day year consisting of twelve 30 day months.

Mortgage - Shall mean, whether one or more, each mortgage, deed of trust, assignment of production, security agreement and financing statement or amendment thereto executed by the Borrower or any Guarantor, dated effective as of the Closing Date, or as to properties acquired after the Closing Date, executed by the Borrower or any Guarantor, as applicable, and granting a Lien in favor of the Agent to secure the Obligations in the Oil and Gas Properties, now owned or hereafter existing, of the Borrower and the Guarantors, as from time to time may be amended, supplemented, restated or otherwise modified.

Mortgaged Properties - All of the right, title and interest of the Borrower in and to those Oil and Gas Properties described on Exhibit A hereto and in and to those Oil and Gas Properties, whether now owned or hereafter acquired, in which a Lien is created by any Security Instrument in favor of the Agent for the benefit of the Lenders, whether executed prior to, contemporaneous with or after the execution of this Agreement.

Notes - The Notes described in Section 3 hereof.

Notice of Termination - Shall have the meaning assigned to such term in Section 5(l)(i).

Obligations - Shall mean all indebtedness, obligations and liabilities of the Borrower or any Guarantor to any of the Lenders, any of the Lenders' Affiliates, the Agent, the Arranger, or the Issuing Lender, individually or collectively, under any Loan Document or Commodity Hedging Agreement, whether existing on the date of this Agreement or arising thereafter, direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, secured or unsecured, including interest accruing subsequent to the filing of a petition or other action concerning bankruptcy or other similar proceedings, and all renewals, extensions, refinancings and replacements for the foregoing.

Oil and Gas Properties - Shall mean Hydrocarbon Interests; the Properties now or hereafter pooled or unitized with Hydrocarbon Interests; all presently existing or future unitization, pooling agreements and declarations of pooled units and the units created thereby (including without limitation all units created under orders, regulations and rules of any Governmental Authority) which may affect all or any portion of the Hydrocarbon Interests; all operating agreements, contracts and other agreements which relate to any of the Hydrocarbon Interests or the production, sale, purchase, exchange or processing of Hydrocarbons from or attributable to such Hydrocarbon Interests; all Hydrocarbons in and under and which may be produced and saved or attributable to the Hydrocarbon Interests, including all oil in tanks, the lands covered thereby and all rents, issues, profits, proceeds, products, revenues and other incomes from or attributable to the Hydrocarbon Interests; all tenements, hereditaments, appurtenances and Properties in any manner appertaining, belonging, affixed or incidental to the Hydrocarbon Interests; and all Properties, rights, titles, interests and estates described or referred to above, including any and all Property, real or personal, now owned or hereinafter acquired and situated upon, used, held for use or useful in connection with the operating, working or development of any of such Hydrocarbon Interests or Property (excluding drilling rigs, automotive equipment or other personal property which may be on such premises for the purpose of drilling a well or for other similar temporary uses) and including any and all oil wells, gas wells, injection wells or other wells, buildings, structures, fuel separators, liquid extraction plants, plant compressors, pumps, pumping units, field gathering systems, tanks and tank batteries, fixtures, valves, fittings, machinery and parts, engines, boilers, meters, apparatus, equipment, appliances, tools, implements, cables, wires, towers, casing, tubing and rods, surface leases, rights-of-way, easements and servitudes together with all additions, substitutions, replacements, accessions and attachments to any and all of the foregoing.

OPA - Shall mean the Oil Pollution Act which can be found at 33 U.S.C. § 27.01 *et seq*.

Other Taxes - Shall have the meaning assigned to such term in Section 4(e)(ii).

Participant - As defined in Section 15(f)(iii).

PBGC - Shall mean the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions.

Permitted Liens - (a) Liens for taxes, assessments or other governmental charges or levies not yet due or which are being contested in good faith by appropriate action, diligently conducted, by or on behalf of the Borrower, provided that appropriate reserves with respect thereto are maintained on the books of the Borrower in accordance with GAAP; (b) Liens in connection with workmen's compensation, unemployment insurance or other social security, old age, pension or public liability obligations; (c) vendors', carriers', warehousemen's, repairmen's, mechanic's, workmen's, materialmen's, construction or other like Liens arising by operation of law in the ordinary course of business or incident to the construction or improvement of any property in respect of obligations which are not yet due or which are being contested in good faith by appropriate action, diligently conducted, by or on behalf of the Borrower, provided that appropriate reserves with respect thereto are maintained on the books of the Borrower in accordance with GAAP; (d) Liens in favor of operators and non-operators incurred pursuant to an operating or joint operating agreement entered into in the ordinary course of business and securing the payment of obligations which are not yet due or which are being contested by the Borrower in good faith; (e) Environmental Liens which are being contested in good faith by appropriate proceedings and which cannot rank in priority above the Liens of the Lenders; (f) purchase money Liens or purchase money security interests upon or in any equipment acquired or held by the Loan Parties in the ordinary course of business prior to or at the time of such Loan Party's acquisition of such equipment; provided that, the Debt secured by such Liens (i) was incurred solely for the purpose of financing the acquisitions of such equipment, and does not exceed the aggregate purchase price of such equipment, (ii) is secured only by such equipment and not by any other assets of the Loan Parties, and (iii) is not increased in amount; (g) royalties, overriding royalties, net profits interests, production payments, reversionary interest, calls on production, preferential purchase rights and other burdens on or deductions from the proceeds of production, that do not secure Debt for borrowed money and that are taken into account in computing the net revenue interests and working interests of the Loan Parties warranted in the Security Instruments; (h) operating agreements, unitization and pooling agreements and orders, farmout agreements, gas balancing agreements and other agreements, in each case that are customary in the oil, gas and mineral production business and that are entered into in the ordinary course of business that are taken into account in computing the net revenue interests and working interests of the Loan Parties warranted in the Security Instruments, to the extent that any such Lien referred to in this clause does not materially impair the use of the Oil and Gas Property covered by such Lien for the purposes for which such Oil and Gas Property is held by any Loan Party or materially impair the value of such Oil and Gas Property subject thereto; and (i) easements, rights-of-way, restrictions, and other similar encumbrances, and minor defects in the chain of title that are customarily accepted in the oil and gas financing industry, none of which interfere with the ordinary conduct of the business of the Loan Parties or materially detract from the value or use of the Oil and Gas Properties to which they apply.

Person - An individual, partnership, corporation, limited liability company, business trust, joint venture, trust, unincorporated association, Governmental Authority or other entity of whatever nature.

Plan - Shall mean any employee pension benefit plan, as defined in Section 3(2) of ERISA, which (a) is currently or hereafter sponsored, maintained or contributed to by the Borrower, any Subsidiary or an ERISA Affiliate or (b) was at any time during the preceding six calendar years sponsored, maintained or contributed to, by the Borrower, any Subsidiary or an ERISA Affiliate.

Pledge Agreement - Shall mean, whether one or more, each pledge and security agreement (or ratification thereof) in substantially the form attached hereto as Exhibit F executed by the Borrower, dated effective as of the Closing Date, or as to interests acquired after the Closing Date, executed by the Borrower, as applicable, and granting a security interest in favor of the Agent to secure the Obligations in the ownership interests in the present and future Subsidiaries of the Borrower, as from time to time may be amended, supplemented, restated or otherwise modified.

Prime Rate - Shall mean that annual rate of interest which is equal to the greater of the annual rate of interest designated by Comerica Bank (or, at its option, the Agent) as its Prime Rate which is changed by Comerica Bank from time to time or a variable per annum rate of interest determined from day to day which equals the sum of 1% plus the Federal Funds Rate. Comerica Bank's Prime Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged by Comerica Bank (or the Agent, as applicable) to any of its customers. Comerica Bank (or the Agent, as applicable) may make commercial loans at rates of interest at, above or below its Prime Rate.

Proceeds - Shall have the meaning assigned to such term in Section 11(j)(i).

Property or Properties - Shall mean any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

Purchasers - Shall have the meaning assigned to such term in Section 11(j)(i).

Regulatory Change - Shall mean, with respect to any Lender, any change after the Closing Date in any Governmental Requirement (including Regulation D) or the adoption or making after such date of any interpretations, directives or requests applying to a class of lenders that includes such Lender or its Applicable Lending Office under any Governmental Requirement (whether or not having the force of law) by any Governmental Authority charged with the interpretation or administration thereof.

Replacement Lenders - Shall have the meaning assigned to such term in Section 5(l)(ii).

Reported Month - Shall have the meaning assigned to such term in Section 11(a)(x).

Required Lenders – At any time, as of any date of determination, means (a) Lenders holding more than 50% of the sum of (i) the Maximum Line Amount plus (ii) the aggregate amount of the Term Loan outstanding or, (b) if the commitment of each Revolving Lender to make Revolving Loans and the obligation of the Issuing Lender to issue Letters of Credit have been terminated pursuant to Section 13(b), Lenders holding in the aggregate more than 50% of the sum of (i) the aggregate Revolving Loans outstanding plus Letter of Credit Exposure (with the aggregate amount of each Revolving Lender's risk participation and funded participation in Letters of Credit being deemed "held" by such Revolving Lender for purposes of this definition) plus (ii) the aggregate amount of the Term Loan outstanding; provided that the commitment of, and the portion of the Loans outstanding plus Letter of Credit Exposure held or deemed held by, any Lender not in compliance with this Agreement shall be excluded for purposes of making a determination of Required Lenders, provided, however, in the event that there are more than one Lender under this Agreement at any one time, "Required Lenders" shall mean, as of any date of determination, at least two of the Lenders.

Required Revolving Lenders - At any time, as of any date of determination, means (a) Revolving Lenders holding more than 50% of the Maximum Line Amount or, (b) if the commitment of each Revolving Lender to make Revolving Loans and the obligation of the Issuing Lender to issue Letters of Credit have been terminated pursuant to Section 13(b), Revolving Lenders holding in the aggregate more than 50% of the aggregate Revolving Loans outstanding plus Letter of Credit Exposure (with the aggregate amount of each Revolving Lender's risk participation and funded participation in Letters of Credit being deemed "held" by such Revolving Lender for purposes of this definition); provided that the commitment of, and the portion of the Revolving Loans outstanding plus Letter of Credit Exposure held or deemed held by, any Revolving Lender not in compliance with this Agreement shall be excluded for purposes of making a determination of Required Revolving Lenders, provided, however, in the event that there are more than one Revolving Lender under this Agreement at any one time, "Required Revolving Lenders" shall mean, as of any date of determination, at least two of the Revolving Lenders.

Required Payment - Shall have the meaning assigned to such term in Section 4(c).

Reserve Report - Shall mean a report, in form and substance satisfactory to the Agent, setting forth, with respect to each Scheduled Redetermination Date (or any Unscheduled Redeterminations); (a) the proven Hydrocarbon reserves attributable to the Borrower's and Guarantor's Oil and Gas Properties together with a projection of the rate of production and future net income, taxes, operating expenses and capital expenditures with respect thereto as of such date, based upon the pricing assumptions determined by Agent at the time and (b) such other related information as the Agent may reasonably request.

Responsible Officer - Shall mean, as to any Person, the Chief Executive Officer, the President or any Vice President of such Person and, with respect to financial matters, the term "Responsible Officer" shall include the Chief Financial Officer of such Person. Unless otherwise specified, all references to a Responsible Officer herein shall mean a Responsible Officer of the Borrower.

Revolving Credit Commitment - As to any Revolving Lender, the obligation of such Revolving Lender to make Revolving Loans to the Borrower hereunder in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Revolving Lender's name on Schedule 1.2, as such amount may be reduced from time to time in accordance with the provisions of this Agreement.

Revolving Lenders - The financial institutions from time to time parties hereto as Lenders of the Revolving Loans.

Revolving Loan(s) - The revolving Loan(s) described in Section 2(a) hereof.

Scheduled Redetermination Date - Shall mean each May 1 and November 1 of each year.

Security Instruments - The term Security Instruments is used collectively herein to mean (a) each Mortgage covering the Mortgaged Properties, (b) each Pledge Agreement covering ownership interests in present and future Subsidiaries of the Borrower, and (c) all other agreements or instruments now or hereafter executed and delivered by the Borrower, any Subsidiary or any other Person in connection with, or as security for the payment or performance of the Notes, this Agreement, or any Obligations.

Subsidiary - Shall mean any corporation or other legally formed entity of which at least a majority of the outstanding shares of stock or other ownership interest having by the terms thereof ordinary voting power to elect a majority of the board of directors or other governing body of such entity (irrespective of whether or not at the time stock or any other ownership interest of any other class or classes of such entity shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by another Person or one or more of such Person's Subsidiaries or by such Person and one or more of its Subsidiaries. Unless otherwise indicated herein, each reference to the term "Subsidiary" shall mean a Subsidiary of the Borrower.

Taxes - Shall have the meaning assigned to such term in Section 4(e)(i).

Terminated Lender - Shall have the meaning assigned to such term in Section 5(l)(i).

Term Loan - The term Loan to be made to the Borrower by the Term Loan Lenders pursuant to Section 2(b) hereof, in the aggregate principal amount of Twenty-Five Million and No/100 Dollars ($25,000,000).

Term Loan Lenders - The financial institutions from time to time parties hereto as Lenders of the Term Loan.

Term Loan Maturity Date - December 31, 2011.

Term Loan Percentage - means with respect to any Term Loan Lender, the percentage specified opposite such Term Loan Lender's name in the column entitled

"Term Loan Percentage" on Schedule 1.2, as adjusted from time to time in accordance with the terms hereof.

Term Loan Rate Request - Shall mean that certain request in substantially the form of Exhibit J.

Tranche - The collective reference to Eurodollar Loans in the then current Interest Period with respect to all of which begin on the same date and end on the same later date (whether or not such Eurodollar Loans shall originally have been made on the same day). Tranches may be referred to as "Eurodollar Tranches".

Type - A Revolving Loan made as a Base Rate Loan or a Revolving Loan made as a Eurodollar Loan.

Unscheduled Redeterminations - As defined in Section 6(b).

Unused Availability - The excess, if any, of (a) the lesser of (i) the Borrowing Base less Letter of Credit Exposure or (ii) the Maximum Line Amount less Letter of Credit Exposure minus (b) the aggregate Revolving Loans then outstanding.

Unused Facility Fee - Shall mean the fee payable to the Agent for the account of each Revolving Lender pursuant to Section 2(j)(i).

Weighted Percentage - With respect to each Lender, a percentage calculated as follows:

(a) as to such Lender, so long as the Revolving Credit Commitment of each Revolving Lender has not been terminated (whether by maturity, acceleration or otherwise), its weighted percentage calculated by dividing (i) the sum of (x) its Revolving Credit Commitment plus (y) its Term Loan Percentage of the Term Loan outstanding, by (ii) the sum of (x) the Maximum Line Amount plus (y) the aggregate amount of the Term Loan outstanding; and

(b) as to such Lender, if the Revolving Credit Commitment of each Revolving Lender has been terminated (whether by maturity, acceleration or otherwise), its weighted percentage calculated by dividing (i) the sum of (x) its Commitment Percentage of the aggregate Revolving Loans outstanding plus the Letter of Credit Exposure held or deemed held by such Lender plus (y) its Term Loan Percentage of the Term Loan outstanding, by (ii) the sum of (x) the aggregate amount of Revolving Loans outstanding plus (y) the aggregate amount of the Term Loan outstanding.

(b) Other Interpretive Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(i) The words "herein," "hereto," "hereof" and "hereunder" and words of similar import when used in any Loan Document shall refer to such Loan Document as a whole and not to any particular provision thereof.

(ii) Article, Section, Exhibit and Schedule references are to the Loan Document in which such reference appears, unless the context indicates otherwise.

(iii) The term "including" is by way of example and not limitation.

(iv) The term "documents" includes any and all instruments, documents, agreements, certificates, notices, reports, financial statements and other writings, however evidenced, whether in physical or electronic form.

(v) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including."

(vi) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

(c) Accounting Terms. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with GAAP, applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Financial Statements, except as otherwise specifically prescribed herein.

If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Required Lenders shall so request, the Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

(d) Rounding. Any financial ratios required to be maintained by the Borrower or any Subsidiary pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding up if there is no nearest number).

(e) References to Agreements and Laws. Unless otherwise expressly provided herein, (i) references to organization documents, agreements (including the Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, extensions, supplements and other modifications are not prohibited by any Loan Document; and (ii) references to any law shall include all statutory and regulatory provisions and rulings consolidating, amending, replacing, supplementing or interpreting such law.

(f) Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Central time (daylight or standard, as applicable).

(g) Letter of Credit Amounts. Unless otherwise specified, all references herein to the amount of a Letter of Credit at any time shall be deemed to mean the maximum face amount of such Letter of Credit after giving effect to all increases thereof contemplated by such Letter of Credit or the Letter of Credit Agreement therefor, whether or not such maximum face amount is in effect at such time.

2. Loans.

(a) Revolving Loans. On the terms and conditions hereinafter set forth and provided that no Default or Event of Default has occurred, each Revolving Lender severally agrees to make, from time to time prior to the Maturity Date, Revolving Loans to the Borrower in an aggregate principal amount at any one time outstanding not to exceed the amount of such Revolving Lender's Revolving Credit Commitment; provided, however that no Revolving Lender shall make any Revolving Loans if, after giving effect thereto, the sum of all Revolving Loans plus Letter of Credit Exposure (in each case, after giving effect to the Revolving Loans requested to be made and Letters of Credit to be issued on such date) exceed the lesser of (i) the Borrowing Base in effect at such time and (ii) the Maximum Line Amount. Subject to the terms of this Agreement, during the period from the Closing Date to and up to, but excluding, the Maturity Date, the Borrower may borrow, repay and reborrow the amount described in this Section 2(a).

(b) Term Loan. On the terms and conditions hereinafter set forth, each Term Loan Lender, severally and for itself alone, agrees to lend to the Borrower, in a single disbursement in Dollars on the Closing Date an amount equal to such Term Loan Lender's Term Loan Percentage of the Term Loan. There shall be no readvance or reborrowing of any amount under the Term Loan.

(c) Procedure for Revolving Credit Borrowing. The Borrower may borrow under the Revolving Credit Commitments from the Closing Date until the Maturity Date on any Business Day, provided that the Borrower shall give the Agent irrevocable notice in the form of a Borrowing, Conversion and Confirmation Notice (or telephonic notice promptly confirmed by such written notice) which notice shall be irrevocable and must be received by the Agent prior to 11:00 a.m., Central time, (a) two Business Days prior to the requested Borrowing Date, if all or any part of the requested Revolving Loans are to be initially Eurodollar Loans or (b) one Business Day prior to the requested Borrowing Date for Base Rate Loans, otherwise), specifying (i) the amount to be borrowed, (ii) the requested Borrowing Date, (iii) whether the borrowing is to be of Eurodollar Loans, Base Rate Loans or a combination thereof and (iv) if the borrowing is to be entirely or partly of Eurodollar Loans, the respective amounts of each such Type of Revolving Loan and the respective lengths of the initial Interest Periods therefor. Each borrowing under the Revolving Credit Commitments shall be in an amount equal to (x) in the case of Base Rate Loans, $100,000 or a whole multiple of $50,000 in excess thereof (or, if the remaining balance of the aggregate Revolving Credit Commitment is less, than $100,000, such lesser amount) and (y) in the case of Eurodollar Loans, $500,000 or a whole multiple of $100,000 in excess thereof. Upon receipt of any such notice from the Borrower, the Agent shall promptly notify each Revolving Lender thereof. Each Revolving Lender will make the amount of its pro rata share of each borrowing available to the Agent for the account of the Borrower at the Agent's Office prior to 10:00 a.m., Central time, on the Borrowing Date requested by the Borrower in funds immediately available to the Agent. Such borrowing will then be made available to the Borrower by the Agent crediting the account of the Borrower on the books of the Agent with the aggregate of the amounts made available to the Agent by the Revolving Lenders and in like funds as received by the Agent.

(d) Term Loan Rate Requests. The Borrower may continue any Advance of the Term Loan as a Eurodollar Loan until one month prior to the Term Loan Maturity Date, provided that the Borrower shall give the Agent irrevocable notice in the form of a Term Loan Rate Request (or telephonic notice promptly confirmed by such written notice) which notice shall be irrevocable and must be received by the Agent prior to 11:00 a.m., Central time, two Business Days prior to the requested continuation date of such Advance specifying the amount of such Advance and the requested Interest Period therefor. If a Term Loan Rate Request is not timely received from the Borrower, such Advance shall be continued as a Eurodollar Loan with an Interest Period of one month. Upon receipt of any Term Loan Rate Request from the Borrower, the Agent shall promptly notify each Term Loan Lender thereof. No Advance of the Term Loan shall have an Interest Period ending after the Term Loan Maturity Date, and, notwithstanding anything to the contrary contained herein, the Agent may select an Interest Period for any Advance of the Term Loan such that the Borrower may make the required principal payments hereunder on a timely basis and otherwise in accordance with this Agreement.

(e) Letters of Credit. During the period from and including the Closing Date to, but excluding, the Maturity Date, the Issuing Lender, as issuing bank for the Revolving Lenders, agrees to extend credit for the account of the Borrower at any time and from time to time by issuing, renewing, extending or reissuing Letters of Credit; provided, however, the Letter of Credit Exposure at any one time outstanding shall not exceed the lesser of (i) the Letter of Credit Commitment or (ii) the Maximum Line Amount, as then in effect, minus the aggregate principal amount of all Revolving Loans then outstanding. The Revolving Lenders shall participate in such Letters of Credit according to their respective Commitment Percentage. Each of the Letters of Credit shall

(i) be issued by the Issuing Lender, (ii) be in the face amount of not less than $10,000, (iii) contain such terms and provisions as are reasonably required by the Issuing Lender, (iv) be for the account of the Borrower and (v) expire not later than thirteen (13) months from issuance or five days before the Maturity Date.

(f) Letters of Credit Procedure. The Borrower shall give the Issuing Lender (which shall promptly notify the Revolving Lenders of such request and their Commitment Percentage of such Letter of Credit), a Letter of Credit Agreement to be received by the Issuing Lender not later than 11:00 a.m. Central time not less than three Business Days prior thereto of each request for the issuance, and at least thirty (30) Business Days prior to the date of the renewal or extension, of a Letter of Credit hereunder which request shall specify (i) the amount of such Letter of Credit, (ii) the date (which shall be a Business Day) such Letter of Credit is to be issued, renewed or extended, (iii) the duration thereof, (iv) the name and address of the beneficiary thereof, (v) the form or type of the Letter of Credit and (vi) such other information as the Agent or the Issuing Lender may reasonably request, all of which shall be reasonably satisfactory to the Agent and the Issuing Lender, provided, however, in connection with the request for the initial issuance of a Letter of Credit, the Borrower may request that the Letter of Credit will be automatically renewed for similar successive periods of time unless and until the Borrower provides a notice no later than 10 days prior to its expiration to the Issuing Lender that the Letter of Credit should not be renewed. Notwithstanding anything to the contrary contained herein, no Letter of Credit shall be renewed for a similar successive period of time if its expiration is later than five days before the Maturity Date. Subject to the terms and conditions of this Agreement, on the date specified for the issuance, renewal or extension of a Letter of Credit, the Issuing Lender shall issue, renew or extend such Letter of Credit to the beneficiary thereof. All Existing Letters of Credit shall be deemed to have been issued pursuant hereto, and from and after the Closing Date shall be subject to and governed by the terms and conditions hereof.

In the event of any conflict between any provision of a Letter of Credit Agreement and this Agreement, the Borrower, the Issuing Lender, the Agent and the Revolving Lenders hereby agree that the provisions of this Agreement shall govern.

The Issuing Lender will send to the Borrower and each Revolving Lender, immediately upon issuance of any Letter of Credit, or an amendment thereto, a true and complete copy of such Letter of Credit, or such amendment thereto.

(g) Letter of Credit Fees.

(i) The Borrower agrees to pay the Agent, for the account of the Issuing Lender (to the extent provided in clause (ii) below) and each Revolving Lender, commissions for issuing the Letters of Credit on the daily average outstanding of the maximum liability of the Issuing Lender existing from time to time under such Letter of Credit (calculated separately for each Letter of Credit) at the Applicable Margin from time to time in effect with respect to Revolving Loans that are Eurodollar Loans, provided that each Letter of Credit shall bear a minimum commission of $500.00. Each Letter of Credit shall be deemed to be outstanding up to the full face amount of the Letter of Credit until the Issuing Lender has received the canceled Letter of Credit or a written cancellation of the Letter of Credit from the beneficiary of such Letter of Credit in form and substance acceptable to the Issuing Lender, or for any reductions in the amount of the Letter of Credit (other than from a drawing), written notification from the beneficiary of such Letter of Credit. Such commissions are payable quarterly in arrears on the first day of each fiscal quarter of each year.

(ii) The Issuing Lender, for its own account, shall retain 12.5% of the amount of each fee payment described in clause (i) above as an issuing fee, and the Agent shall pay to the Revolving Lenders pro rata the remaining 87.5% of each such fee payment.

(iii) Upon each transfer of any Letter of Credit to a successor beneficiary in accordance with its terms, the Borrower shall pay to the Issuing Lender for its own account a sum in an amount which is in accordance with the Issuing Lender’s then-current fee policy.

(iv) Upon each drawing of any Letter of Credit, the Borrower shall pay to the Issuing Lender for its own account a negotiation fee in an amount which is in accordance with the Issuing Lender’s then-current fee policy; provided that such fee shall not be a condition to any drawing.

(v) Upon each amendment of any Letter of Credit, the Borrower shall pay to the Issuing Lender for its own account an amendment fee in an amount which is in accordance with the Issuing Lender’s then-current fee policy.

(h) Assumption of Risks. The Borrower assumes all risks of the acts or omissions of any beneficiary of any Letter of Credit or any transferee thereof with respect to its use of such Letter of Credit. Neither the Issuing Lender (except in the case of gross negligence or willful misconduct on the part of the Issuing Lender or any of its employees), its correspondents nor the Agent or any Revolving Lender shall be responsible for the validity, sufficiency or genuineness of certificates or other documents or any endorsements thereon, even if such certificates or other documents should in fact prove to be invalid, insufficient, fraudulent or forged; for errors, omissions, interruptions or delays in transmissions or delivery of any messages by mail, telex, or otherwise, whether or not they be in code; for errors in translation or for errors in interpretation of technical terms; the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; the failure of any beneficiary or any transferee of any Letter of Credit to comply fully with conditions required in order to draw upon any Letter of Credit; or for any other consequences arising from causes beyond the Issuing Lender’s control or the control of the Issuing Lender’s correspondents. In addition, neither the Issuing Lender, nor the Agent or any Revolving Lender shall be responsible for any error, neglect, or default of any of the Issuing Lender’s correspondents; and none of the above shall affect, impair or prevent the vesting of any of the Issuing Lender’s, the Agent’s or any Revolving Lender’s rights or powers hereunder or under the Letter of Credit Agreements, all of which rights shall be cumulative. The Issuing Lender and its correspondents may accept certificates or other documents that appear on their face to be in order, without responsibility for further investigation of any matter contained therein regardless of any notice or information to the contrary. In furtherance and not in limitation of the foregoing provisions, the Borrower agrees that any action, inaction or omission taken or not taken by the Issuing Lender or by any correspondent for the Issuing Lender in good faith in connection with any Letter of Credit, or any related drafts, certificates, documents or instruments, shall be binding on the Borrower and shall not put the Issuing Lender or its correspondents under any resulting liability to the Borrower.

(i) Obligation to Reimburse and to Prepay.

(i) If a disbursement by the Issuing Lender is made under any Letter of Credit, the Borrower shall pay to the Agent within five Business Days after notice of any such disbursement is received by the Borrower, the amount of each such disbursement made by the Issuing Lender under the Letter of Credit (if such payment is not sooner effected as may be required under this Section 2(i) or under other provisions of the Letter of Credit), together with interest on the amount disbursed from and including the date of disbursement until payment in full of such disbursed amount at a varying rate per annum equal to (A) the then applicable interest rate for Base Rate Loans through the fifth Business Day after notice of such disbursement is received by the Borrower and (B) thereafter, the Default Rate for Base Rate Loans (but in no event to exceed the Maximum Rate) for the period from and including the sixth Business Day following the date of such disbursement to and including the date of repayment in full of such disbursed amount. The obligations of the Borrower under this Agreement with respect to each Letter of Credit shall be absolute, unconditional and irrevocable and shall be paid or performed strictly in accordance with the terms of this Agreement under all circumstances whatsoever, including, without limitation, but only to the fullest extent permitted by applicable law, the following circumstances: (u) any lack of validity or enforceability of this Agreement, any Letter of Credit or any of the Loan Documents; (v) any amendment or waiver of (including any default), or any consent to departure from this Agreement (except to the extent permitted by any amendment or waiver), any Letter of Credit or any of the Loan Documents; or (w) the existence of any claim, set-off, defense or other rights which the Borrower may have at any time against the beneficiary of any Letter of Credit or any transferee of any Letter of Credit (or any Persons for whom any such beneficiary or any such transferee may be acting), the Issuing Lender, the Agent, any Revolving Lender or any other Person, whether in connection with this Agreement, any Letter of Credit, the Loan Documents, the transactions contemplated hereby or any unrelated transaction.

(ii) In the event of the occurrence of, and during the continuance of, any Event of Default, or the maturity of the Notes evidencing the Revolving Loans, whether by acceleration or otherwise, an amount equal to the Letter of Credit Exposure shall be deemed to be forthwith due and owing by the Borrower to the Issuing Lender, the Agent and the Revolving Lenders as of the date of any such occurrence; and the Borrower's obligation to pay such amount shall be absolute and unconditional, without regard to whether any beneficiary of any such Letter of Credit has attempted to draw down all or a portion of such amount under the terms of a Letter of Credit, and, to the fullest extent permitted by applicable law, shall not be subject to any defense or be affected by a right of set-off, counterclaim or recoupment which the Borrower may now or hereafter have against any such beneficiary, the Issuing Lender, the Agent, the Revolving Lenders or any other Person for any reason whatsoever. Such payments shall be held by the Issuing Lender on behalf of the Revolving Lenders as cash collateral securing the Letter of Credit Exposure in an account or accounts at the Agent's Office; and the Borrower hereby grants to and by its deposit with the Agent grants to the Agent a security interest in such cash collateral. Upon reasonable request by the Agent in such circumstances, the Borrower shall immediately execute and deliver to the Agent the Cash Collateral Account Agreement. In the event of any such payment by the Borrower of amounts contingently owing under outstanding Letters of Credit and in the event that thereafter drafts or other demands for payment complying with the terms of such Letters of Credit are not made prior to the respective expiration dates thereof, the Agent agrees, if no Event of Default has occurred and is continuing or if no other amounts are outstanding under this Agreement, the Notes or the Loan Documents, to remit to the Borrower amounts for which the contingent obligations evidenced by the Letters of Credit have ceased, provided that if the sole reason for such payment was the occurrence of an Event of Default, the Agent shall remit such amounts to Borrower as soon as all Events of Default no longer continue to exist.

(iii) Each Revolving Lender severally and unconditionally agrees that it shall promptly reimburse the Issuing Lender an amount equal to such Revolving Lender's Commitment Percentage of any disbursement made by the Issuing Lender under any Letter of Credit that is not reimbursed according to this Section 2(i).

(iv) Notwithstanding anything to the contrary contained herein, if no Event of Default exists and subject to availability under the Revolving Credit Commitment (after reduction for Letter of Credit Exposure), to the extent the Borrower has not reimbursed the Issuing Lender for any amount drawn upon a Letter of Credit within five Business Days after notice of such disbursement has been received by the Borrower, the amount of such Letter of Credit reimbursement obligation shall automatically be funded by the Revolving Lenders as a Revolving Loan hereunder and used by the Revolving Lenders to pay such Letter of Credit reimbursement obligation. If an Event of Default has occurred and is continuing, or if the funding of such Letter of Credit reimbursement obligation as a Revolving Loan would cause the aggregate amount of all Revolving Loans outstanding to exceed the amount available under the Revolving Credit Commitment (after reduction for Letter of Credit Exposure), such Letter of Credit reimbursement obligation shall not be funded as a Revolving Loan, but instead shall accrue interest as provided in Section 2(i)(i).

(j) Fees.

(i) Unused Facility Fee. The Borrower agrees to pay to the Agent, for the account of the Revolving Lenders, an unused facility fee at a per annum rate equal to the Applicable Margin times the average actual daily amounts by which the Borrowing Base exceeds the product of the Borrowing Base Utilization times the Borrowing Base. The fee shall be due and payable quarterly in arrears on each June 30, September 30, December 31 and March 31, and upon the termination hereof. The Unused Facility Fee shall be calculated quarterly in arrears and if there is any change in the Applicable Margin during any quarter, the average daily amounts for the periods before and after such change shall be computed and multiplied by the appropriate Applicable Margin for each period during which such Applicable Margin was in effect, with the results being averaged and adjusted to a per annum basis. The Unused Facility Fee shall accrue at all times.

(ii) Borrowing Base Increase Fee. The Borrower agrees that it shall pay to the Agent for the account of the Revolving Lenders a fee equal to one-quarter of one percent (0.25%) of the amount of each increase, if any, in the Borrowing Base above the then current Borrowing Base. Such fee shall be due and payable on the effective date of each such increase.

3. Notes Evidencing Loans; Payments of Principal and Interest.

(a) Form of Notes - The Revolving Loans made by each Revolving Lender shall be evidenced by a Note made payable to the order of such Revolving Lender, in the amount of such Revolving Lender’s Revolving Credit Commitment and in the form of Exhibit B hereto with appropriate insertions. The Term Loan made by each Term Loan Lender shall be evidenced by a Note made payable to the order of such Term Loan Lender, in the amount of such Term Loan Lender’s Term Loan Percentage of the Term Loan in the form of Exhibit C hereto with appropriate insertions.

(b) Interest Rates. The Borrower will pay to the Agent, for the account of each applicable Lender, interest on the unpaid principal amount of each Loan made by such Lender for the period commencing on the date such Loan is made to, but excluding, the date such Loan shall be paid in full, at the following rates per annum:

(i) with respect to any Revolving Loan that is a Base Rate Loan, the Base Rate (as in effect from time to time) plus the Applicable Margin, but in no event to exceed the Maximum Rate;

(ii) with respect to any Revolving Loan that is a Eurodollar Loan, for each Interest Period relating thereto, the Eurodollar-based Rate for such Revolving Loan plus the Applicable Margin (as in effect from time to time), but in no event to exceed the Maximum Rate;

(iii) with respect to any Advance of the Term Loan, the Eurodollar-based Rate for such Advance plus the Applicable Margin (as in effect from time to time), but in no event to exceed the Maximum Rate; and

(iv) Interest on Eurodollar Loans and fees shall be computed on the basis of a year of 360 days and actual days elapsed (including the first day but excluding the last day) occurring in the period for which such interest is payable, unless such calculation would exceed the Maximum Rate, in which case interest shall be calculated on the per annum basis of a year of 365 or 366 days, as the case may be. Interest on Base Rate Loans shall be computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed (including the first day but excluding the last day) occurring in the period for which such interest is payable.

(c) Eurodollar Option. The Interest Option shall be exercisable by the Borrower, subject to the other limitations set forth herein on the Borrower's option to designate a portion of the unpaid principal balance of a Revolving Loan as a Eurodollar Loan, only in the manner provided below:

(i) Notice. On the date hereof, the Borrower shall give the Revolving Lenders written notice in the form of specifying the initial Interest Option(s) and the respective initial amounts of the Base Rate Loan and Eurodollar Loan or Eurodollar Loans designated by the Borrower. If the required Borrowing, Conversion and Continuation Notice shall not have been timely received by the Agent or fails to designate all or a portion of the unpaid principal amount hereof as either a Base Rate Loan or a Eurodollar Loan in accordance with the terms and provisions of this Agreement, the Borrower shall be deemed conclusively to have designated such amounts to be a Base Rate Loan and to have given the Agent notice of such designation. The Borrower may not exercise an Interest Option if the last day of the Interest Period for such Eurodollar Loan would be after the Maturity Date.

(ii) Continuation Options. Subject to the provisions made in this Section 3(c)(ii), the Borrower may elect to continue all or any part of any Eurodollar Loan beyond the expiration of the then current Interest Period relating thereto by giving advance notice as provided in Section 2(c) to the Agent (which shall promptly notify the Revolving Lenders) of such election, specifying the amount of such Revolving Loan to be continued and the Interest Period therefor. In the absence of such a timely and proper election or an election to convert to a Base Rate Loan under Section 3(c)(iii) below, the Borrower shall be deemed to have elected to continue all of such Eurodollar Loan for the same length of Interest Period as its then current Interest Period. All or any part of any Eurodollar Loan may be continued as provided herein, provided that (a) any continuation of any such Revolving Loan shall be (as to each Revolving Loan as continued for an applicable Interest Period) in amounts of at least $500,000.00 or any whole multiple of $100,000.00 in excess thereof and (b) no Default shall have occurred and be continuing. If a Default shall have occurred and be continuing, each Eurodollar Loan shall be converted to a Base Rate Loan on the last day of the Interest Period applicable thereto.

(iii) Conversion Options. The Borrower may elect to convert all or any part of any Eurodollar Loan on the last day of the then current Interest Period relating thereto to a Base Rate Loan by giving advance notice to the Agent (which shall promptly notify the Revolving Lenders) of such election. Subject to the provisions made in this Section 3(c)(iii), the Borrower may elect to convert all or any part of any Base Rate Loan at any time and from time to time to a Eurodollar Loan by giving advance notice as provided in Section 2(c) to the Agent (which shall promptly notify the Revolving Lenders) of such election. All or any part of any outstanding Revolving Loan may be converted as provided herein, provided that (a) any conversion of any Base Rate Loan into a Eurodollar Loan shall be (as to each such Revolving Loan into which there is a conversion for an applicable Interest Period) in amounts of at least $500,000.00 or any whole multiple of $100,000.00 in excess thereof and (b) no Default shall have occurred and be continuing. If a Default shall have occurred and be continuing, no Base Rate Loan may be converted into a Eurodollar Loan.

(iv) Tranche Limitations. Notwithstanding any provision to the contrary contained herein, there shall not exist or be outstanding at any time more than seven Eurodollar Tranches. For purposes of this Section 3(c)(iv), Eurodollar Tranches having different Interest Periods, regardless of whether such Revolving Loans commence on the same date, shall be considered separate Eurodollar Tranches.

(v) Limitation until Payment of Term Loan. Notwithstanding anything to the contrary contained herein and subject to Section 5(i) hereof, until payment in full of the Term Loan, all Revolving Loans shall be Eurodollar Loans.

(d) Payment of Interest. Interest hereon shall be payable as follows:

(i) accrued interest on any Base Rate Loan shall be payable quarterly in arrears, beginning July 1, 2011, and continuing on the first Business Day of each fiscal quarter thereafter, and on the Maturity Date; and

(ii) accrued interest on any Eurodollar Loan shall be payable on the last day of the Interest Period applicable to such Eurodollar Loan, provided that if the Interest Period for a Eurodollar Loan is six (6) months or longer, accrued interest on such Eurodollar Loan shall be paid at the end of each three (3) month period during the term thereof.

(e) Payment of Principal. Unless earlier due in whole or in part pursuant to the mandatory prepayment requirement of Section 7 hereof or unless otherwise accelerated in accordance with the terms hereof, all the outstanding principal and accrued and unpaid interest on the Revolving Loans shall be due and payable in full on the

Maturity Date and all the outstanding principal and accrued and unpaid interest on the Term Loan shall be due and payable in full on the Term Loan Maturity Date.

(f) Default Rate. Notwithstanding the foregoing, the Borrower will pay to the Agent, for the account of each Lender, interest at the applicable Default Rate on any principal of any Loan made by such Lender, and (to the fullest extent permitted by law) on any other amount payable by the Borrower hereunder, under any Loan Document or under any Note held by such Lender to or for account of such Lender, for the period commencing on the date of an Event of Default shall have occurred until such amount is paid in full or all Events of Default are cured or waived.

(g) Recapture Rate. If at any time and from time to time (i) the amount of interest payable to any Lender on any date shall be computed at the Maximum Rate applicable to such Lender pursuant to this Section 3(g) and (ii) in respect of any subsequent interest computation period the amount of interest otherwise payable to such Lender would be less than the amount of interest payable to such Lender computed at the Maximum Rate applicable to such Lender, then the amount of interest payable to such Lender in respect of such subsequent interest computation period shall continue to be computed at the Maximum Rate applicable to such Lender until the total amount of interest payable to such Lender shall equal the total amount of interest which would have been payable to such Lender if the total amount of interest had been computed without giving effect to this Section 3(g).

4. Payments; Pro Rata Treatment, Etc.

(a) Payments. Except to the extent otherwise provided herein, all payments of principal, interest and other amounts to be made by the Borrower under this Agreement, the Notes, and any other Loan Document shall be made in Dollars, in immediately available funds, to the Agent at such account as the Agent shall specify by notice to the Borrower from time to time, not later than 11:00 a.m. Central time on the date on which such payments shall become due (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Business Day). Such payments shall be made without (to the fullest extent permitted by applicable law) defense, set-off or counterclaim. Each payment received by the Agent under this Agreement or any Note for account of a Lender shall be paid promptly to such Lender in immediately available funds. Except as otherwise provided in the definition of “Interest Period”, if the due date of any payment under this Agreement or any Note would otherwise fall on a day which is not a Business Day such date shall be extended to the next succeeding Business Day and interest shall be payable for any principal so extended for the period of such extension. At the time of each payment to the Agent of any principal of or interest on any borrowing, the Borrower shall notify the Agent of the Loans to which such payment shall apply. In the absence of such notice the Agent may specify the Loans to which such payment shall apply, but to the extent possible such payment or prepayment will be applied first to the Loans comprised of Base Rate Loans.

(b) Pro Rata Treatment. Except to the extent otherwise provided herein each Lender agrees that: (i) each borrowing from the Lenders under Section 2(a) and each continuation and conversion under Section 2(d) and Section 3(c) shall be made from the Revolving Lenders or Term Loan Lenders, as applicable, pro rata in accordance with their Commitment Percentage or Term Loan Percentage, as applicable, each payment of Unused Facility Fee or other fees under Section 2(j) shall be made for the account of the Revolving Lenders pro rata in accordance with their Commitment Percentage, and each termination or reduction of the amount of the Maximum Line Amount under Section 7(d) shall be applied to the Revolving Credit Commitment of each Revolving Lender, pro rata according to the amounts of its respective Revolving Credit Commitment; (ii) each payment of principal of Loans by the Borrower shall be made for account of the Lenders pro rata in accordance with the respective unpaid principal amount of the Loans held by the Lenders; (iii) each payment of interest on Loans by the Borrower shall be made for account of the Lenders pro rata in accordance with the amounts of interest due and payable to the respective Lenders; and (iv) each reimbursement by the Borrower of disbursements under Letters of Credit shall be made for the account of the Issuing Lender or, if funded by the Revolving Lenders, pro rata for the account of the Revolving Lenders, in accordance with the amounts of reimbursement obligations due and payable to each respective Revolving Lender.

(c) Non-receipt of Funds by the Agent. Unless the Agent shall have been notified by a Lender or the Borrower prior to the date on which such notifying party is scheduled to make payment to the Agent (in the case of a Lender) of the proceeds of a Loan or a payment under a Letter of Credit to be made by it hereunder or (in the case of the Borrower) a payment to the Agent for account of one or more of the Lenders hereunder (such payment being herein called the "Required Payment"), which notice shall be effective upon receipt, that it does not intend to make the Required Payment to the Agent, the Agent may assume that the Required Payment has been made and may, in reliance upon such assumption (but shall not be required to), make the amount thereof available to the intended recipient(s) on such date and, if such Lender or the Borrower (as the case may be) has not in fact made the Required Payment to the Agent, the recipient(s) of such payment shall, on demand, repay to the Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Agent until, but excluding, the date the Agent recovers such amount at a rate per annum which, for any Lender as recipient, will be equal to the Federal Funds Rate plus one percent (1.0%), and for the Borrower as recipient, will be equal to the Base Rate plus the Applicable Margin.

(d) Set-off, Sharing of Payments, Etc.

(i) After the occurrence of and during the continuance of an Event of Default, the Borrower agrees that, in addition to (and without limitation of) any right of set-off, bankers' Lien or counterclaim a Lender may otherwise have, each Lender shall have the right and be entitled (after consultation with the Agent), at its option, to offset balances held by it or by any of its Affiliates for account of the Borrower or any Subsidiary at any of its offices, in Dollars or in any other currency, against any principal of or interest on any of such Lender's Loans, or any other amount payable to such Lender hereunder, which is not paid when due (regardless of whether such balances are then due to the Borrower), in which case it shall promptly notify the Borrower and the Agent thereof, provided that such Lender's failure to give such notice shall not affect the validity thereof.

(ii) If any Lender shall obtain payment of any principal of or interest on any Loan made by it under this Agreement (or reimbursement as to any Letter of Credit) through the exercise of any right of set-off, banker's Lien or counterclaim or similar right or otherwise, and, as a result of such payment, such Lender shall have received a greater percentage of the principal or interest (or reimbursement) then due hereunder by the Borrower to such Lender than the percentage received by any other Lenders, it shall promptly (A) notify the Agent and each other Lender thereof and (B) purchase from such other Lenders participation in (or, if and to the extent specified by such Lender, direct interests in) the Loans (or participations in Letters of Credit) made by such other Lenders (or in interest due thereon, as the case may be) in such amounts, and make such other adjustments from time to time as shall be equitable, to the end that all the Lenders shall share the benefit of such excess payment (net of any expenses which may be incurred by such Lender in obtaining or preserving such excess payment) pro rata in accordance with the unpaid principal and/or interest on the Loans held by each of the Lenders (or reimbursements of Letters of Credit). To such end all the Lenders shall make appropriate adjustments among themselves (by the resale of participations sold or otherwise) if such payment is rescinded or must otherwise be restored. The Borrower agrees that any Lender so purchasing a participation (or direct interest) in the Loans made by other Lenders (or in interest due thereon, as the case may be) may exercise all rights of set-off, banker's Lien, counterclaim or similar rights with respect to such participation as fully as if such Lender were a direct holder of Loans (or Letters of Credit) in the amount of such participation. Nothing contained herein shall require any Lender to exercise any such right or shall affect the right of any Lender to exercise, and retain the benefits of exercising, any such right with respect to any other indebtedness or obligation of the Borrower. If under any applicable bankruptcy, insolvency or other similar law, any Lender receives a secured claim in lieu of a set-off to which this Section 4(d) applies, such Lender shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lenders entitled under this Section 4(d) to share the benefits of any recovery on such secured claim.

(e) Taxes.

(i) Payments Free and Clear. Any and all payments by the Borrower hereunder shall be made, in accordance with Section 4(a), free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender, the Issuing Lender and the Agent, taxes imposed on its income, and franchise or similar taxes imposed on it, by (A) any jurisdiction (or political subdivision thereof) of which the Agent, the Issuing Lender or such Lender, as the case may be, is a citizen or resident or in which such Lender has an Applicable Lending Office, (B) the jurisdiction (or any political subdivision thereof) in which the Agent, the Issuing Lender or such Lender is organized, or (C) any jurisdiction (or political subdivision thereof) in which such Lender, the Issuing Lender or the Agent is presently doing business which taxes are imposed solely as a result of doing business in such jurisdiction (all such excluded taxes being herein referred to as "Excluded Taxes" and all such non-Excluded Taxes, levies, imposts, deductions, charges, withholdings and liabilities being herein referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to the Lenders, the Issuing Lender or the Agent (X) the sum payable shall be increased by the amount necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 4(e) such Lender, the Issuing Lender or the Agent (as the case may be) shall receive an amount equal to the sum it would have received had no such deductions been made, (Y) the Borrower shall make such deductions and (Z) the Borrower shall pay the full amount deducted to the relevant taxing authority or other Governmental Authority in accordance with applicable law.

(ii) Other Taxes. In addition, to the fullest extent permitted by applicable law, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement, any Security Instrument, or any other Loan Document (hereinafter referred to as "Other Taxes").

(iii) Indemnification. To the fullest extent permitted by applicable law, the Borrower will indemnify each Lender, the Issuing Lender and the Agent for the full amount of Taxes and Other Taxes (including, but not limited to, any Taxes or Other Taxes imposed by any Governmental Authority on amounts payable under this Section 4(e) paid by such Lender, the Issuing Lender or the Agent (on their behalf or on behalf of any Lender), as the case may be, and any liability (including penalties, interest and reasonable expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted unless the payment of such Taxes was not correctly or legally asserted and such Lender's payment of such Taxes or Other Taxes was the result of its gross negligence or willful misconduct. Any payment pursuant to such indemnification shall be made within thirty (30) days after the date any Lender, the Issuing Lender or the Agent, as the case may be, makes written demand therefor to the Borrower, but only if it has been finally determined that such Lender, the Issuing Lender or the Agent owes such Taxes or Other Taxes. If any Lender, the Issuing Lender or the Agent receives a refund or credit in respect of any Taxes or Other Taxes for which such Lender, Issuing Lender or the Agent has received payment from the Borrower it shall promptly notify the Borrower of such refund or credit and shall, if no Event of Default has occurred and is continuing, promptly pay an amount equal to such refund or credit to the Borrower without interest (but with any interest so refunded or credited), provided that the Borrower, upon the reasonable request of such Lender, the Issuing Lender or the Agent, agrees to return such refund or credit (plus penalties, interest or other charges) to such Lender or the Agent in the event such Lender or the Agent is required to repay such refund or credit.

(iv) Lender Representations.

(A) Each Lender represents that it is either (1) a banking association or corporation organized under the laws of the United States of America or any state thereof or (2) it is entitled to complete exemption from United States withholding tax imposed on or with respect to any payments, including fees, to be made to it pursuant to this Agreement (a) under an applicable provision of a tax convention to which the United States of America is a party or (b) because it is acting through a branch, agency or office in the United States of America and any payment to be received by it hereunder is effectively connected with a trade or business in the United States of America. Each Lender that is not a banking association or corporation organized under the laws of the United States of America or any state thereof agrees to provide to the Borrower and the Agent on the Closing Date, or on the date of its delivery of the Assignment pursuant to which it becomes a Lender, and at such other times as required by United States law or as the Borrower or the Agent shall reasonably request, two accurate and complete original signed copies of either (a) Internal Revenue Service Form W-8ECI (or successor form) certifying that all payments to be made to it hereunder will be effectively connected to a United States trade or business (the "Form W-8ECI Certification") or (b) Internal Revenue Service Form W-8BEN (or successor form) certifying that it is entitled to the benefit of a provision of a tax convention to which the United States of America is a party which completely exempts from United States withholding tax all payments to be made to it hereunder (the "Form W-8BEN Certification"). In addition, each Lender agrees that if it previously filed a Form W-8ECI Certification, it will deliver to the Borrower and the Agent a new Form W-8ECI Certification prior to the first payment date occurring in each of its subsequent taxable years; and if it previously filed a Form W-8BEN Certification, it will deliver to the Borrower and the Agent a new certification prior to the first payment date falling in the third year following the previous filing of such certification. Each Lender also agrees to deliver to the Borrower and the Agent such other or supplemental forms as may at any time be required as a result of changes in applicable law or regulation in order to confirm or maintain in effect its entitlement to exemption from United States withholding tax on any payments hereunder, provided that the circumstances of such Lender at the relevant time and applicable laws permit it to do so. If a Lender determines, as a result of any change in either (i) a Governmental Requirement or (ii) its circumstances, that it is unable to submit any form or certificate that it is obligated to submit pursuant to this Section 4(e), or that it is required to withdraw or cancel any such form or certificate previously submitted, it shall promptly notify the Borrower and the Agent of such fact. If a Lender is organized under the laws of a jurisdiction outside the United States of America, unless the Borrower and the Agent have received a Form W-8BEN Certification or Form W-8ECI Certification satisfactory to them indicating that all payments to be made to such Lender hereunder are not subject to United States withholding tax, the Borrower shall withhold taxes from such payments at the applicable statutory rate. Each Lender agrees to indemnify and hold harmless the Borrower or the Agent, as applicable, from any United States taxes, penalties, interest and other expenses, costs and losses incurred or payable by (i) the Agent as a result of such Lender's failure to submit any form or certificate that it is required to provide pursuant to this Section 4(e) or (ii) the Borrower or the Agent as a result of their reliance on any such form or certificate which such Lender has provided to them pursuant to this Section 4(e).

(B) For any period with respect to which a Lender has failed to provide the Borrower with the form required pursuant to this Section 4(e), if any, (other than if such failure is due to a change in a Governmental Requirement occurring subsequent to the date on which a form originally was required to be provided), such Lender shall not be entitled to indemnification under Section 4(e)(iii) with respect to taxes imposed by the United States which taxes would not have been imposed but for such failure to provide such forms; provided, however, that if a Lender, which is otherwise exempt from or subject to a reduced rate of withholding tax, becomes subject to taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps, at such Lender's cost, as such Lender shall reasonably request to assist such Lender to recover such taxes.

(C) Any Lender claiming any additional amounts payable pursuant to this Section 4(e) shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document requested by the Borrower or the Agent or to change the jurisdiction of its Applicable Lending Office or to contest any tax imposed if the making of such a filing or change or contesting such tax would avoid the need for or reduce the amount of any such additional amounts that may thereafter accrue and would not, in the sole determination of such Lender, be otherwise disadvantageous to such Lender.

(f) Several Obligations. The failure of any Lender to make any Loan to be made by it or to provide funds for disbursements or reimbursements under Letters of Credit on the date specified therefor shall not relieve any other Lender of its obligation to make its Loan or provide funds on such date, but no Lender shall be responsible for the failure of any other Lender to make a Loan to be made by such other Lender or to provide funds to be provided by such other Lender.

5. Capital Adequacy and Additional Costs.

(a) Increased Costs Generally. If any Regulatory Change shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, minimum capital, capital ratio insurance charge or similar requirement against assets of, deposits with, other liabilities of or for the account of, or the Revolving Credit Commitment or Loans of such Lender or Issuing Lender or the Eurodollar interbank market;

(ii) subject any Lender or the Issuing Lender to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any participation in a Letter of Credit, any Eurodollar Loan made by it or any Note in respect of any such Eurodollar Loans or Letters of Credit, or change the basis of taxation of payments to such Lender or the Issuing Lender in respect thereof (except for any indemnified Taxes or Other Taxes covered by Section 4(e) and Excluded Tax payable by such Lender or the Issuing Lender); or

(iii) impose on any Lender or the Issuing Lender or the Eurodollar interbank market any other condition, cost or expense affecting this Agreement or any Note (or any of such extensions of credit or liabilities or such Lender's or Issuing Lender's Revolving Credit Commitment) or Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loans (or of maintaining its obligation to make any such Loans), or to increase the cost to such Lender or the Issuing Lender of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender or the Issuing Lender hereunder (whether of principal, interest or any other amount), and if such costs or reduced amounts (collectively, the "Additional Costs") are not otherwise covered by fees and interest charges provided for elsewhere in this Agreement, then, upon reasonable request of such Lender or the Issuing Lender, the Borrower will pay to such Lender or the Issuing Lender, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Lender, as the case may be, for such reasonable Additional Costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender or the Issuing Lender determines that any Regulatory Change affecting such Lender or the Issuing Lender or any lending office of such Lender or such Lender's or the Issuing Lender's holding company, if any, regarding capital requirements imposes any costs on any such Lender, Issuing Lender, or holding company of either has or would have the effect of reducing the rate of return on such Lender's or the Issuing Lender's capital or on the capital of such Lender's or the Issuing Lender's holding company, if any, as a consequence of this Agreement, the Revolving Credit Commitment of such Lender or the Advances made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the Issuing Lender, to a level below that which such Lender or the Issuing Lender or such

Lender's or the Issuing Lender's holding company could have achieved but for such Regulatory Change (taking into consideration such Lender's or the Issuing Lender's policies and the policies of such Lender's or the Issuing Lender's holding company with respect to capital adequacy), and if such costs or reduced rate of return are not otherwise covered by fees and interest charges provided for elsewhere in this Agreement, then from time to time the Borrower will pay to such Lender or the Issuing Lender, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Lender or such Lender's or the Issuing Lender's holding company for any such reasonable costs imposed or reduction suffered.

(c) Regulatory Change. Without limiting the effect of the provisions of Section 5(a), in the event that at any time (by reason of any Regulatory Change or any other circumstances arising after the Closing Date affecting (i) any Lender, (ii) the Eurodollar interbank market or (iii) such Lender's position in such market), Eurodollar, as determined in good faith by such Lender, will not adequately and fairly reflect the cost to such Lender of funding its Eurodollar Loans, then, if such Lender so elects, by notice to the Borrower and the Agent, the obligation of such Lender to make additional Eurodollar Loans shall be suspended until such Regulatory Change or other circumstances ceases to be in effect (in which case the provisions of Section 5(i) shall be applicable).

(d) Certificates for Reimbursement. A certificate of a Lender or the Issuing Lender, together with supporting documentation and calculations, setting forth in reasonable detail the basis and the amount or amounts necessary to compensate such Lender or the Issuing Lender or its holding company, as the case may be, as specified in paragraph (a), (b) or (c) of this Section and delivered to the Borrower shall be conclusive absent manifest error, so long as such determinations are made on a reasonable basis. The Borrower shall pay such Lender or the Issuing Lender, as the case may be, the amount shown as due on any such certificate within ten (10) days after receipt thereof.

(e) **[Reserved.]**

(f) **[Reserved.]**

(g) Limitation on Eurodollar Loans. Anything herein to the contrary notwithstanding, if, on or prior to the determination of any Eurodollar-based Rate for any Interest Period the Agent determines (which determination shall be conclusive, absent manifest error) that quotations of interest rates for the relevant deposits referred to in the definition of "Eurodollar-based Rate" are not being provided in the relevant amounts or for the relevant maturities for purposes of determining rates of interest for Eurodollar Loans as provided herein, then the Agent shall give the Borrower prompt notice thereof, and so long as such condition remains in effect, the Lenders shall be under no obligation to make additional Eurodollar Loans.

(h) Illegality. Notwithstanding any other provision of this Agreement, in the event that it becomes unlawful for any Lender or its Applicable Lending Office to honor its obligation to make or maintain Eurodollar Loans hereunder, then such Lender shall promptly notify the Borrower thereof and such Lender's obligation to make Eurodollar

Loans shall be suspended until such time as such Lender may again make and maintain Eurodollar Loans (in which case the provisions of Section 5(i) shall be applicable).

(i) Base Rate Loans Pursuant to Sections 5(c), 5(g) and 5(h). If the obligation of any Lender to make Eurodollar Loans shall be suspended pursuant to Sections 5(c), 5(g) or 5(h) ("Affected Loans"), all Affected Loans which would otherwise be made by such Lender shall be made instead as Base Rate Loans (and, if an event referred to in Section 5(c) or Section 5(h) has occurred and such Lender so reasonably requests by notice to the Borrower, all Affected Loans of such Lender then outstanding shall be automatically converted into Base Rate Loans on the date specified by such Lender in such notice) and, to the extent that Affected Loans are so made as (or converted into) Base Rate Loans, all payments of principal which would otherwise be applied to such Lender's Affected Loans shall be applied instead to its Base Rate Loans.

(j) Eurodollar Loan Breakage Costs. The Borrower shall pay to each Lender within thirty (30) days of receipt of written request of such Lender (which request shall set forth, in reasonable detail, the basis for requesting such amounts, together with supporting documentation and calculations, and which shall be conclusive and binding for all purposes provided that such determinations are made on a reasonable basis), such amount or amounts as shall compensate it for any loss, cost, expense or liability which such Lender determines are attributable to:

(i) any payment, prepayment or conversion of a Eurodollar Loan properly made by such Lender or the Borrower for any reason (including, without limitation, the acceleration of the Loans pursuant to Section 13(b)) on a date other than the last day of the Interest Period for such Loan; or

(ii) any failure by the Borrower for any reason (including but not limited to, the failure of any of the conditions precedent specified in Section 10 to be satisfied) to borrow, continue or convert a Eurodollar Loan from such Lender on the date for such borrowing, continuation or conversion specified in the relevant notice given pursuant to Section 2(c).

Without limiting the effect of the preceding sentence, such compensation shall include an amount equal to the excess, if any, of (x) the amount of interest which would have accrued on the principal amount so paid, prepaid or converted or not borrowed for the period from the date of such payment, prepayment or conversion or failure to borrow to the last day of the Interest Period for such Loan (or, in the case of a failure to borrow, the Interest Period for such Loan which would have commenced on the date specified for such borrowing) at the applicable rate of interest for such Loan provided for herein (less the Applicable Margin) over (y) the interest component of the amount such Lender would have bid in the London interbank market for Dollar deposits of leading banks in amounts comparable to such principal amount and with maturities comparable to such period (as reasonably determined by such Lender).

(k) Time Limit; Etc.

(i) Time Limited. Notwithstanding anything to the contrary contained in this Section 5, the Borrower shall not be required to reimburse or pay any costs or expenses to any Lender as required by such sections which have accrued more than 180 days prior to such Lender's giving notice to the Borrower that such Lender has suffered or incurred such costs or expenses.

(ii) Non-Discriminatory Basis. None of the Lenders shall be permitted to pass through to the Borrower costs and expenses under this Section 5 which are not also passed through by such Lender to other customers of such Lender similarly situated when such customer is subject to documents containing substantively similar provisions as those contained in such Sections.

(l) Replacement Lenders.

(i) If any Lender has notified the Borrower and the Agent of its incurring Additional Costs or other costs under Section 5(a) or has required the Borrower to make payments for Taxes under Section 4(e), or such Lender's obligation to make Eurodollar Loans has been suspended under Section 5(c), 5(g) or 5(h), then the Borrower may, unless such Lender has notified the Borrower and the Agent that the circumstances giving rise to such notice no longer apply, terminate, in whole but not in part, the Revolving Credit Commitment of such Lender (other than the Agent) (the "Terminated Lender") at any time upon five (5) Business Days' prior written notice to the Terminated Lender and the Agent (such notice referred to herein as a "Notice of Termination").

(ii) In order to effect the termination of the Revolving Credit Commitment of the Terminated Lender, the Borrower shall: (A) obtain an agreement with one or more Revolving Lenders to increase their Revolving Credit Commitment or Revolving Credit Commitments and/or (B) request any one or more other banking institutions to become parties to this Agreement in place and instead of such Terminated Lender and agree to accept a Revolving Credit Commitment or Revolving Credit Commitments; provided, however, that such one or more other banking institutions are reasonably acceptable to the Agent and become parties by executing an Assignment (the Revolving Lenders or other banking institutions that agree to accept in whole or in part the Revolving Credit Commitment of the Terminated Lender or to purchase any Loan held by the Terminated Lender being referred to herein as the "Replacement Lenders"), such that the aggregate increased and/or accepted Revolving Credit Commitments of the Replacement Lenders under clauses (A) and (B) above equal the Revolving Credit Commitment of the Terminated Lender.

(iii) The Notice of Termination shall include the name of the Terminated Lender, the date the termination will occur (the "Lender Termination Date"), and the Replacement Lender or Replacement Lenders to which the Terminated Lender will assign its Revolving Credit Commitment and/or Term

Loan Percentage of the Term Loan and, if there will be more than one Replacement Lender, the portion of the Terminated Lender's Revolving Credit Commitment to be assigned to each Replacement Lender.

(iv) On the Lender Termination Date, (A) the Terminated Lender shall by execution and delivery of an Assignment assign its Revolving Credit Commitment to the Replacement Lender or Replacement Lenders (pro rata, if there is more than one Replacement Lender, in proportion to the portion of the Terminated Lender's Revolving Credit Commitment to be assigned to each Replacement Lender) indicated in the Notice of Termination and shall assign to the Replacement Lender or Replacement Lenders each of its Loans (if any) then outstanding and participation interests in Letters of Credit (if any) then outstanding (pro rata as aforesaid), (B) the Terminated Lender shall endorse its Notes, payable without recourse, representation or warranty to the order of the Replacement Lender or Replacement Lenders (pro rata as aforesaid), (C) the Replacement Lender or Replacement Lenders shall purchase the Notes held by the Terminated Lender (pro rata as aforesaid) at a price equal to the unpaid principal amount thereof plus interest and facility and other fees accrued and unpaid to the Lender Termination Date, and (D) the Replacement Lender or Replacement Lenders will thereupon (pro rata as aforesaid) succeed to and be substituted in all respects for the Terminated Lender with like effect as if becoming a Lender pursuant to the terms of Section 15(f), and the Terminated Lender will have the rights and benefits of an Assignor under Section 15(f). To the extent not in conflict, the terms of Section 15(f) shall supplement the provisions of this Section 5(l)(iv). For each Assignment made under this Section 5(l), the Replacement Lender shall pay to the Agent the processing fee provided for in Section 15(f). The Borrower will be responsible for the payment of any breakage costs associated with termination and Replacement Lenders, as set forth in Section 5(j).

6. Borrowing Base.

(a) Initial Borrowing Base. The Revolving Lenders shall determine in their sole discretion the amount of the Borrowing Base using such methodology, assumptions, economic and pricing parameters, and discount rates as the Revolving Lenders customarily use in assigning collateral value to oil and gas properties at the time in question and based upon such other credit factors as the Revolving Lenders customarily consider in evaluating oil and gas credits. The Borrower acknowledges that the determination of the Borrowing Base contains an equity cushion (market value in excess of loan amount) which the Borrower acknowledges to be essential for the adequate protection of the Revolving Lenders. It is expressly understood that the Revolving Lenders have no obligation to designate the Borrowing Base at any particular amount, except in the exercise of their sole discretion, whether in relation to the Maximum Line Amount or otherwise. During the period from Closing Date, to the date a new Borrowing Base is made effective pursuant to this Agreement, the Borrowing Base shall be $80,000,000. Notwithstanding anything to the contrary contained herein, the Borrowing

Base may be subject to further adjustments from time to time pursuant to Section 11(h) and Section 12(e).

(b) Borrowing Base Limitation. The Borrowing Base shall be redetermined semi-annually in accordance with this Section 6 as of each Scheduled Redetermination Date commencing on November 1, 2011. In addition, the Borrower may, by notifying the Agent thereof, and the Agent may, at the direction of the Required Revolving Lenders, by notifying the Borrower thereof, one time during any 12-month period, each elect to cause the Borrowing Base to be redetermined between Scheduled Redeterminations; provided, however, that the Agent may cause the Borrowing Base to be redetermined within 90 days of the Closing Date, which redetermination shall not count towards the limitation set forth above (an "Unscheduled Redetermination"). After each such redetermination, the Agent shall promptly notify the Borrower in writing of the new Borrowing Base. If an Unscheduled Redetermination is made, the Agent shall notify the Borrower of the new Borrowing Base, and such new Borrowing Base shall continue until the next redetermination of the Borrowing Base.

(c) Scheduled and Unscheduled Redetermination Procedure.

(i) Each Scheduled Redetermination and each Unscheduled Redetermination shall be effectuated as follows: Upon receipt by the Agent of (A) the Reserve Report and the certificate required to be delivered by the Borrower to the Agent, in the case of a Scheduled Redetermination, pursuant to Section 11(g)(i), and, in the case of an Unscheduled Redetermination, pursuant to Section 11(g)(ii), and (B) such other reports, data and supplemental information, including, without limitation, the information provided pursuant to this Section 6(c), as may, from time to time, be reasonably requested by the Required Revolving Lenders (the Reserve Report, such certificate and such other reports, data and supplemental information being the "Engineering Reports"), the Agent shall evaluate the information contained in the Engineering Reports and shall, in good faith, propose a new Borrowing Base (the "Proposed Borrowing Base") based upon such information and such other information (including, without limitation, the status of title information with respect to the Oil and Gas Properties as described in the Engineering Reports, indicating whether such Oil and Gas Properties are Mortgaged Properties, and the existence of any other Debt) as the Agent deems appropriate in its sole discretion and consistent with its normal oil and gas lending criteria as it exists at the particular time. In no event shall the Proposed Borrowing Base exceed the Maximum Line Amount.

(ii) The Agent shall notify the Borrower and the Revolving Lenders of the Proposed Borrowing Base (the "Proposed Borrowing Base Notice"):

(A) in the case of a Scheduled Redetermination (1) if the Agent shall have received the Engineering Reports required to be delivered by the Borrower pursuant to Section 11(g)(i) in a timely and complete manner, then on or before the Scheduled Redetermination Date of such year following the date of delivery or (2) if the Agent shall not have received the Engineering Reports required to be delivered by the Borrower pursuant to Section 11(g)(i) in a timely and complete manner, then promptly after the Agent has received complete Engineering Reports from the Borrower and has had a reasonable opportunity to determine the Proposed Borrowing Base in accordance with Section 6, and in any event, within thirty (30) days after the Agent has received the required Engineering Reports; and

(B) in the case of an Unscheduled Redetermination, promptly, and in any event, within fifteen (15) days after the Agent has received the required Engineering Reports.

(iii) Any Proposed Borrowing Base that would increase the Borrowing Base then in effect must be approved or deemed to have been approved by all of the Revolving Lenders as provided in this Section 6(c)(iii); and any Proposed Borrowing Base that would decrease or maintain the Borrowing Base then in effect must be approved or be deemed to have been approved by the Required Revolving Lenders as provided in this Section 6(c)(iii). Upon receipt of the Proposed Borrowing Base Notice, each Revolving Lender shall have fifteen (15) days to agree with the Proposed Borrowing Base or disagree with the Proposed Borrowing Base by proposing an alternate Borrowing Base. If at the end of such fifteen (15) days, any Revolving Lender has not communicated its approval or disapproval in writing to the Agent, such silence shall be deemed to be an approval of the Proposed Borrowing Base. If, at the end of such 15-day period, all of the Revolving Lenders, in the case of a Proposed Borrowing Base that would increase the Borrowing Base then in effect, or the Required Revolving Lenders, in the case of a Proposed Borrowing Base that would decrease or maintain the Borrowing Base then in effect, have approved or deemed to have approved, as aforesaid, then the Proposed Borrowing Base shall become the new Borrowing Base, effective on the date specified in Section 6(d). If, however, at the end of such 15-day period, all of the Revolving Lenders or the Required Revolving Lenders, as applicable, have not approved or deemed to have approved, as aforesaid, then the Agent shall poll the Revolving Lenders to ascertain the highest Borrowing Base then acceptable to all of the Revolving Lenders or the Required Revolving Lenders, as applicable, and, so long as such amount does not increase the Borrowing Base then in effect, such amount shall become the new Borrowing Base, effective on the date specified in Section 6(d).

If any Revolving Lender disagrees with the Proposed Borrowing Base that would increase the then existing Borrowing Base (each, a "Dissenting Lender"), then, if a Borrowing Base is agreed to that is lower than such Proposed Borrowing Base or no new Borrowing Base is agreed to, the Borrower may, at its sole expense and effort, upon notice to a Dissenting Lender and the Agent, require such Dissenting Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 15(f)), all of its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Revolving Lender, if a Revolving Lender accepts such assignment); provided that, (A) the Borrower shall have received the prior written consent of the Agent and the Issuing Bank, which consent in each case shall not unreasonably be withheld or delayed and (B) such Revolving Lender shall have received payment of an amount equal to the outstanding principal of its Revolving Loans and participations in Letter of Credit Exposure, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts).

(d) Effectiveness of a Redetermined Borrowing Base. After a redetermined Borrowing Base is approved or is deemed to have been approved by all of the Revolving Lenders or the Required Revolving Lenders, as applicable, pursuant to Section 6(c)(iii), the Agent shall notify the Borrower and the Revolving Lenders of the amount of the redetermined Borrowing Base (the "New Borrowing Base Notice"), and such amount shall become the new Borrowing Base, effective and applicable to the Borrower, the Agent, the Issuing Bank and the Revolving Lenders:

(i) in the case of a Scheduled Redetermination, (A) if the Agent shall have received the Engineering Reports required to be delivered by the Borrower pursuant to Section 11(g) in a timely and complete manner, then on the Scheduled Redetermination Date, as applicable, following such notice, or (B) if the Agent shall not have received the Engineering Reports required to be delivered by the Borrower pursuant to Section 11(g) in a timely and complete manner, then on the Business Day next succeeding delivery of such notice; and

(ii) in the case of an Unscheduled Redetermination, on the Business Day next succeeding delivery of such notice.

Such amount shall then become the Borrowing Base until the next Scheduled Redetermination Date, the next Unscheduled Redetermination Date or the next adjustment to the Borrowing Base under Section 11(h) or Section 12(e), whichever occurs first. Notwithstanding the foregoing, no Scheduled Redetermination or Unscheduled Redetermination shall become effective until the New Borrowing Base Notice related thereto is received by the Borrower.

(e) The Agent may exclude any Oil and Gas Property, Mortgaged Property or portion of production therefrom or any income from any other Property from the Borrowing Base, at any time, because title information is not reasonably satisfactory, such Property is not a Mortgaged Property or such Property is not assignable.

7. Prepayments; Reductions of Revolving Credit Commitment.

(a) Voluntary Prepayments. The Borrower may at any time and from time to time prepay the Loans upon prior notice to the Agent, without penalty or premium (other than amounts due from the Borrower under Section 5(j) in connection with any Eurodollar Loan that is repaid or converted prior to the expiration of the corresponding Interest Period), in whole or in part; provided, however, that the Term Loan may not be prepaid under this Section 7(a) if, after giving effect to such prepayment, the outstanding amount of the Loans would be greater than $25,000,000. Such notice shall specify the prepayment date (which shall be a Business Day) and the amount of the prepayment and shall be irrevocable and effective only upon receipt by the Agent. Each such prepayment shall be deemed made on the Business Day made if good funds are received by the Agent prior to 11:00 a.m. Central time and on the next Business Day if good funds are received after 11:00 a.m. Central time and shall be in a minimum amount of $100,000 or the unpaid balance on the Loans, whichever is less.

(b) Mandatory Prepayments.

(i) Borrowing Base Prepayment. If, as a result of any determination of the Borrowing Base, the sum of the outstanding principal balance of all Revolving Loans and the Letter of Credit Exposure exceeds the Borrowing Base, then either (A) such excess shall be paid in six (6) equal consecutive monthly installments by the Borrower, with the first such installment being due on that day which is thirty (30) days after notification by the Agent to the Borrower that such an excess exists and continuing on the same day of each month thereafter until paid; or (B) within twenty-five (25) days of the notification of the Borrower by the Agent of such excess, the Borrower shall pledge to, or create in favor of, the Agent, for the Lenders and the Issuing Lender, first priority Liens in, to and on additional collateral satisfactory in nature and value to all the Revolving Lenders in their sole judgment to increase the Borrowing Base to an amount equal to cover such excess. Those Revolving Loans to be repaid as excess payments shall be Base Rate Loans, if the aggregate Base Rate Loans equal or exceed the total excess payments due, and if the aggregate Base Rate Loans are less than the total excess payments due, those Revolving Loans to be repaid shall first be all Base Rate Loans and then those Eurodollar Loans which the Borrower identifies within ten (10) Business Days of a reasonable request from the Agent, or if the Borrower fails to make such identification, those Eurodollar Loans identified by the Agent. The Borrower will be liable for all breakage costs in connection with the early termination of any Eurodollar Loan in accordance with the terms of Section 5(j) of this Agreement. The Borrower’s failure (x) to make monthly Borrowing Base excess payments pursuant to the six (6) month amortization schedule set forth above or (y) to pledge to the Agent additional collateral in an amount which brings said indebtedness within Borrowing Base within such twenty-five (25) days of notification by the Agent shall constitute an Event of Default under this Agreement which shall entitle the Required Lenders to accelerate the maturity of the Notes, and to institute foreclosure proceedings or otherwise exercise all remedies which they may have under the Notes, the Agreement, the Loan Documents or applicable law.

(ii) Other Mandatory Prepayments. Prepayments of outstanding Loans shall be made upon certain significant company events, as follows:

(A) Asset Sales. The Borrower shall prepay (or, as applicable, cash collateralize the Letter of Credit Exposure) from the proceeds of all sales of Mortgaged Properties, less the costs of sale and reservations for taxes, within five days of receipt of such proceeds, an amount equal to

100% of the value assigned to such Mortgaged Properties in the Borrowing Base as determined in the most recent Scheduled Redetermination or Unscheduled Redetermination.

(B) Future Debt Issuances. The Borrower shall prepay (or, as applicable, cash collateralize the Letter of Credit Exposure), within five days of receipt, 100% of the net proceeds of all Debt, other than Debt permitted under Section 12(a) or under any waiver or amendment of the Loan Documents.

(C) Future Equity Issuances. The Borrower shall prepay, within five days of receipt of the proceeds of any issuance of stock in connection with any initial public offering of the Borrower, the outstanding amount of the Term Loan.

(iii) Application of Other Mandatory Prepayments. The prepayments described in Section 7(b)(ii) shall first be applied to the outstanding amount of the Term Loan. Upon payment in full of the Term Loan and except with respect to the prepayment described in Section 7(b)(ii)(C), any remaining prepayments shall instead be applied to prepay the outstanding amount of the Revolving Loans and to cash collateralize any Letter of Credit Exposure. If any portion of such prepayments remains after application to the Term Loan and, if applicable, Revolving Loans and, if applicable, after the cash collateralization of any Letter of Credit Exposure, such portion shall be returned to the Borrower.

(c) Generally. The outstanding Revolving Loans and Letter of Credit Exposure shall at all times be equal to or less than the lesser of (i) the Maximum Line Amount after adjustments resulting from reductions pursuant to Section 7(d) or mandatory prepayments pursuant to Section 7(b)(ii) or (ii) the Borrowing Base as determined from time to time.

(d) Reduction of Revolving Credit Commitments. The Borrower shall have the right to terminate or to reduce the amount of the Maximum Line Amount or Borrowing Base at any time, or from time to time, upon not less than three Business Days' prior notice to the Agent (which shall promptly notify the Revolving Lenders) of each such termination or reduction, which notice shall specify the effective date thereof and the amount of any such reduction (which shall not be less than $500,000.00 or any whole multiple of $100,000.00 in excess thereof) and shall be irrevocable and effective only upon receipt by the Agent; provided, however, that the Borrower may not so terminate or reduce the Maximum Line Amount if, after giving effect to such termination or reduction, the outstanding principal balance of all Revolving Loans and the Letter of Credit Exposure would exceed the Maximum Line Amount.

8. Collateral Security. To secure the Obligations and the performance by the Borrower of its obligations hereunder and under the Notes, Security Instruments and the other Loan Documents, whether now or hereafter incurred, matured or unmatured, direct or contingent, joint or several, or joint and several, including extensions, increases, modifications and renewals thereof, and substitutions therefor, the Borrower and each Guarantor shall contemporaneously with or prior to the execution of this Agreement and the Notes grant and assign to the Agent for the benefit of the Lenders and the Issuing Lender first and prior Liens in and to the Collateral and Oil and Gas Properties constituting no less than 80% of the value assigned to its Oil and Gas Properties in the Reserve Report as of December 31, 2010. Notwithstanding anything to the contrary contained herein, the Collateral will consist of tangible or intangible personal property located on or related to the Mortgaged Properties, accounts receivable and other proceeds arising from the sale of Hydrocarbons produced from the Mortgaged Properties and a pledge of the stock or ownership interests of the Borrower in the Subsidiaries.

The granting and assigning of such Liens by the Borrower and each Guarantor shall be pursuant to Security Instruments in form and substance satisfactory to the Agent. The Borrower and each Guarantor will cause to be executed and delivered to the Agent, in the future, additional Security Instruments if the Agent reasonably deems such are necessary to insure perfection or maintenance of its Liens in the Collateral and the Mortgaged Properties.

9. Representations and Warranties. The Borrower represents and warrants to the Agent and the Lenders that (each representation and warranty herein is given as of the Closing Date and shall be deemed repeated and reaffirmed on the dates of each borrowing and issuance, renewal, extension or reissuance of a Letter of Credit as provided in Section 2(e)):

(a) Corporate or Partnership Existence. Each of the Borrower, each Guarantor, and each Subsidiary: (i) is a corporation, limited liability company, or a partnership duly organized, legally existing and in good standing under the laws of the jurisdiction of its organization; (ii) has all requisite corporate, limited liability company, or partnership power, and has all material governmental licenses, authorizations, consents and approvals necessary in all material respects to own its assets and carry on its business as now being or as proposed to be conducted; and (iii) is qualified to do business in all jurisdictions in which the nature of the business conducted by it makes such qualification necessary and where failure so to qualify would have a Material Adverse Effect.

(b) Financial Condition. The audited consolidated balance sheet of the Borrower and its Subsidiaries as at December 31, 2010, as and when delivered hereunder, and the related consolidated statements of income, stockholders' equity and cash flow of the Borrower and its Subsidiaries for the fiscal year ended on said date, with the opinion thereon of Grant Thornton LLP, furnished to each of the Lenders and the unaudited consolidated balance sheet of the Borrower and its Subsidiaries as at March 31, 2011, as and when delivered hereunder, and their related consolidated statements of income, stockholders' equity and cash flow of the Borrower and its Subsidiaries for the three month period ended on such date furnished to the Agent, fairly present the consolidated financial condition of the Borrower and its Subsidiaries as at said dates and the results of its operations for the fiscal year and the three month period ending on said dates, all in accordance with GAAP, as applied on a consistent basis (subject, in the case of the interim Financial Statements, to normal year-end adjustments, including tests for impairment of assets, and lack of footnotes). Neither the Borrower nor any Subsidiary has on the Closing Date any material Debt, contingent liabilities, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments of a kind required under GAAP to be referred to or reflected in a consolidated balance sheet, except as referred to or reflected or provided for in the Financial Statements or in Schedule 9(b). Except as disclosed to the Lenders, since September 30, 2010, there has been no change or event having a Material Adverse Effect. Except as disclosed to the Lenders, since the date of the Financial Statements, neither the business nor the Properties of the Borrower or any Subsidiary have been materially and adversely affected as a result of any fire, explosion, earthquake, flood, drought, windstorm, accident, strike or other labor disturbance, embargo, requisition or taking of Property or cancellation of contracts, permits or concessions by any Governmental Authority, riot, activities of armed forces or acts of God or of any public enemy.

(c) Litigation and Judgments. Except as disclosed to the Lenders in Schedule 9(c) hereto or hereafter in writing: (i) there is no litigation, legal, administrative or arbitral proceeding, investigation or other action of any nature pending or, to the knowledge of the Borrower threatened in writing against or affecting the Borrower, any of its Subsidiaries, or any Guarantor which involves the possibility of any judgment or liability against the Borrower, any of its Subsidiaries, or any Guarantor not fully covered by insurance (except for normal deductibles), and which could reasonably be expected to have a Material Adverse Effect; and (ii) there are no outstanding judgments against the Borrower, any of its Subsidiaries, or any Guarantor.

(d) No Breach. Neither the execution and delivery of the Loan Documents, nor compliance with the terms and provisions hereof will conflict with or result in a breach of, or require any consent which has not been obtained as of the Closing Date under, the respective charter, by-laws, or partnership agreement of the Borrower, any Guarantor, or any Subsidiary, or any Governmental Requirement or, to the best of the Borrower's knowledge and belief, any material agreement or instrument to which the Borrower, any Guarantor, or any Subsidiary is a party or by which it is bound or to which it or its Properties are subject, or, to the best of the Borrower's knowledge and belief, constitute a default under any such agreement or instrument, or result in the creation or imposition of any Lien upon any of the revenues or assets of the Borrower, any Guarantor, or any Subsidiary pursuant to the terms of any such agreement or instrument other than the Liens created by the Loan Documents.

(e) Authority. The Borrower, each Guarantor, and each Subsidiary have all necessary corporate and partnership power and authority to execute, deliver and perform its obligations under the Loan Documents to which it is a party; and the execution, delivery and performance by the Borrower, each Guarantor and each Subsidiary of the Loan Documents to which it is a party, have been duly authorized by all necessary corporate and partnership action on its part; and the Loan Documents constitute the legal, valid and binding obligations of the Borrower and each Subsidiary, enforceable in accordance with their terms, except as such enforceability may be affected by bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium or other laws now or hereafter in effect relating to or affecting enforcement of creditors' rights generally and by general principles of equity.

(f) Approvals. To the best of the Borrower’s knowledge and belief, no authorizations, approvals or consents of, and no filings or registrations with, any Governmental Authority or any Person are necessary for the execution, delivery or performance by the Borrower, any Guarantor or any Subsidiary of the Loan Documents or for the validity or enforceability thereof, except for the recording and filing of the Security Instruments as required by this Agreement.

(g) Use of Loans. The proceeds of the Revolving Loans shall be used by the Borrower to provide for the working capital, for the purpose of acquiring oil and gas properties, for the development and operational activities with respect to oil and gas properties, and general corporate purposes of the Borrower. The proceeds of the Term Loan shall be used by the Borrower to provide for acquisition financing for the Eagle Ford Acquisition and for the purpose of paying the costs and expenses associated with the drilling and completion of the initial well committed to be drilled and completed under the Eagle Ford Acquisition Documents. Neither the Borrower, any Guarantor, nor any Subsidiary is engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying margin stock (within the meaning of Regulation T, U or X of the Board of Governors of the Federal Reserve System) and no part of the proceeds of any Loan hereunder will be used to buy or carry any margin stock.

(h) ERISA. To the best of the Borrower’s knowledge and belief:

(i) The Borrower, each Subsidiary and each ERISA Affiliate have complied in all material respects with ERISA and, where applicable, the Code regarding each Plan, if any.

(ii) Each Plan, if any, is, and has been, maintained in substantial compliance with ERISA and, where applicable, the Code.

(iii) No act, omission or transaction has occurred which could result in imposition on the Borrower, any Subsidiary or any ERISA Affiliate (whether directly or indirectly) of (A) either a civil penalty assessed pursuant to Section 502(c), (i) or (l) of ERISA or a tax imposed pursuant to Chapter 43 of Subtitle D of the Code or (B) breach of fiduciary duty liability damages under Section 409 of ERISA.

(iv) No Plan, if any, (other than a defined contribution plan) and no trust created under any such Plan has been terminated. No liability to the PBGC (other than for the payment of current premiums which are not past due) by the Borrower, any Subsidiary or any ERISA Affiliate has been or is expected by the Borrower, any Subsidiary or any ERISA Affiliate to be incurred with respect to any Plan. No ERISA Event with respect to any Plan has occurred.

(v) Full payment when due has been made of all amounts which the Borrower, any Subsidiary or any ERISA Affiliate is required under the terms of each Plan, if any, or applicable law to have paid as contributions to such Plan, and no accumulated funding deficiency (as defined in Section 302 of ERISA and Section 412 of the Code), whether or not waived, exists with respect to any Plan.

(vi) The actuarial present value of the benefit liabilities under any Plan which is subject to Title IV of ERISA does not, as of the end of the Borrower's most recently ended fiscal year, exceed the current value of the assets (computed on a plan termination basis in accordance with Title IV of ERISA) of such Plan allocable to such benefit liabilities. The term "actuarial present value of the benefit liabilities" shall have the meaning specified in Section 4041 of ERISA.

(vii) None of the Borrower, any Subsidiary or any ERISA Affiliate sponsors, maintains, or contributes to an employee welfare benefit plan, as defined in Section 3(1) of ERISA, including, without limitation, any such plan maintained to provide benefits to former employees of such entities, that may not be terminated by the Borrower, a Subsidiary or any ERISA Affiliate in its sole discretion at any time without any material liability.

(viii) None of the Borrower, any Subsidiary or any ERISA Affiliate sponsors, maintains or contributes to, or has at any time in the preceding six calendar years, sponsored, maintained or contributed to, any multiemployer Plan.

(ix) None of the Borrower, any Subsidiary or any ERISA Affiliate is required to provide security under Section 401(a)(29) of the Code due to a Plan amendment that results in an increase in current liability for the Plan.

(i) Taxes. Except as set out in Schedule 9(i) or as otherwise disclosed to the Lenders in writing, to the best of the Borrower's knowledge and belief, each of the Borrower and its Subsidiaries has filed all United States Federal income tax returns and all other tax returns which are required to be filed by them before the applicable due date (taking into account all available extensions) and have paid all material taxes due pursuant to such returns or pursuant to any assessment received by the Borrower or any Subsidiary. The charges, accruals and reserves on the books of the Borrower and its Subsidiaries in respect of taxes and other governmental charges are, in the opinion of the Borrower, adequate. No tax Lien has been filed and, to the knowledge of the Borrower, no claim is being asserted with respect to any such tax, fee or other charge.

(j) Titles, Etc. To the best of the Borrower's knowledge and belief:

(i) Except as set out in Schedule 9(j) or as otherwise disclosed to the Lenders in writing, each of the Borrower and its Subsidiaries has good and defensible title to its material (individually or in the aggregate) Properties, free and clear of all Liens, except Liens permitted by Section 12(b). Except as set forth in Schedule 9(j) or as otherwise disclosed to the Lenders in writing, after giving full effect to the Permitted Liens, the Borrower owns at least the net interests in production attributable to the Hydrocarbon Interests reflected in the most recently delivered Reserve Report and the ownership of such Properties shall not in any material respect obligate the Borrower to bear the costs and expenses relating to the maintenance, development and operations of each such Property in an amount in excess of the working interest of each Property set forth in the most recently delivered Reserve Report. All factual information, as opposed to projections, contained in the most recently delivered Reserve Report is true and correct in all material respects as of the date thereof.

(ii) All leases and agreements necessary in any material respect for the conduct of the business of the Borrower and its Subsidiaries are valid and subsisting, in full force and effect (including as to depths) and there exists no default or event or circumstance which with the giving of notice or the passage of time or both would give rise to a default under any such lease or leases, which would affect in any material respect the conduct of the business of the Borrower and its Subsidiaries.

(iii) Without regard to any consent or non-consent provision of any joint operating agreement covering any of the Mortgaged Properties, the Borrower's share of (A) the costs for each Mortgaged Property is not greater than the decimal fraction set forth in Exhibit A hereto for such Mortgaged Property, before and after payout, as the case may be, and described therein by the respective designations working interest (WI), gross working interest (GWI) or similar terms, and (B) production from, allocated to or attributed to each such Mortgaged Property is not less than the decimal fraction set forth in such Exhibit A hereto for such Mortgaged Property, before and after payout, as the case may be, and described therein by the designations net revenue interest (NRI) or similar terms.

(iv) The rights, Properties and other assets presently owned, leased or licensed by the Borrower and its Subsidiaries including, without limitation, all easements and rights of way, include all rights, Properties and other assets necessary to permit the Borrower and its Subsidiaries to conduct their business in all material respects in the same manner as such business has been conducted prior to the Closing Date.

(v) All of the assets and Properties of the Borrower and its Subsidiaries which are reasonably necessary for the operation of their business are in good working condition and are maintained in accordance with prudent business standards.

(k) No Material Misstatements. To the best of the Borrower's knowledge and belief, the written information, statements, exhibits, certificates, documents and reports, taken as a whole, furnished to the Agent and the Lenders (or any of them) by the Borrower, any Guarantor or any Subsidiary in connection with the negotiation of this Agreement or any other Loan Document do not contain any material misstatement of fact and do not omit to state a material fact or any fact necessary to make the statement contained therein not materially misleading in the light of the circumstances in which made and with respect to the Borrower and its Subsidiaries taken as a whole.

(l) Margin Regulations; Investment Company Act; Public Utility Holding Company Act. No Borrower or any Subsidiary is engaged and will not engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the FRB), or extending credit for the purpose of purchasing or carrying margin stock, and none of the Borrower, any Person controlling the Borrower, or any Subsidiary is or is required to be registered as an "investment company" under the Investment Company Act of 1940.

(m) Subsidiaries. Except as set forth on Schedule 9(m) or as otherwise disclosed to the Lenders in writing, the Borrower has no Subsidiaries.

(n) Location of Business and Offices. Unless the Agent is otherwise notified in writing by the Borrower, the Borrower's principal place of business and chief executive offices are located at the address stated on the signature page of this Agreement, and the principal place of business and chief executive office of each Subsidiary are located at the addresses stated on Schedule 9(n).

(o) Defaults. To the best of the Borrower's knowledge and belief, neither the Borrower nor any Subsidiary is in default nor has any event or circumstance occurred which, but for the expiration of any applicable grace period or the giving of notice, or both, would constitute a default under any material agreement or instrument to which the Borrower or any Subsidiary is a party or by which the Borrower or any Subsidiary is bound which default could reasonably be expected to have a Material Adverse Effect.

(p) Environmental Matters. To the best of the Borrower's knowledge and belief, except (i) as provided in Schedule 9(p) or as otherwise disclosed to the Lenders in writing or (ii) as would not have a Material Adverse Effect (or with respect to (C), (D) and (E) below, where the failure to take such actions would not have a Material Adverse Effect):

(A) Neither any Property of the Borrower or any Subsidiary nor the operations conducted thereon violate any order or requirement of any court or Governmental Authority arising under Environmental Laws or any Environmental Laws;

(B) Without limitation of clause (A) above, no Property of the Borrower or any Subsidiary nor the operations currently conducted thereon or, to the best knowledge of the Borrower, by any prior owner or operator of such Property or operation, are in violation of or subject to any existing, pending or threatened action, suit, investigation, inquiry or proceeding by or before any court or Governmental Authority arising under Environmental Laws or to any remedial obligations under Environmental Laws;

(C) All notices, permits, licenses or similar authorizations, if any, required to be obtained or filed in connection with the operation or use of any and all Property of the Borrower and each Subsidiary, including without limitation past or present treatment, storage, disposal or release of a hazardous substance or solid waste into the environment, have been duly obtained or filed, and the Borrower and each Subsidiary are in compliance with the terms and conditions of all such notices, permits, licenses and similar authorizations;

(D) All hazardous substances, solid waste, and oil and gas exploration and production wastes, if any, generated at any and all Property of the Borrower or any Subsidiary have in the past been transported, treated and disposed of in accordance with Environmental Laws and so as not to pose an imminent and substantial endangerment to public health or welfare or the environment, and, to the best knowledge of the Borrower, all such transport carriers and treatment and disposal facilities have been and are operating in compliance with Environmental Laws and so as not to pose an imminent and substantial endangerment to public health or welfare or the environment, and are not the subject of any existing, pending or threatened action, investigation or inquiry by any Governmental Authority in connection with any Environmental Laws;

(E) The Borrower has taken all steps reasonably necessary to determine and has determined that no hazardous substances, solid waste, or oil and gas exploration and production wastes, have been disposed of or otherwise released and there has been no threatened release of any hazardous substances on or to any Property of the Borrower or any Subsidiary except in compliance with Environmental Laws and so as not to pose an imminent and substantial endangerment to public health or welfare or the environment;

(F) To the extent applicable, all Property of the Borrower and each Subsidiary currently satisfies all design, operation, and equipment requirements imposed by the OPA or scheduled as of the Closing Date to be imposed by OPA during the term of this Agreement, and the Borrower does not have any reason to believe that such Property, to the extent subject to OPA, will not be able to maintain compliance with the OPA requirements during the term of this Agreement; and

(G) Neither the Borrower nor any Subsidiary has any known contingent liability in connection with any release or threatened release of any oil, hazardous substance or solid waste into the environment.

(q) Compliance with the Law. To the best of the Borrower’s knowledge and belief, neither the Borrower nor any Subsidiary has violated any Governmental Requirement or failed to obtain any license, permit, franchise or other governmental authorization necessary for the ownership of any of its Properties or the conduct of its business, which violation or failure would have (in the event such violation or failure were asserted by any Person through appropriate action) a Material Adverse Effect. To the best of the Borrower’s knowledge and belief, except for such acts or failures to act as would not have a Material Adverse Effect, the Oil and Gas Properties (and properties unitized therewith) have been maintained, operated and developed in a good and workmanlike manner and in conformity with all applicable laws and all rules, regulations and orders of all duly constituted authorities having jurisdiction and in conformity with the provisions of all leases, subleases or other contracts comprising a part of the Hydrocarbon Interests and other contracts and agreements forming a part of the Oil and Gas Properties; specifically in this connection, (i) after the Closing Date, no Oil and Gas Property is subject to having allowable production reduced below the full and regular allowable (including the maximum permissible tolerance) because of any overproduction (whether or not the same was permissible at the time) prior to the Closing Date and (ii) none of the wells comprising a part of the Oil and Gas Properties (or properties unitized therewith) are deviated from the vertical more than the maximum permitted by applicable laws, regulations, rules and orders, and such wells are, in fact, bottomed under and are producing from, and the well bores are wholly within, the Oil and Gas Properties (or in the case of wells located on properties unitized therewith, such unitized properties).

(r) Insurance. The insurance certificate(s) delivered pursuant to Section 10(a)(vi) and attached hereto as Schedule 9(r) contains an accurate and complete description of all material policies of fire, liability, workmen's compensation and other forms of insurance owned or held by the Borrower and each Subsidiary. All such policies are in full force and effect, all premiums with respect thereto covering all periods up to and including the Closing Date have been paid, and no notice of cancellation or termination has been received with respect to any such policy. To the best of the Borrower's knowledge and belief, such policies are sufficient for compliance in all material respects with all requirements of law and of all material agreements to which the Borrower or any Subsidiary is a party; are valid, outstanding and enforceable policies; provide adequate insurance coverage in at least such amounts and against at least such risks (but including in any event public liability) as are usually insured against in the same general area by companies engaged in the same or a similar business for the assets and operations of the Borrower and each Subsidiary; will remain in full force and effect through the respective dates set forth in such certificate(s) without the payment of additional premiums; and will not in any way be affected by, or terminate or lapse by reason of, the transactions contemplated by this Agreement. Neither the Borrower nor any Subsidiary has been refused any insurance with respect to its assets or operations, nor has its coverage been limited below usual and customary policy limits, by an insurance carrier to which it has applied for any such insurance or with which it has carried insurance during the last three years. All such policies name the Agent as additional insured, loss payee, and contain endorsements for no cancellation thereof without thirty (30) days' prior written notice to the Agent on all such policies.

(s) Commodity Hedging Agreements. Schedule 9(s) sets forth, as of the Closing Date, a true and complete list of all Commodity Hedging Agreements (including commodity price swap agreements, forward agreements or contracts of sale which provide for prepayment for deferred shipment or delivery of oil, gas or other commodities) of the Borrower and each Subsidiary, the material terms thereof (including the type, term, effective date, termination date and notional amounts or volumes), the net mark to market value thereof, all credit support agreements relating thereto (including any margin required or supplied), and the counter party to each such agreement.

(t) Restriction on Liens. To the best of the Borrower's knowledge and belief, neither the Borrower nor any of its Subsidiaries is a party to any agreement or arrangement (other than this Agreement, the Security Instruments or any other Loan Document), or subject to any order, judgment, writ or decree, which either restricts or purports to restrict its ability to grant Liens to other Persons on or in respect of their respective assets or Properties except for (i) customary anti-assignment clauses applying only to the contracts or agreements of which such clauses are a part and (ii) assets subject to Permitted Liens.

(u) **[Reserved.]**

(v) Solvency. Immediately after the initial Advance and after giving effect to the application of the proceeds of the initial Advance, (i) the fair value of the Property of the Borrower, each Guarantor, and each of the Borrower's Subsidiaries on an individual and consolidated basis, at a fair valuation, will exceed its debts and liabilities, subordinated, contingent or otherwise; (ii) the present fair saleable value of the Property of the Borrower, each Guarantor, and each of the Borrower's Subsidiaries on an individual and consolidated basis will be greater than the amount that will be required to pay the probable liability of its debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (c) the Borrower, each Guarantor, and each of the Borrower's Subsidiaries on an individual and consolidated basis will be able to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured; and (d) the Borrower, each Guarantor, and each of the Borrower's Subsidiaries on an individual and consolidated basis will not have unreasonably small capital with which to conduct the business in which it is engaged as such business is now conducted and is proposed to be conducted following the initial Advance.

(w) Gas Imbalances. To the best of the Borrower's knowledge and belief, except as set forth on Schedule 9(w) or on the most recent certificate delivered pursuant to Section 11(g), on a net basis there are no gas imbalances, take or pay or other prepayments with respect to the Borrower's Oil and Gas Properties which would require the Borrower to deliver, in the aggregate, five percent (5%) or more of the monthly production from Hydrocarbons produced from the Borrower's Oil and Gas Properties at some future time without then or thereafter receiving full payment therefor.

(x) Name Changes. Borrower's and each Subsidiary's official names as recorded on their currently effective organizational documents which are filed with the Secretary of State of its State of organization is the same as found on the signature page of this Agreement and Security Instruments. Borrower has not and no Subsidiary has, during the preceding five years, entered into any contract, agreement, security instrument or other document using a name other than, or been known by or otherwise used any name other than, the name used by Borrower and its Subsidiaries in the Loan Documents and as set forth on Schedule 9(x) attached hereto.

(y) Taxpayer Identification Number. Borrower's Taxpayer Identification No., each Subsidiary's Taxpayer Identification No., and each Guarantor's Taxpayer Identification No. is as set forth on Schedule 9(y).

(z) State of Formation. Borrower is a corporation organized under the laws of the State of Texas. The Subsidiaries are corporations, limited liability companies, or partnerships organized under the laws of the states set forth on Schedule 9(z) or otherwise disclosed to the Agent in writing.

(aa) Binding Obligations. This Agreement does, and the Notes and other Loan Documents to which the Borrower is a party upon their creation, issuance, execution and delivery will, constitute valid and binding obligations of the Borrower enforceable in accordance with their respective terms (except that enforcement may be subject to applicable bankruptcy, insolvency or similar laws generally affecting the enforcement of creditors' rights and subject to availability of equitable remedies).

(bb) Not A Utility. The Borrower is not an entity engaged in the State of Texas in the (i) generation, transmission, or distribution and sale of electric power; (ii) transportation, distribution and sale through a local distribution system of natural or other gas for domestic, commercial, industrial, or other use; (iii) ownership or operation of a pipeline (other than gas gathering systems) for the transmission or sale of natural or other gas, crude oil or petroleum products to other pipeline companies, refineries, local distribution systems, municipalities, or industrial consumers; (iv) provision of telephone or telegraph service to others; (v) production, transmission, or distribution and sale of steam or water; (vi) operation of a railroad; or (vii) provision of sewer service to others.

(cc) Sanctioned Persons. To the best of the Borrower's knowledge and belief, neither the Borrower or any Subsidiary nor, to the knowledge of the Borrower, any director, officer, agent, employee or Affiliate of the Borrower or any Subsidiary is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC"); and the Borrower will not directly or indirectly use the proceeds of the Loans or the Letters of Credit or otherwise make available such proceeds to any Person or entity, for the purpose of financing the activities of any Person currently subject to any U.S. sanctions administered by OFAC.

(dd) Security Instruments. To the best of the Borrower's knowledge and belief, the Mortgages are effective to create in favor of the Agent, for the ratable benefit of the Lenders, a legal, valid and enforceable Lien on all of the Borrower's and each Guarantor's right, title and interest in and to the Mortgaged Property thereunder and the proceeds thereof, and when the Mortgages are filed in the offices specified on Schedule 9(dd), the Mortgages shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Borrower and each Guarantor in such Mortgaged Property and the proceeds thereof, in each case prior and superior in right to any other Person, other than with respect to the rights of persons pursuant to Liens expressly permitted by Section 12(b).

10. Conditions of Lending.

(a) Initial Advance. The obligation of the Lenders to make the initial Advance is subject to the receipt by the Agent and the Lenders of the following documents (in sufficient original counterparts, other than the Notes, for each Lender) and satisfaction of the other conditions provided in this Section 10(a), each of which shall be satisfactory to the Agent in form and substance:

(i) A certificate of the Secretary or an Assistant Secretary of each Loan Party setting forth (A) resolutions of its board of directors with respect to the authorization of such Loan Party to execute and deliver the Loan Documents to which it is a party and to enter into the transactions contemplated in those documents, (B) the officers of each Loan Party (1) who are authorized to sign the Loan Documents to which such Loan Party is a party and (2) who will, until replaced by another officer or officers duly authorized for that purpose, act as its representative for the purposes of signing documents and giving notices and other communications in connection with this Agreement and the transactions contemplated hereby, (C) specimen signatures of the authorized officers, and (D) the organization documents, and the certificate of formation of each Loan Party, certified as being true and complete. The Agent and the Lenders may conclusively rely on such certificate until the Agent receives notice in writing from the Borrower to the contrary.

(ii) Certificates of the appropriate state agencies with respect to the existence, qualification and good standing of each Loan Party.

(iii) [Intentionally deleted]

(iv) The Notes, duly completed and executed.

(v) The Security Instruments or amendments thereto or ratifications thereof, including with respect to those described on Exhibit E, duly completed and executed in sufficient number of counterparts for recording, if necessary.

(vi) A certificate of insurance coverage of the Loan Parties evidencing that each Loan Party carries insurance in accordance with Section 9(r).

(vii) The Agent shall have obtained appropriate UCC searches the result of which are satisfactory to the Agent.

(viii) All consents in form and substance satisfactory to all Lenders and of all Persons required by the Lenders.

(ix) The Agent shall have received, in form and substance satisfactory to the Agent, (A) the Eagle Ford Acquisition Documents, (B) evidence that the Eagle Ford Acquisition will close concurrently with this Agreement, (C) title information as the Agent may reasonably require setting forth the status of title to the Oil and Gas Properties acquired under the Eagle Ford Acquisition Documents and (D) a Mortgage covering the Oil and Gas Properties acquired under the Eagle Ford Acquisition Documents.

(x) [Intentionally deleted]

(xi) Such other documents, in form and substance satisfactory to the Agent, as the Agent or any Lender or special counsel to the Agent may reasonably request.

(xii) Fees. The Agent shall have received payment of (1) all reasonable fees and expenses owed by the Borrower to the Agent, Issuing Lender and the Lenders, including without limitation, the reasonable fees and expenses of Winstead PC, to the extent invoices for such have been delivered to the Borrower prior to the date of this Agreement, (2)(a) a facility increase fee with respect to the Revolving Loans in the amount of $87,500 and (b) an upfront fee with respect to the Term Loan in the amount of $125,000 and (3) all other reasonable fees agreed to be paid.

(b) Initial and Subsequent Loans and Letters of Credit. The obligation of the Lenders to make Loans to the Borrower hereunder and to issue, renew, extend or reissue Letters of Credit for the account of the Borrower (including the initial Advance) is subject to the further conditions precedent that, as of the date of such Loans (or date such Letters of Credit are issued, renewed, extended, or reissued) and after giving effect thereto:

(i) no Default shall exist;

(ii) no Material Adverse Effect shall have occurred;

(iii) the representations and warranties made by the Borrower in Section 9 and in the Loan Documents shall be true on and as of the date of the making of such Loans or issuance, renewal, extension or reissuance of a Letter of Credit with the same force and effect as if made on and as of such date and following such new borrowing, except to the extent such representations and warranties are expressly limited to an earlier date or the Required Lenders may expressly consent in writing to the contrary; and

(iv) after giving effect to the requested borrowing or borrowings (or the Letters of Credit being issued, renewed, extended, or reissued), the outstanding amount of all Revolving Loans and Letter of Credit Exposure would not exceed the Borrowing Base.

Each request for a borrowing or issuance, renewal, extension or reissuance of a Letter of Credit by the Borrower hereunder shall constitute a certification by the Borrower to the effect set forth in Section 10(b)(iii) (both as of the date of such notice and, unless the Borrower otherwise notifies the Agent prior to the date of and immediately following such borrowing or issuance, renewal, extension or reissuance of a Letter of Credit as of the date thereof).

(c) Conditions Precedent for the Benefit of Lenders. All conditions precedent to the obligations of the Lenders to make any Loans are imposed hereby solely for the benefit of the Lenders, and no other Person may require satisfaction of any such condition precedent or be entitled to assume that the Lenders will refuse to make any Loan in the absence of strict compliance with such conditions precedent.

(d) No Waiver. No waiver of any condition precedent shall preclude the Agent or the Lenders from requiring such condition to be met prior to making any subsequent Loans.

11. Affirmative Covenants.

The Borrower covenants and agrees that, so long as any of the Revolving Credit Commitments are in effect and until payment in full of all Loans hereunder, all interest thereon and all other amounts payable by the Borrower hereunder or under the Loan Documents, and until the Lenders have no further Letter of Credit Exposure:

(a) Reporting Requirements. The Borrower shall deliver, or shall cause to be delivered, to the Agent with sufficient copies of each for the Lenders:

(i) Annual Financial Statements. As soon as available and in any event within one hundred twenty (120) days after the end of each fiscal year of the Borrower (including the fiscal year ended December 31, 2010, which statements shall instead be delivered on or before May 31, 2011), the audited consolidated statements of income, shareholders' equity, changes in financial position and cash flows of the Borrower and its Subsidiaries for such fiscal year, and the related consolidated balance sheets of the Borrower and its Subsidiaries as at the end of such fiscal year, and setting forth in each case in comparative form the corresponding figures for the preceding fiscal year, and accompanied by the related unqualified opinion of independent public accountants of recognized standing acceptable to the Agent, which opinion shall state that said audited Financial Statements fairly present the consolidated financial condition and results of operations of the Borrower and its Subsidiaries as at the end of, and for, such fiscal year and that such Financial Statements have been prepared in accordance with GAAP, except for such changes in such principles with which the independent public accountants shall have concurred and such opinion shall not contain a "going concern" or like qualification or exception.

(ii) Quarterly Financial Statements. As soon as available and in any event within forty-five (45) days after the end of each fiscal quarter of each fiscal year of the Borrower (including the fiscal quarter ended March 31, 2011, which statements shall instead be delivered on or before June 15, 2011), consolidated statements of income, shareholders' equity, changes in financial position and cash flows of the Borrower and its Subsidiaries for such period and for the period from the beginning of the respective fiscal year to the end of such period, and the related consolidated balance sheets as at the end of such period, and setting forth in each case in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, accompanied by the certificate of a Responsible Officer, which certificate shall state that said Financial Statements fairly present the consolidated financial condition and results of operations of the Borrower and its Subsidiaries in accordance with GAAP, as at the end of, and for, such period (subject to normal year-end audit adjustments, including tests for impairment of assets, and to the lack of footnotes), together with calculations confirming the Borrower's compliance with all financial covenants, certified by a senior financial officer of Borrower.

(iii) Annual Budget. As available and upon reasonable request from the Agent, the annual budget approved by the Borrower.

(iv) Notice of Default, Etc. Promptly after the Borrower knows that any Default or any Material Adverse Effect has occurred, a notice of such Default or Material Adverse Effect, describing the same in reasonable detail and the action the Borrower proposes to take with respect thereto.

(v) Other Accounting Reports. As available and upon reasonable request from the Agent, promptly upon receipt thereof, a copy of each other report or letter submitted to the Borrower or any Subsidiary by independent accountants in connection with any annual, interim or special audit made by them of the books of the Borrower and its Subsidiaries, and a copy of any response by the Borrower or any Subsidiary of the Borrower (or its board of directors or other governing body) to such letter or report.

(vi) SEC Filings, Etc. If at any time applicable, promptly upon its becoming available, each financial statement, report, notice or proxy statement sent by the Borrower to its shareholders generally and each regular or periodic report and any registration statement, prospectus or written communication (other than transmittal letters) in respect thereof filed by the Borrower with or received by the Borrower in connection therewith from any securities exchange or the SEC or any successor agency.

(vii) Notices Under Other Loan Agreements. Promptly after the furnishing thereof, copies of any statement, report or notice furnished to any Person pursuant to the terms of any indenture, loan or credit or other similar agreement, other than this Agreement and not otherwise required to be furnished to the Lenders pursuant to any other provision of this section.

(viii) Notices Pertaining to Mandatory Prepayments. If at any time the Borrower has knowledge of any occurrences or transactions referred to in Section 7(b)(ii) giving rise to net proceeds that require a mandatory prepayment, the Borrower will within three Business Days give written notice to the Agent, in such detail as reasonably requested by the Agent, describing the relevant occurrence or transaction and the net proceeds thereof.

(ix) Notices of Damage to Oil and Gas Properties. The Borrower will promptly notify the Agent of any damage to the Oil and Gas Properties in excess of One Hundred Thousand and No/100 Dollars ($100,000.00) in aggregate per occurrence and will keep the Oil and Gas Properties insured for the benefit of the Agent in accordance with the applicable insurance provisions of this Agreement.

(x) Monthly Lease Operating Reports. Upon reasonable request of the Agent, within thirty (30) days after the end of each month (the "Reported Month"), a monthly report, in form and substance satisfactory to the Required Lenders, indicating the Reported Month's production volumes for each well on the Oil and Gas Properties of the Loan Parties, sales volumes, sales revenues, production taxes, operating expenses and net operating income from production from such Oil and Gas Properties, with detailed calculations and worksheets.

(xi) Other Matters. From time to time such other information regarding the business, affairs or financial condition of the Borrower or any Subsidiary (including, without limitation, any Plan or multiemployer Plan and any reports or other information required to be filed under ERISA) as any Lender or the Agent may reasonably request.

(xii) Commodity Hedging Agreements. Upon reasonable request of the Agent, a report, in form and substance satisfactory to the Agent, setting forth as of the last Business Day of the immediately preceding fiscal quarter a true and complete list of all Commodity Hedging Agreements (including commodity price swap agreements, forward agreements or contracts of sale which provide for prepayment for deferred shipment or delivery of oil, gas or other commodities) of the Borrower and each Subsidiary, the material terms thereof (including the type, term, effective date, termination date and notional amounts or volumes), any new credit support agreements relating thereto not constituting Loan Documents or listed on Schedule 9(s), any margin required or supplied under any credit support document, and the counter party to each such agreement.

(xiii) After-Acquired Oil and Gas Properties. Within 30 days after the end of each fiscal quarter of the Borrower, a report listing all Oil and Gas Properties acquired by any Loan Party during such quarter; provided, however, such report shall only list Oil and Gas Properties that were (A) producing upon such acquisition, regardless of the acquisition price, or (B) were non-producing upon acquisition, but having an acquisition price of more than $10,000,000 in the aggregate.

The Borrower will furnish to the Agent, at the time it furnishes each set of Financial Statements pursuant to paragraph (a)(i) or (a)(ii) above, a Compliance Certificate executed by a Responsible Officer (x) certifying as to the matters set forth therein and stating that no Default has occurred and is continuing (or, if any Default has occurred and is continuing, describing the same in reasonable detail), and (y) setting forth in reasonable detail the computations necessary to determine whether the Borrower is in compliance with Sections 12(l) and (m).

(b) Litigation. The Borrower shall promptly give to the Agent notice of: (i) all legal or arbitral proceedings, and of all proceedings before any Governmental Authority affecting the Borrower or any Subsidiary, except proceedings which, if adversely determined, would not have a Material Adverse Effect, and (ii) any litigation or proceeding against or adversely affecting the Borrower or any Subsidiary in which the amount involved is not covered in full by insurance (subject to normal and customary deductibles and for which the insurer has not assumed the defense), or in which injunctive or similar relief is sought, except litigation or proceedings which, if adversely determined, would not have a Material Adverse Effect. The Borrower will, and will cause each of its Subsidiaries to, promptly notify the Agent and each of the Lenders of any claim, judgment, Lien or other encumbrance affecting any Property of the Borrower or any Subsidiary if the value of the claim, judgment, Lien, or other encumbrance affecting such Property shall exceed $100,000.00.

(c) Maintenance, Etc.

(i) Generally. The Borrower shall and shall cause each Subsidiary to: preserve and maintain its corporate existence and all of its material rights, privileges and franchises; keep books of record and account in which full, true and correct entries will be made of all dealings or transactions in relation to its business and activities; comply with all Governmental Requirements if failure to comply with such requirements will have a Material Adverse Effect; pay and discharge all taxes, assessments and governmental charges or levies imposed on it or on its income or profits or on any of its Property prior to the date on which penalties attach thereto, except for any such tax, assessment, charge or levy the payment of which is being contested in good faith and by proper proceedings and against which adequate reserves are being maintained; upon reasonable notice, permit representatives of the Agent or any Lender, during normal business hours, to examine, copy and make extracts from its books and records, to inspect its Properties, and to discuss its business and affairs with its officers, all to the extent reasonably requested by such Lender or the Agent (as the case may be) at the Borrower's expense; and keep, or cause to be kept, insured by financially sound and reputable insurers all Property of a character usually insured by Persons engaged in the same or similar business similarly situated against loss or damage of the kinds and in the amounts customarily insured against by such Persons and carry such other insurance as is usually carried by such Persons including, without limitation, environmental risk insurance to the extent reasonably available. The Borrower shall promptly obtain endorsements to such insurance policies naming "Comerica Bank, as the Agent for the Lenders" as joint loss payee, additional insured, and containing provisions that such policies will not be canceled without thirty (30) days prior written notice having been given by the insurance company to the Agent.

(ii) Proof of Insurance. Contemporaneously with the delivery of the Financial Statements required by Section 11(a)(i) to be delivered for each year, the Borrower will furnish or cause to be furnished to the Agent and the Lenders a certificate of insurance coverage, showing coverage as required by

Section 11(c)(i), from Borrower’s insurance agent or broker or from the insurer, in form and substance satisfactory to the Agent and, if reasonably requested, will furnish the Agent and the Lenders copies of the applicable policies.

(iii) Operation of Properties. The Borrower will and will cause each Subsidiary to, at its own expense, do or cause to be done all things reasonably necessary to preserve and keep in good repair, working order and efficiency all of its Oil and Gas Properties and other material Properties including, without limitation, all equipment, machinery and facilities, and from time to time will make all the reasonably necessary repairs, renewals and replacements so that at all times the state and condition of its Oil and Gas Properties and other material Properties will be fully preserved and maintained, except to the extent a portion of such Properties is no longer capable of producing Hydrocarbons in economically reasonable amounts. The Borrower will and will cause each Subsidiary to promptly: (A) pay and discharge, or make reasonable and customary efforts to cause to be paid and discharged, all delay rentals, royalties, expenses and indebtedness accruing under the leases or other agreements affecting or pertaining to its Oil and Gas Properties, (B) perform or make reasonable and customary efforts to cause to be performed, in accordance with industry standards, the obligations required by each and all of the assignments, deeds, leases, sub-leases, contracts and agreements affecting its interests in its Oil and Gas Properties and other material Properties, (C) cause each Subsidiary to do all other things necessary to keep unimpaired in all material respects, except for Liens described in Section 12(b), its rights with respect to its Oil and Gas Properties and other material Properties and prevent any forfeiture thereof or a default thereunder, except to the extent a portion of such Properties is no longer capable of producing Hydrocarbons in economically reasonable amounts and except for dispositions permitted by Sections 12(e) or (o). The Borrower will and will cause each Subsidiary to operate its Oil and Gas Properties and other material Properties or cause or make reasonable and customary efforts to cause such Oil and Gas Properties and other material Properties to be operated in a careful and efficient manner in accordance with the practices of the industry and in compliance with all applicable contracts and agreements and in compliance in all material respects with all Governmental Requirements. Notwithstanding the foregoing, with respect to those Mortgaged Properties which are being operated by operators other than the Borrower or its Subsidiary, the Borrower shall not be obligated to perform any undertakings contemplated by the covenants and agreements contained herein which are performable only by such operators and are beyond the control of the Borrower; provided, however, the Borrower agrees to promptly take all reasonable actions available under any operating agreements or otherwise to bring about the performance of any such undertakings required to be performed hereunder.

(d) Environmental Matters.

(i) Establishment of Procedures. The Borrower will and will cause each Subsidiary to establish and implement such procedures as may be reasonably necessary to continuously determine and assure that any failure of the following does not have a Material Adverse Effect: (A) all Property of the Borrower and its Subsidiaries and the operations conducted thereon and other activities of the Borrower and its Subsidiaries are in compliance with and do not violate the requirements of any Environmental Laws, (B) no oil, hazardous substances or solid wastes are disposed of or otherwise released on or to any Property owned by any such party except in compliance with Environmental Laws, (C) no hazardous substance will be released on or to any such Property in a quantity equal to or exceeding that quantity which requires reporting pursuant to Section 103 of CERCLA, and (D) no oil, oil and gas exploration and production wastes or hazardous substance is released on or to any such Property so as to pose an imminent and substantial endangerment to public health or welfare or the environment.

(ii) Notice of Action. The Borrower will promptly notify the Agent and the Lenders in writing of any material threatened action, investigation or inquiry by any Governmental Authority of which the Borrower has knowledge in connection with any Environmental Laws, excluding routine testing and corrective action.

(e) Further Assurances. The Borrower will and will cause each Subsidiary to cure promptly any defects in the creation and issuance of the Notes and the execution and delivery of this Agreement and the other Loan Documents. The Borrower at its expense will and will cause each Subsidiary to promptly execute and deliver to the Agent upon reasonable request all such other documents, agreements and instruments to comply with or accomplish the covenants and agreements of the Borrower or any Subsidiary, as the case may be, in this Agreement and the other Loan Documents, or to further evidence and more fully describe the collateral intended as security for the Notes, or to correct any omissions in the Loan Documents, or to state more fully the security obligations set out herein or in any of the Security Instruments, or to perfect, protect or preserve any Liens created pursuant to any of the Security Instruments, or to make any recordings, to file any notices or obtain any consents, all as may be necessary or appropriate in connection therewith.

(f) **[Reserved.]**

(g) Reserve Reports.

(i) On April 1 and October 1 of each year commencing October 1, 2011, the Borrower shall furnish to the Agent and the Revolving Lenders a Reserve Report dated January 1 of that year for the Reserve Report due April 1 and dated July 1 of that year for the Reserve Report due October 1. The Reserve Report due each April 1 shall be prepared or audited by certified independent petroleum engineers or other independent petroleum consultant(s) acceptable to the Agent. The Reserve Report due each October 1 shall be made under the supervision of the appropriate officer of the Borrower who shall certify such

Reserve Report to be true and accurate and to be prepared in accordance with the standards of the Society of Petroleum Engineers.

(ii) In the event of an Unscheduled Redetermination, the Borrower shall furnish to the Agent and the Revolving Lenders a Reserve Report prepared by or under the supervision of the appropriate officer of the Borrower who shall certify such Reserve Report to be true and accurate and to have been prepared in accordance with the standards of the Society of Petroleum Engineers. For any Unscheduled Redetermination requested by the Agent pursuant to Section 6(b), the Borrower shall provide such Reserve Report with an “as of” date as required by the Agent as soon as possible, but in any event no later than sixty (60) days following the receipt of the request by the Agent. For any Unscheduled Redetermination requested by the Borrower pursuant to Section 6(b), the “as of” date shall be not more than 120 days preceding the date of delivery of the corresponding Reserve Report.

(iii) With the delivery of each Reserve Report, the Borrower shall provide to the Agent and the Revolving Lenders a certificate from a Responsible Officer certifying that, to the best of his knowledge and in all material respects: (A) the information contained in the Reserve Report and any other information delivered in connection therewith is true and correct, (B) the Borrower owns good and defensible title to the Mortgaged Properties evaluated in such Reserve Report (which shall note which Oil and Gas Properties are Mortgaged Properties) and such Properties are free of all Liens except for Liens permitted by Section 12(b), (C) except as set forth on an Exhibit to the certificate, on a net basis there are no gas imbalances, take or pay or other prepayments with respect to its Mortgaged Properties evaluated in such Reserve Report which would require the Borrower to deliver Hydrocarbons produced from such Mortgaged Properties at some future time without then or thereafter receiving full payment therefor, (D) none of its Mortgaged Properties evaluated in the most recent previous Reserve Report have been sold since the date of the last Borrowing Base determination except as set forth on an Exhibit to the certificate, which certificate shall list all of its Mortgaged Properties sold and in such detail as reasonably required by the Required Revolving Lenders, (E) attached to the certificate is a list of its Mortgaged Properties added to and deleted from the immediately prior Reserve Report and a list showing any change in working interest or net revenue interest in its Mortgaged Properties occurring and the reason for such change, and (F) attached to the certificate is a list of all Persons disbursing proceeds to the Borrower from its Mortgaged Properties.

(h) Title Information and Mortgage Coverage.

(i) Delivery. On or before the delivery to the Agent and the Revolving Lenders of each Reserve Report required by Section 11(g)(i), the Borrower will deliver title information in form and substance acceptable to the Agent covering enough of the Oil and Gas Properties of Borrower and its Subsidiaries evaluated by such Reserve Report that were not included in the immediately preceding Reserve Report, so that the Agent shall have received together with title information previously delivered to the Agent, satisfactory title information on at least 80% of the value of the Oil and Gas Properties evaluated by such Reserve Report and constituting Mortgaged Properties.

(ii) Cure of Title Defects. Upon reasonable request by the Agent, the Borrower shall cure any title defects or exceptions which are not Permitted Liens raised by such information and which in the sole discretion of the Agent render the title to the Mortgaged Properties covered by such information not good and defensible, or substitute acceptable Mortgaged Properties with no title defects or exceptions except for Permitted Liens covering Mortgaged Properties of an equivalent value, within ninety (90) days after a reasonable request by the Agent or the Lenders to cure such defects or exceptions.

(iii) Failure to Cure Title Defects. If the Borrower is unable to cure any title defect required to be cured under Section 11(h)(ii) above as reasonably requested by the Agent or the Lenders to be cured within the 90-day period or the Borrower does not comply with the requirements to provide acceptable title information covering 80% of the value of the Oil and Gas Properties evaluated in the most recent Reserve Report and constituting Mortgaged Properties, such default shall not be a Default or an Event of Default, but instead the Agent and the Lenders shall have the right to exercise the following remedy in their sole discretion from time to time, and any failure to so exercise this remedy at any time shall not be a waiver as to future exercise of the remedy by the Agent or the Lenders. To the extent that the Agent or the Required Lenders are not satisfied with title to any Mortgaged Property after the time period in Section 11(h)(ii) has elapsed, such unacceptable Mortgaged Property shall not count towards the 80% requirement, and the Agent may send a notice to the Borrower and the Lenders that the then outstanding Borrowing Base shall be reduced by an amount as determined by the Agent with the concurrence of the Required Lenders to cause the Borrower to be in compliance with the requirement to provide acceptable title information on 80% of the value of the Oil and Gas Properties. This new Borrowing Base shall become effective immediately after receipt of such notice.

(i) Collateral.

(i) Collateral. The Obligations shall be secured by a perfected first priority Lien (subject only to Permitted Liens) granted to the Agent for the benefit of the Lenders in (A) no less than 80% of the value of Oil and Gas Properties owned by the Borrower or any Subsidiary as of December 31, 2010, to which proven reserves of oil or gas are attributed in the Reserve Report as of such date; (B) pursuant to Section 11(i)(ii), any Oil and Gas Properties that are acquired by the Borrower or any Subsidiary after the Closing Date to the extent that no less than 80% of the value of the Oil and Gas Properties owned by the Borrower or any Subsidiary to which proven reserves of oil or gas are attributed in the most recently delivered Reserve Report are subject to a perfected first priority Lien (subject only to Permitted Liens) in favor of the Agent for the benefit of the

Lenders; and (C) all tangible and intangible personal property of the Borrower or any Guarantor located on or related to the Mortgaged Properties, all accounts receivable and other proceeds arising from the sale of Hydrocarbons produced from the Mortgaged Properties and the stock or ownership interests directly or indirectly owned by the Borrower in all its Subsidiaries (existing and future) to the extent a security interest therein can be obtained under the Uniform Commercial Code.

(ii) Liens in Acquired Oil and Gas Properties. Should the Borrower or any Subsidiary acquire any additional producing Oil and Gas Properties or Oil and Gas Properties having an acquisition price of more than $10,000,000 in the aggregate in any fiscal quarter of the Borrower if non-producing upon acquisition, the Borrower or such Subsidiary will grant to the Agent as security for the Obligations a first-priority Lien (subject only to Permitted Liens) in such Oil and Gas Properties, which Lien will be created and perfected by and in accordance with the provisions of mortgages, deeds of trust, security agreements and financing statements, or other Security Instruments to the extent necessary to be in compliance with this Section 11(i), all in form and substance satisfactory to the Agent in its sole discretion and in sufficient executed (and acknowledged where necessary or appropriate) counterparts for recording purposes.

(iii) Title Information. Upon reasonable request by the Agent in connection with the granting of the Lien on Oil and Gas Properties referred to in Section 11(i)(i) or (ii) above, the Borrower will provide to the Agent title information in form and substance reasonably satisfactory to the Agent with respect to the Borrower's or such Subsidiary's interests in such Oil and Gas Properties, provided that the Borrower will not be required to provide title information for more than 80% of the value of the Mortgaged Properties of Borrower and its Subsidiaries to which proven reserves of oil or gas are attributed.

(iv) Legal Opinions. Promptly after the filing of any new Security Instrument in any state, upon the reasonable request of the Agent, the Borrower will provide to the Agent an opinion addressed to the Agent for the benefit of the Lenders in form and substance satisfactory to the Agent in its sole discretion, from counsel acceptable to the Agent, stating that the Security Instrument is valid, binding, and enforceable in accordance with its terms in legally sufficient form for such jurisdiction.

(j) Production Proceeds.

(i) In order to secure further the performance by Borrower of its obligations hereunder and the repayment of the Obligations and to effect and facilitate the Lenders' right of offset, the Borrower shall, upon reasonable request of the Required Lenders after an Event of Default, execute such forms, authorizations, documents and instruments, and do such other things from time to time, as the Required Lenders shall reasonably request, in order to require that pipeline companies, operators of the Mortgaged Properties and others (collectively, the “Purchasers”) purchasing (or acting as agents for, or making payments on behalf of, those purchasing) the oil, gas and other Hydrocarbons produced or to be produced from, or relating to, the Mortgaged Properties, deliver to a lock box to which the Agent has sole access all checks, cash, proceeds and monies (collectively, the “Proceeds”) now or hereafter payable by the Purchasers (or any of them) on account of oil, gas or other minerals produced from or relating to the Mortgaged Properties.

(ii) After the occurrence of an Event of Default, the Required Lenders may require that all Proceeds be delivered to such a lock box. The Agent shall then deposit all Proceeds in a cash collateral account at the Agent styled “Matador Production Account”. Thereafter the Borrower shall, upon receipt, deposit in the Matador Production Account all such payments and monies which the Borrower receives directly from any Purchaser relating to the Mortgaged Properties. The Borrower’s obligation to pay the amounts due under the Loans (both principal and interest) shall be absolute, and such amounts shall be due and payable notwithstanding the fact that the funds received by the Agent are insufficient to pay such amounts.

(iii) If, after an Event of Default, the Required Lenders cause the Proceeds to be paid to the Matador Production Account, then, not less often than monthly, the Borrower shall submit to the Agent an itemized statement of operating costs and expenses, royalty payments and severance or production taxes required to be paid by the Borrower out of the Proceeds. The application by the Agent of such Proceeds shall, unless the Required Lenders shall agree otherwise in writing, be first to the payment of royalty payments due on the Mortgaged Properties (to the extent the Agent has received funds for royalty owners) and production and severance taxes on such Proceeds to the extent the same have not been withheld by the purchasers of production, second transfer to the Borrower’s operating account sufficient funds for the Borrower to pay the amount of operating costs and overhead expenses related to the operation of the Mortgaged Properties set forth in such itemized statement, provided that such costs and expenses shall, in the Agent’s sole discretion exercised in good faith, be reasonable and relate to the Mortgaged Properties, third to the payment of reasonable costs and expenses due the Lenders or the Agent under this Agreement, fourth to the payment of accrued interest due on the Notes and last to the payment of the principal then due on the Notes. Agent shall account for all monies received and applied hereunder. After an Event of Default all Proceeds held by the Agent after any transfer described in the second preceding sentence shall remain deposited in the Matador Production Account and shall secure repayment of the Notes or any other Obligations. The Borrower shall not have any right to withdraw funds from the Matador Production Account.

(iv) The Borrower hereby irrevocably authorizes and directs the Agent to charge, at its discretion, from time to time the Matador Production Account and any other accounts of the Borrower at the Agent for amounts due to the Agent or Lenders hereunder. The Agent is hereby further authorized, in its own name or the name of the Borrower at any time, to notify any or all parties obligated with respect to the Mortgaged Properties to make all payments due or to become due thereon directly to the Agent. With or without such general notification, the Agent may take or bring in the Borrower's name or that of the Agent or Lenders all steps, actions, suits or proceedings deemed by the Agent necessary or desirable to effect possession or collection of payments.

(v) Regardless of any provision hereof, however, the Agent and Lenders shall never be liable for its or their failure to collect or for its or their failure to exercise diligence in the collection, possession, or any transaction concerning, all or part of the Mortgaged Properties or sums due or paid thereon nor shall Agent or Lenders be under any obligation whatsoever to anyone by virtue of its security interests and Liens relating to the Mortgaged Properties.

(vi) Issuance by the Agent of a receipt to any Person obligated to pay any amounts to the Borrower shall be a full and complete release, discharge and acquittance to such person to the extent of any amount so paid to the Agent. The Agent is hereby authorized and empowered on behalf of the Borrower to endorse the name of the Borrower upon any check, draft, instrument, receipt, instruction or other document or items, including, but not limited to, all items evidencing payment upon any indebtedness of any person to the Borrower coming into the Agent's possession, and to receive and apply the proceeds therefrom in accordance with the terms hereof. The Agent is hereby granted an irrevocable power of attorney, which is coupled with an interest, to execute all checks, drafts, receipts, instruments, instructions or other documents, agreements or items on behalf of the Borrower, after an Event of Default, as shall be deemed by the Agent to be necessary or advisable, in the sole discretion of the Agent, to protect the Lenders' security interests and Liens in the Mortgaged Properties or the repayment of the Obligations, and the Agent shall not incur any liability in connection with or arising from its exercise of such power of attorney.

(k) Mortgage Title Opinions. Upon reasonable request by the Agent and within sixty (60) days thereafter, the Borrower shall cause to be delivered to the Agent title opinions satisfactory to the Agent supplementing the opinions delivered pursuant to Section 11(i)(iv) above and showing the Lien of the Security Instruments covering the Mortgaged Property to be first and prior and subject to no exceptions not reflected in such prior title opinions.

(l) ERISA Information and Compliance. Upon the Agent's reasonable request, the Borrower will promptly furnish and will cause the Subsidiaries and any ERISA Affiliate to promptly furnish to the Agent with sufficient copies to the Lenders (i) promptly after the filing thereof with the United States Secretary of Labor, the Internal Revenue Service or the PBGC, copies of each annual and other report with respect to each Plan or any trust created thereunder, (ii) immediately upon becoming aware of the occurrence of any ERISA Event or of any "prohibited transaction," as described in Section 406 of ERISA or in Section 4975 of the Code, in connection with any Plan or any trust created thereunder, a written notice signed by a Responsible Officer specifying the nature thereof, what action the Borrower, the Subsidiary or the ERISA Affiliate is taking or proposes to take with respect thereto, and, when known, any action taken or proposed by the Internal Revenue Service, the Department of Labor or the PBGC with respect thereto, and (iii) immediately upon receipt thereof, copies of any notice of the PBGC's intention to terminate or to have a trustee appointed to administer any Plan. With respect to each Plan (other than a multiemployer Plan), the Borrower will, and will cause each Subsidiary and ERISA Affiliate to, (x) satisfy in full and in a timely manner, without incurring any late payment or underpayment charge or penalty and without giving rise to any Lien, all of the contribution and funding requirements of Section 412 of the Code (determined without regard to subsections (d), (e), (f) and (k) thereof) and of Section 302 of ERISA (determined without regard to sections 303, 304 and 306 of ERISA), and (y) pay, or cause to be paid, to the PBGC in a timely manner, without incurring any late payment or underpayment charge or penalty, all premiums required pursuant to sections 4006 and 4007 of ERISA.

(m) Guaranty Agreements. Except for Matador Holdco, Inc. and Matador Merger Co., the Borrower will cause each of its Subsidiaries, whether newly formed, hereafter acquired, or otherwise existing, within 30 days of the creation or acquisition thereof, to become a Guarantor hereunder by way of a Guaranty Agreement in form and substance satisfactory to the Agent.

12. Negative Covenants.

The Borrower covenants and agrees that, so long as any of the Revolving Credit Commitments are in effect and until payment in full of Loans hereunder, all interest thereon and all other amounts payable by the Borrower hereunder, or under the Loan Documents, and until the Lenders have no further Letter of Credit Exposure:

(a) Debt and Hedging. Neither the Borrower nor any Subsidiary will incur, create, assume or permit to exist any Debt, except:

(i) the Notes or other Obligations;

(ii) Debt of the Borrower existing on the Closing Date which is reflected in the Financial Statements or is disclosed in Schedule 12(a), and any renewals or extensions (but not increases) thereof;

(iii) taxes, assessments or other government charges which are not yet due or are being contested in good faith by appropriate action promptly initiated and diligently conducted, if such reserves as shall be required by GAAP have been made therefor;

(iv) obligations to royalty, overriding and working interest owners, joint interest obligations, trade payables, purchase money obligations, capitalized lease obligations and other lease operating expenses incurred in the ordinary course of business which are not past due;

(v) an aggregate amount of other indebtedness at any time outstanding of not more than 10% of the amount of the Borrowing Base from time to time;

(vi) indebtedness of Borrower pursuant to Commodity Hedging Agreements; provided that such transactions shall be entered into for business purposes and not for the purpose of speculation and provided such transactions shall not otherwise be prohibited hereby;

(vii) Debt associated with bonds or sureties provided to any Governmental Authority or to any other Person in connection with the operation of the Oil and Gas Properties; and

(viii) Debt in the form of obligations for the deferred purchase price of Property or services incurred in the ordinary course of business which are not yet due and payable or are being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP have been established.

(b) Liens. Neither the Borrower nor any Subsidiary will create, incur, assume or permit to exist any Lien on any of its Properties (now owned or hereafter acquired), except:

(i) Liens securing the payment of any Obligations;

(ii) Permitted Liens;

(iii) Liens disclosed on Schedule 12(b); and

(iv) Liens on cash or securities of the Borrower securing the Debt described in Section 12(c).

(c) Investments, Loans and Advances. Neither the Borrower nor any Subsidiary will make or permit to remain outstanding any loans or advances to or investments in any Person, except that the foregoing restriction shall not apply to:

(i) investments, loans or advances existing on the Closing Date reflected in the Financial Statements or which are disclosed to the Lenders in Schedule 12(c);

(ii) accounts receivable arising in the ordinary course of business, and promissory notes or other similar obligations taken in settlement or compromise thereof;

(iii) direct obligations of the United States or any agency thereof, or obligations guaranteed by the United States or any agency thereof, in each case maturing within one year from the date of creation thereof;

(iv) commercial paper maturing within one year from the date of creation thereof rated in the highest grade by Standard & Poor's Corporation or Moody's Investors Service, Inc.;

(v) deposits maturing within one year from the date of creation thereof with, including certificates of deposit issued by, any Lender or any office located in the United States of any other bank or trust company which is organized under the laws of the United States or any state thereof, has capital, surplus and undivided profits aggregating at least $200,000,000 (as of the date of such Lender's or bank or trust company's most recent financial reports) and has a short term deposit rating of no lower than A2 or P2, as such rating is set forth from time to time, by Standard & Poor's Corporation or Moody's Investors Service, Inc., respectively;

(vi) deposits in money market funds investing exclusively in investments described in Section 12(c)(iii), (iv) or(v);

(vii) investments, loans or advances made by the Borrower in or to its Subsidiaries, provided such Subsidiaries are Guarantors, or become Guarantors promptly (and, in any event, within 30 days) upon the Borrower's acquisition thereof;

(viii) other investments, loans or advances not to exceed in the aggregate at any time an amount equal to 10% of the amount of the Borrowing Base from time to time;

(ix) Commodity Hedging Agreements permitted to be incurred pursuant to Section 12(a); and

(x) advances to employees for travel, meals and entertainment expenses in the ordinary course of business and loans to employees for the purpose of exercise of stock options, all of which in the aggregate outstanding at any time shall not exceed 10% of the amount of the Borrowing Base.

(d) Dividends, Distributions and Redemptions. The Borrower will not declare or pay any dividend, purchase, redeem or otherwise acquire for value any of its stock or other equity interests now or hereafter outstanding, return any capital to its shareholders or other equity holders or make any distribution of its assets to its shareholders or other equity holders, provided, if no Default exists or is caused hereby, that the Borrower will be entitled (i) to declare and pay dividends on its Class B common stock as specified in its corporate documents, (ii) to repurchase stock from employees whose employment has been voluntarily or involuntarily terminated and (iii) to repurchase stock from time to time from its shareholders in amounts not to exceed $5,000,000 in any calendar year.

(e) Sale of Mortgaged Properties. The Borrower will not, and will not permit any Subsidiary to, sell, dispose, convey or otherwise transfer any Mortgaged Properties unless: (i) 100% of the consideration received in respect of such sale or other disposition shall be cash, (ii) the consideration received in respect of such sale or other disposition shall be equal to or greater than the fair market value of the Mortgaged Property or interest therein (as reasonably determined by the board of directors of the Borrower and, if reasonably requested by the Agent, the Borrower shall deliver a certificate of a Responsible Officer of the Borrower certifying to that effect), (iii) proceeds shall be applied as directed in Section 7(b)(ii)(A), (iv) if such sale or other disposition of Mortgaged Property or Subsidiary owning Mortgaged Properties included in the Borrowing Base and in the most recently delivered Reserve Report during any period between two successive Scheduled Redetermination Dates has a fair market value in excess of $250,000 (as determined by the Agent), individually or in the aggregate, the Borrowing Base shall be reduced, effective immediately upon such sale or disposition, by an amount equal to the value, if any, assigned such Mortgaged Property in the most recently delivered Reserve Report and (v) if, upon such reduction in the Borrowing Base, a Borrowing Base deficiency exists, then the Borrower shall reduce the total outstanding Revolving Loans and Letter of Credit Exposure in an amount equal to such Borrowing Base deficiency by prepaying the Revolving Loans outstanding hereunder.

(f) Nature of Business. Neither the Borrower nor any Subsidiary will allow any material change to be made in the character of its business as an oil and gas exploration and production company and related businesses, including without limitation, the gas gathering business.

(g) **[Reserved.]**

(h) Mergers, Etc. Neither the Borrower nor any Subsidiary will merge, dissolve, liquidate, consolidate with or into another Person, or dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person, except that, so long as no Default exists or would result therefrom (i) any Subsidiary may merge with (A) the Borrower, provided that the Borrower shall be the continuing or surviving Person, or (B) any one or more other Subsidiaries, provided that the continuing or surviving Person is a Guarantor; (ii) any Loan Party may dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise) to the Borrower or to another Loan Party; and (iii) the Borrower may reorganize into a holding company structure pursuant to Section 10.005 of the Texas Business Organizations Code on terms and conditions satisfactory to the Agent, provided that the Agent shall have received, in form and substance satisfactory to the Agent, (A) Security Instruments executed by the wholly-owned Subsidiary of the Borrower, which shall become the parent of the Borrower and thereupon be renamed Matador Resources Company (the "Holding Company") and each other Loan Party created by such reorganization, together with UCC-1 financing statements naming such parties as debtors, (B) a Guaranty executed by the Holding Company and each other Loan Party created by such reorganization, (C) a ratification by the Borrower and each other Loan Party of their respective obligations under the Loan Documents, (D) UCC-3 amendments reflecting the changes to the Loan Parties as a result of such reorganization, (E) corporate resolutions or similar evidence of authorization of the Borrower, the Holding Company and each other Loan Party (whether now existing or created in such reorganization) to execute and deliver the foregoing documents and otherwise consummate the transactions contemplated hereby and thereby and (F) certified organizational documents of the Borrower, the Holding Company and each other Loan Party created or the corporate structure of which is affected by such reorganization.

(i) Proceeds of Notes. The Borrower will not permit the proceeds of the Notes to be used for any purpose other than those permitted by Section 9(g). Neither the Borrower nor any Person acting on behalf of the Borrower has taken or will take any action which might cause any of the Loan Documents to violate Regulation T, U or X or any other regulation of the Board of Governors of the Federal Reserve System or to violate Section 7 of the Securities Exchange Act of 1934 or any rule or regulation thereunder, in each case as now in effect or as the same may hereinafter be in effect.

(j) ERISA Compliance. The Borrower will not at any time:

(i) Engage in, or permit any Subsidiary or ERISA Affiliate to engage in, any transaction in connection with which the Borrower, any Subsidiary or any ERISA Affiliate could be subjected to either a civil penalty assessed pursuant to Section 502(c), (i) or (l) of ERISA or a tax imposed by Chapter 43 of Subtitle D of the Code;

(ii) Terminate, or permit any Subsidiary or ERISA Affiliate to terminate, any Plan in a manner, or take any other action with respect to any Plan, which could result in any liability to the Borrower, any Subsidiary or any ERISA Affiliate to the PBGC;

(iii) Fail to make, or permit any Subsidiary or ERISA Affiliate to fail to make, full payment when due of all amounts which, under the provisions of any Plan, agreement relating thereto or applicable law, the Borrower, a Subsidiary or any ERISA Affiliate is required to pay as contributions thereto;

(iv) Permit to exist, or allow any Subsidiary or ERISA Affiliate to permit to exist, any accumulated funding deficiency within the meaning of Section 302 of ERISA or Section 412 of the Code, whether or not waived, with respect to any Plan;

(v) Permit, or allow any Subsidiary or ERISA Affiliate to permit, the actuarial present value of the benefit liabilities under any Plan maintained by the Borrower, any Subsidiary or any ERISA Affiliate which is regulated under Title IV of ERISA to exceed the current value of the assets (computed on a plan termination basis in accordance with Title IV of ERISA) of such Plan allocable to such benefit liabilities. The term “actuarial present value of the benefit liabilities” shall have the meaning specified in Section 4041 of ERISA;

(vi) Contribute to or assume an obligation to contribute to, or permit any Subsidiary or ERISA Affiliate to contribute to or assume an obligation to contribute to, any multiemployer Plan;

(vii) Acquire, or permit any Subsidiary or ERISA Affiliate to acquire, an interest in any Person that causes such Person to become an ERISA Affiliate with respect to the Borrower, any Subsidiary or any ERISA Affiliate if such Person sponsors, maintains or contributes to, or at any time in the six-year period preceding such acquisition has sponsored, maintained, or contributed to, (1) any multiemployer Plan, or (2) any other Plan that is subject to Title IV of ERISA under which the actuarial present value of the benefit liabilities under such Plan exceeds the current value of the assets (computed on a plan termination basis in accordance with Title IV of ERISA) of such Plan allocable to such benefit liabilities;

(viii) Incur, or permit any Subsidiary or ERISA Affiliate to incur, a liability to or on account of a Plan under Sections 515, 4062, 4063, 4064, 4201 or 4204 of ERISA;

(ix) Contribute to or assume an obligation to contribute to, or permit any Subsidiary or ERISA Affiliate to contribute to or assume an obligation to contribute to, any employee welfare benefit plan, as defined in Section 3(1) of ERISA, including, without limitation, any such plan maintained to provide benefits to former employees of such entities, that may not be terminated by such entities in their sole discretion at any time without any material liability; or

(x) Amend or permit any Subsidiary or ERISA Affiliate to amend, a Plan resulting in an increase in current liability such that the Borrower, any Subsidiary or any ERISA Affiliate is required to provide security to such Plan under Section 401(a)(29) of the Code.

(k) Sale or Discount of Receivables. Neither the Borrower nor any Subsidiary will discount or sell (with or without recourse) any of its notes receivable or accounts receivable.

(l) Current Ratio. The Borrower will not permit its ratio of (A) consolidated Current Assets (which shall be deemed to include availability of Revolving Loans) to (B) consolidated Current Liabilities (which shall exclude principal payments on the Loans) to be less than 1.0 to 1.0 at any time.

(m) Debt to EBITDA Ratio. Commencing with the fiscal quarter ended March 31, 2011, the Borrower will not permit its Debt to EBITDA Ratio as of the end of any fiscal quarter of the Borrower (calculated quarterly at the end of each fiscal quarter) to be more than 4.00 to 1.0.

(n) Environmental Matters. Neither the Borrower nor any Subsidiary will cause or permit any of its Property to be in violation of, or do anything or permit anything to be done which will subject any such Property to any remedial obligations under any Environmental Laws, assuming disclosure to the applicable Governmental Authority of all relevant facts, conditions and circumstances, if any, pertaining to such Property, where such violations or remedial obligations would have a Material Adverse Effect.

(o) Transactions with Affiliates. Neither the Borrower nor any Subsidiary will enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of Property or the rendering of any service, with any Affiliate (other than Borrower or a Subsidiary) unless such transactions are otherwise permitted under this Agreement, are in the ordinary course of its business and are upon fair and reasonable terms no less favorable to it than it would obtain in a comparable arm's length transaction with a Person not an Affiliate.

(p) Subsidiaries. The Borrower shall not, and shall not permit any Subsidiary to, create any additional Subsidiaries unless such Subsidiaries, within 30 days after acquisition or creation, become Guarantors in accordance with Section 11(m), other than Matador Holdco, Inc. and Matador Merger Co. The Borrower shall not and shall not permit any Subsidiary to sell or to issue any stock or ownership interest of a Subsidiary, except to the Borrower or any Guarantor and except in compliance with Section 12(c).

(q) Negative Pledge Agreements. Neither the Borrower nor any Subsidiary will create, incur, assume or permit to exist any contract, agreement or understanding (other than this Agreement, the Security Instruments and Commodity Hedging Agreements with a Lender or an Affiliate of a Lender) which in any way prohibits or restricts the granting, conveying, creation or imposition of any Lien on any of its Property (except for customary anti-assignment clauses applying only to contracts or agreements containing such clauses and entered into in the ordinary course of business) or restricts any Subsidiary from paying dividends to the Borrower, or which requires the consent of or notice to other Persons to do any of the foregoing.

(r) Take-or-Pay or Other Prepayments. The Borrower will not allow take-or-pay or other prepayments with respect to the production of Hydrocarbons from the Mortgaged Properties of the Borrower, any of its Subsidiaries, or any Guarantor.

(s) Organization Documents. The Borrower will not amend or permit to be amended its organization documents without the prior written consent of the Required Lenders.

(t) Ownership of Subsidiaries. The Borrower shall not fail to pledge, assign, deliver, and transfer to the Agent for the benefit of the Lenders, and grant to the Agent for the benefit of the Lenders, a continuing security interest in 100% of the stock or other ownership interests in the Subsidiaries existing as of the date hereof and any Subsidiaries the Borrower shall create, acquire or otherwise own hereafter.

(u) Change in Borrower's, any of its Subsidiaries' or any Guarantor's Name or State of Formation. Without the prior written notice to the Agent, (i) the Borrower will not (nor permit any Subsidiary or Guarantor to) change its name, identity or place of organization and (ii) the Borrower will not (nor permit any Subsidiary or Guarantor to) engage in any other business or transaction under any name other than Borrower's, any Guarantor's, or each Subsidiary's name, respectively, hereunder. Prior to doing any of the aforesaid, the Borrower shall provide (or cause each Subsidiary or Guarantor to provide) to the Agent all assignments, certificates, financing statements, financing statement amendments or other documents determined necessary in the Agent's sole judgment to protect and continue the Agent's interest in the collateral pledged by Borrower, any of its Subsidiaries, any Guarantor, or any other party to secure the Obligations.

(v) Hedging. Borrower will not enter into any Commodity Hedging Agreement or any other advance payment agreement or arrangement pursuant to which Borrower, having received full or substantial payment of the purchase price for a specified quantity of Hydrocarbons upon entering such agreement or arrangement, is required to deliver, in one or more installments subsequent to the date of such agreement or arrangement, such quantity of Hydrocarbons pursuant to and during the term of such agreement or arrangement; provided, however, Borrower may enter into Commodity Hedging Agreements if:

(i) no more than 85% of Borrower's monthly total anticipated proved production for the next 48 months, as determined according to the most current Engineering Report delivered pursuant to Section 11(g), is subject to such agreements;

(ii) such agreements have maturities not exceeding forty-eight (48) months;

(iii) the counter party to each such agreement is either a Lender or an Affiliate of a Lender or is a party that has, at inception of the particular Commodity Hedging Agreement, an investment grade debt rating as rated by Standard & Poor's or by Moody's Rating Service; and

(iv) Borrower shall grant to Agent for the benefit of Lenders and Issuing Lender a first priority security interest in all of Borrower's rights in the Commodity Hedging Agreements and all proceeds thereof.

13. Events of Default; Remedies.

(a) Events of Default. Any one or more of the following events shall constitute an "Event of Default":

(i) The Borrower shall fail to pay when due or declared due any part of the principal of or interest on the Notes and any such payment default shall continue for more than one Business Day;

(ii) The Borrower shall fail to pay when due any fee or other Obligations of the Borrower incurred pursuant to this Agreement or any other Loan Document or any reimbursement obligation under any Letter of Credit, and any such payment default shall continue for more than five Business Days after the earlier of (A) notice of demand therefor or (B) Borrower's or any Subsidiary's knowledge that such payment is past due;

(iii) Any representation or warranty under the Loan Documents, including this Agreement, or in any certificate or statement furnished or made to the Agent or Lenders pursuant hereto, or in connection herewith, or in connection with any document furnished hereunder, shall prove to be untrue in any material respect as of the date on which such representation or warranty is made, or any representation, statement (including financial statements), certificate, report or other data furnished or made under any Loan Document, including this Agreement, proves to have been untrue in any material respect, as of the date as of which the facts therein set forth were stated or certified (except as such information shall have specifically been replaced or modified);

(iv) Payment default or default that would permit acceleration shall be made in respect of any obligations for borrowed money in excess of $500,000 in the aggregate, other than the Notes, for which the Borrower is liable (directly, by assumption, as guarantor or otherwise), or any other obligations in excess of $500,000 in the aggregate secured by any mortgage, pledge or other Lien with respect thereto on any asset or property of the Borrower, or in respect of any agreement relating to any such obligation, and such default shall continue beyond any applicable grace period; or

(v) A judgment for the payment of money in excess of $500,000 is rendered by any court or other governmental body against the Borrower and Borrower does not discharge the judgment or provide for its discharge in accordance with its terms, or procure a stay of execution thereof within sixty (60) days from the date of entry thereof, and within said period of sixty (60) days from the date of entry thereof or such longer period during which execution of such judgment shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal while providing such reserves therefor as may be required under GAAP; or

(vi) A Change of Control shall occur; or

(vii) the Borrower shall default in the performance of any of its obligations under Sections 11(a), (b), (g), (h), (i), (k), and 12 of this Agreement, except for Sections 12(j) and (n), which shall be subject to the provisions of Section 13(a)(viii);

(viii) the Borrower, any of its Subsidiaries, or any Guarantor shall default in the performance of their obligations under any other provisions of the Loan Documents (except as otherwise governed by Section 13(a)(i), (ii) and (vii)) and such default shall continue unremedied for a period of 30 days after the notice thereof to the Borrower by the Agent or any Lender (through the Agent); or

(ix) the Borrower shall admit in writing its inability to, or be generally unable to, pay its debts as such debts become due; or

(x) An involuntary petition or complaint is filed against the Borrower or any Subsidiary seeking bankruptcy or reorganization of the Borrower or any Subsidiary or the appointment of a receiver, custodian, trustee, intervener or liquidator of Borrower or any Subsidiary, or of all or a substantial part of its assets and is not dismissed within 60 days; or an order, order for relief, judgment or decree shall be entered by any court of competent jurisdiction or other competent authority approving a petition or complaint seeking reorganization of the Borrower or any Subsidiary or appointing a receiver, custodian, trustee, intervener or liquidator of Borrower or any Subsidiary, or of all or a substantial part of its assets; or the Borrower or any Subsidiary shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) for Borrower or any Subsidiary or a substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any actions specifically in furtherance of the foregoing; or

(xi) the Borrower shall (A) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (B) make a general assignment for the benefit of its creditors, (C) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), (D) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, liquidation or composition or readjustment of debts, (E) fail to controvert in a timely and appropriate manner, or acquiesce in writing to, any petition filed against it in an involuntary case under the Federal Bankruptcy Code, or (F) take any corporate action for the purpose of effecting any of the foregoing; or

(xii) the Security Instruments after delivery thereof shall for any reason, except to the extent permitted by the terms thereof, cease to be in full force and effect and valid, binding and enforceable in accordance with their terms, or cease to create a valid and perfected Lien of the priority required thereby on any of the collateral purported to be covered thereby, except to the extent permitted by the terms of this Agreement, or the Borrower shall so state in writing; or

(xiii) Any Guarantor takes, suffers, or permits to exist any of the events or conditions referred to in paragraphs (viii), or (ix) or if any provision of any guaranty agreement related thereto shall for any reason cease to be valid and binding on Guarantor or if Guarantor shall so state in writing.

(b) Remedies.

(i) In the case of the occurrence of an Event of Default other than one referred to in clause (ix), (x) or (xi) of Section 13(a), the Agent, upon request of the Required Lenders, shall, by notice to the Borrower, cancel the Revolving Credit Commitments (in whole or part) and/or declare the principal amount then outstanding of, and the accrued interest on, the Loans and all other amounts payable by the Borrower hereunder and under the Notes (including without limitation the payment of cash collateral to secure the Letter of Credit Exposure as provided in Section 2(i)(ii) but not including Obligations under any Commodity Hedging Agreement which shall be governed by and due in accordance with the provisions thereof) to be forthwith due and payable, whereupon such amounts shall be immediately due and payable without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or other formalities of any kind, all of which are hereby expressly waived by the Borrower.

(ii) In the case of the occurrence of an Event of Default referred to in clause (ix), (x) or (xi) of Section 13(a), the Revolving Credit Commitments shall be automatically canceled and the principal amount then outstanding of, and the accrued interest on, the Loans and all other amounts payable by the Borrower hereunder and under the Notes (including without limitation the payment of cash collateral to secure the Letter of Credit Exposure as provided in Section 2(i)(ii) but not including Obligations under any Commodity Hedging Agreement which shall be governed by and due in accordance with the provisions thereof) shall become automatically immediately due and payable without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or other formalities of any kind, all of which are hereby expressly waived by the Borrower.

(iii) All proceeds realized from the liquidation or other disposition of collateral or otherwise received after maturity of the Notes, whether by acceleration or otherwise, shall be applied:

(A) first, to payment or reimbursement of that portion of the Obligations constituting reasonable fees, expenses and indemnities payable to the Agent in its capacity as such;

(B) second, pro rata to payment or reimbursement of that portion of the Obligations constituting reasonable fees, expenses and indemnities payable to the Lenders;

(C) third, pro rata to payment of accrued interest on the Loans;

(D) fourth, pro rata to payment of principal outstanding on the Loans and Obligations under the Commodity Hedging Agreements owing to a Lender or an Affiliate of a Lender;

(E) fifth, pro rata to any other Obligations;

(F) sixth, to serve as cash collateral to be held by the Agent to secure the Letter of Credit Exposure; and

(G) seventh, any excess, after all of the Indebtedness shall have been indefeasibly paid in full in cash, shall be paid to the Borrower or as otherwise required by any Governmental Requirement.

14. The Agent.

(a) Appointment, Powers and Immunities. Each Lender hereby irrevocably appoints and authorizes the Agent to act as its Agent hereunder and under the Security Instruments with such powers as are specifically delegated to the Agent by the terms of this Agreement and the Security Instruments, together with such other powers as are reasonably incidental thereto. The Agent (which term as used in this sentence and in Section 14(e) and the first sentence of Section 14(f) shall include reference to its Affiliates and its and its Affiliates' officers, directors, employees, attorneys, accountants, experts and agents): (i) shall have no duties or responsibilities except those expressly set forth in the Loan Documents, and shall not by reason of the Loan Documents be a trustee or fiduciary for any Lender; (ii) makes no representation or warranty to any Lender and shall not be responsible to the Lenders for any recitals, statements, representations or warranties contained in this Agreement, or in any certificate or other document referred to or provided for in, or received by any of them under, this Agreement, or for the value, validity, effectiveness, genuineness, execution, effectiveness, legality, enforceability or sufficiency of this Agreement, any Note, or any other Loan Document or any other document referred to or provided for herein or for any failure by the Borrower or any other Person (other than the Agent) to perform any of its obligations hereunder or thereunder or for the existence, value, perfection or priority of any collateral security or the financial or other condition of the Borrower, its Subsidiaries or any other obligor or guarantor; (iii) except pursuant to Section 14(g) shall not be required to initiate or conduct any litigation or collection proceedings hereunder; and (iv) shall not be responsible for any action taken or omitted to be taken by it hereunder or under any other document or instrument referred to or provided for herein or in connection herewith including its own ordinary negligence, except for its own gross negligence or willful misconduct. The Agent may employ agents, accountants, attorneys and experts and shall not be responsible for the negligence or misconduct of any such agents, accountants, attorneys or experts selected by it in good faith or any action taken or omitted to be taken in good faith by it in accordance with the advice of such agents, accountants, attorneys or experts. The Agent may deem and treat the payee of any Note as the holder thereof for all purposes hereof unless and until a written notice of the assignment or transfer thereof permitted hereunder shall have been filed with the Agent. The Agent is authorized to release any Collateral or Mortgaged Property that is permitted to be sold or released pursuant to the terms of the Loan Documents.

(b) Reliance by the Agent. The Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone or telecopier) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by the Agent.

(c) Defaults. The Agent shall not be deemed to have knowledge of the occurrence of a Default (other than the non-payment of principal of or interest on Loans or of fees or failure to reimburse for Letter of Credit drawings) unless the Agent has received notice from a Lender or the Borrower specifying such Default and stating that such notice is a "Notice of Default." In the event that the Agent receives such a notice of the occurrence of a Default, the Agent shall give prompt notice thereof to the Lenders. In the event of a payment Default, the Agent shall give each Lender prompt notice of each such payment Default.

(d) Rights as a Lender. With respect to its Revolving Credit Commitments and the Loans made by it and its participation in the issuance of Letters of Credit, Comerica Bank (and any successor acting as the Agent) in its capacity as a Lender hereunder shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not acting as the Agent, and the term “Lender” or “Lenders” shall, unless the context otherwise indicates, include the Agent in its individual capacity. Comerica Bank (and any successor acting as the Agent) and its Affiliates may (without having to account therefor to any Lender) accept deposits from, lend money to and generally engage in any kind of banking, trust or other business with the Borrower (and any of its Affiliates) as if it were not acting as the Agent, and Comerica Bank and its Affiliates may accept fees and other consideration from the Borrower for services in connection with this Agreement or otherwise without having to account for the same to the Lenders.

(e) **Indemnification. The Lenders agree to indemnify the Agent, Arranger and the Issuing Lender ratably in accordance with their Weighted Percentage for the Indemnity Matters as described in Section 15(c) to the extent not indemnified or reimbursed by the Borrower under Section 15(c), but without limiting the obligations of the Borrower under said Section 15(c) and for any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, or reasonable costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Agent, the Arranger or the Issuing Lender in any way relating to or arising out of: (i) this Agreement, the Security Instruments, or any other Loan Document or any other documents contemplated by or referred to herein or the transactions contemplated hereby, but excluding, unless a Default has occurred and is continuing, normal administrative costs and expenses incident to the performance of its agency duties hereunder or (ii) the enforcement of any of the terms of this Agreement, any Security Instrument, or any other Loan Document or of any such other documents; whether or not any of the foregoing specified in this Section 14(e) arises from the sole or concurrent negligence of the Agent or the Issuing Lender, provided that no Lender shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Agent, the Arranger, or Issuing Bank.**

(f) Non-Reliance on the Agent and other Lenders. Each Lender acknowledges and agrees that it has, independently and without reliance on the Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Borrower and its decision to enter into this Agreement, and that it will, independently and without reliance upon the Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement. The Agent shall not be required to keep itself informed as to the performance or observance by the Borrower of this Agreement, the

Notes, the Security Instruments, or any other Loan Document or any other document referred to or provided for herein or to inspect the properties or books of the Borrower. Except for notices, reports and other documents and information expressly required to be furnished to the Lenders by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the affairs, financial condition or business of the Borrower (or any of its Affiliates) which may come into the possession of the Agent or any of its Affiliates. In this regard, each Lender acknowledges that Winstead PC is acting in this transaction as special counsel to the Agent only, except to the extent otherwise expressly stated in any legal opinion or any Loan Document. Each Lender will consult with its own legal counsel to the extent that it deems necessary in connection with the Loan Documents and the matters contemplated therein.

(g) Action by the Agent. Except for action or other matters expressly required of the Agent hereunder, the Agent shall in all cases be fully justified in failing or refusing to act hereunder unless it shall (i) receive written instructions from the Required Lenders (or the Required Revolving Lenders or all of the Lenders as expressly required by Section 15(d)) specifying the action to be taken, and (ii) be indemnified to its satisfaction by the Lenders against any and all liability and expenses which may be incurred by it by reason of taking or continuing to take any such action. The instructions of the Required Lenders (or all of the Lenders as expressly required by Section 15(d)) and any action taken or failure to act pursuant thereto by the Agent shall be binding on all of the Lenders. If a Default has occurred and is continuing, the Agent shall take such action with respect to such Default as shall be directed by the Required Lenders (or the Required Revolving Lenders or all of the Lenders as required by Section 15(d)) in the written instructions (with indemnities) described in this Section 14(g), provided that, unless and until the Agent shall have received such directions, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as it shall deem advisable in the best interests of the Lenders. In no event, however, shall the Agent be required to take any action which exposes the Agent to personal liability or which is contrary to this Agreement, the Security Instruments, or any other Loan Document or applicable law.

(h) Resignation or Removal of the Agent. Subject to the appointment and acceptance of a successor Agent as provided below, the Agent may resign at any time by giving notice thereof to the Lenders and the Borrower, and the Agent may be removed at any time with or without cause by the Required Lenders. Upon any such resignation or removal, the Required Lenders (after consultation with the Borrower if no Event of Default then exists) shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Agent's giving of notice of resignation or the Required Lenders' removal of the retiring Agent, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent. Upon the acceptance of such appointment hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation or removal hereunder as the Agent, the provisions of this Section 14 and Section 15(c) shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Agent.

15. Miscellaneous.

(a) Waiver. No failure on the part of the Agent or any Lender to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under any of the Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under any of the Loan Documents preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

(b) Notices. All notices and other communications provided for herein and in the other Loan Documents (including, without limitation, any modifications of, or waivers or consents under, this Agreement or the other Loan Documents) shall be given or made by telecopy, courier or U.S. Mail or in writing and telecopied, mailed or delivered to the intended recipient at the "Address for Notices" specified below its name on the signature pages hereof or in the Loan Documents, except that for notices and other communications to the Agent other than payment of money, the Borrower need only send such notices and communications to the Agent at the Agent's Office; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. Except as otherwise provided in this Agreement or in the other Loan Documents, all such communications shall be deemed to have been duly given when transmitted, if transmitted before 5:00 p.m. local time on a Business Day (otherwise on the next succeeding Business Day) by telecopier and evidence or confirmation of receipt is obtained, or personally delivered or, in the case of a mailed notice, three Business Days after the date deposited in the mails, postage prepaid, in each case given or addressed as aforesaid.

If any Lender is a foreign bank, please forward a copy of the IRS form W-8BEN to the Agent.

(c) Payment of Expenses, Indemnities, Etc.

(i) The Borrower agrees:

(A) whether or not the transactions hereby contemplated are consummated, to pay all reasonable expenses of the Agent in the administration (both before and after the execution hereof and including advice of counsel as to the rights and duties of the Agent and the Lenders with respect thereto) of, and in connection with the negotiation, syndication, investigation, preparation, execution and delivery of, recording or filing of, preservation of rights under, enforcement of, and refinancing, renegotiation or restructuring of, the Loan Documents and any amendment, waiver or consent relating thereto (including, without limitation, the reasonable fees and disbursements of counsel and other outside consultants for the Agent and, in the case of enforcement, the reasonable fees and disbursements of counsel for the Agent and any of the Lenders); and promptly reimburse the Agent for all amounts reasonably expended, advanced or incurred by the Agent or the Lenders to satisfy any obligation of the Borrower under this Agreement or any other Loan Document, including without limitation, all reasonable costs and expenses of foreclosure.

(B) to indemnify the Agent and each Lender and each of their Affiliates and each of their officers, directors, employees, representatives, Agents, attorneys, accountants and experts ("Indemnified Parties") from, hold each of them harmless against and promptly upon demand pay or reimburse each of them for, the Indemnity Matters which may be incurred by or asserted against or involve any of them (whether or not any of them is designated a party thereto) as a result of, arising out of or in any way related to (1) any actual or proposed use by the Borrower of the proceeds of any of the Loans or Letters of Credit, (2) the execution, delivery and performance of the Loan Documents, (3) the operations of the business of the Borrower and its Subsidiaries, (4) the failure of the Borrower or any Subsidiary to comply with the terms of any Loan Document or this Agreement, or with any Governmental Requirement, (5) any inaccuracy of any representation or any breach of any warranty of the Borrower or any Guarantor set forth in any of the Loan Documents, (6) the issuance, execution and delivery or transfer of or payment or failure to pay under any Letter of Credit, (7) the payment of a drawing under any Letter of Credit notwithstanding the non-compliance, non-delivery or other improper presentation of the manually executed draft(s) and certification(s), (8) any assertion that the Lenders were not entitled to receive the proceeds received pursuant to the Security Instruments or (9) any other aspect of the Loan Documents, including, without limitation, the reasonable fees and disbursements of counsel and all other reasonable expenses incurred in connection with investigating, defending or preparing to defend any such action, suit, proceeding (including any investigations, litigation or inquiries) or claim **AND INCLUDING ALL INDEMNITY MATTERS ARISING BY REASON OF THE ORDINARY NEGLIGENCE OF ANY INDEMNIFIED PARTY**, but excluding all Indemnity Matters arising solely by reason of claims between the Lenders or any Lender and the Agent or a Lender's shareholders against the Agent or Lender or by reason of the gross negligence or willful misconduct on the part of the Indemnified Party; and

(C) to indemnify and hold harmless from time to time the Indemnified Parties from and against any and all losses, claims, cost recovery actions, administrative orders or proceedings, damages and liabilities to which any such Person may become subject (1) under any Environmental Law applicable to the Borrower or any Subsidiary or any of their Properties, including without limitation, the treatment or disposal of hazardous substances on any of their Properties, (2) as a result of the breach or non-compliance by the Borrower or any Subsidiary with any Environmental Law applicable to the Borrower or any Subsidiary, (3) due to past ownership by the Borrower or any Subsidiary of any of their Properties or past activity on any of their Properties which, though lawful and fully permissible at the time, could result in present liability, (4) the presence, use, release, storage, treatment or disposal of hazardous substances on or at any of the Properties owned or operated by the Borrower or any Subsidiary, or (5) any other environmental, health or safety condition in connection with the Loan Documents; provided, however, no indemnity shall be afforded under this Section 15(c)(i)(C) in respect of any Property for any occurrence arising from the acts or omissions of the Agent or any Lender during the period after which such Person, its successors or assigns shall have obtained possession of such Property (whether by foreclosure or deed in lieu of foreclosure, as mortgagee-in-possession or otherwise).

(ii) No Indemnified Party may settle any claim to be indemnified without the consent of the indemnitor, such consent not to be unreasonably withheld; provided, that the indemnitor may not reasonably withhold consent to any settlement that an Indemnified Party proposes, if the indemnitor does not have the financial ability to pay all its obligations outstanding and asserted against the indemnitor at that time, including the maximum potential claims against the Indemnified Party to be indemnified pursuant to this Section 15(c).

(iii) In the case of any indemnification hereunder, the Agent or Lender, as appropriate shall give notice to the Borrower of any such claim or demand being made against the Indemnified Party and the Borrower shall have the non-exclusive right to join in the defense against any such claim or demand provided that if the Borrower provides a defense, the Indemnified Party shall bear its own cost of defense unless there is a conflict between the Borrower and such Indemnified Party.

(iv) **THE FOREGOING INDEMNITIES SHALL EXTEND TO THE INDEMNIFIED PARTIES NOTWITHSTANDING THE SOLE OR CONCURRENT NEGLIGENCE OF EVERY KIND OR CHARACTER WHATSOEVER, WHETHER ACTIVE OR PASSIVE, WHETHER AN AFFIRMATIVE ACT OR AN OMISSION, INCLUDING WITHOUT LIMITATION, ALL TYPES OF NEGLIGENT CONDUCT IDENTIFIED IN THE RESTATEMENT (SECOND) OF TORTS OF ONE OR MORE OF THE INDEMNIFIED PARTIES OR BY REASON OF STRICT LIABILITY IMPOSED WITHOUT FAULT ON ANY ONE OR MORE OF THE INDEMNIFIED PARTIES. TO THE EXTENT THAT AN INDEMNIFIED PARTY IS FOUND TO HAVE COMMITTED AN ACT OF GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, THIS CONTRACTUAL OBLIGATION OF INDEMNIFICATION SHALL CONTINUE BUT SHALL ONLY EXTEND TO THE PORTION OF THE CLAIM THAT IS**

DEEMED TO HAVE OCCURRED BY REASON OF EVENTS OTHER THAN THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE INDEMNIFIED PARTY.

(v) The Borrower's obligations under this Section 15(c) shall survive any termination of this Agreement and the payment of the Notes and shall continue thereafter in full force and effect.

(vi) The Borrower shall pay any amounts due under this Section 15(c) within thirty (30) days of the receipt by the Borrower of notice of the amount due.

(vii) The Borrower further agrees that the Agent's and the Lenders' liability to Borrower for failing to perform in accordance with the terms of this Agreement shall be limited to the actual, direct damages, proximately caused by the Agent's or such Lender's error or omission. Neither the Agent nor any Lender shall be liable in any event to the Borrower for any special, incidental or consequential damages which the Borrower may incur or suffer in connection with this Agreement, regardless of whether the Agent or such Lender knew of the likelihood of such loss or damage, and regardless of the basis, theory, or nature of the action on which the Borrower asserts a claim.

(d) Amendments, Etc. Any provision of this Agreement or any Security Instrument may be amended, modified or waived with the Borrower's and the Required Lenders' prior written consent; provided that (1) no amendment, modification or waiver which extends the final maturity of the Revolving Loans, allows the Borrowing Base to be increased without the consent of all Revolving Lenders, forgives the principal amount of any Obligations outstanding under this Agreement and owing to the Revolving Lenders, reduces the interest rate applicable to the Revolving Loans or fees payable to the Revolving Lenders generally (provided that only the consent of the Required Lenders shall be necessary to amend the definition of "Default Rate" or to waive any obligation of the Borrower to pay interest or any other amount payable by the Borrower hereunder, under any Loan Document or under any Note at the Default Rate) or affects Section 7(c) shall be effective without consent of all Revolving Lenders; (2) no amendment, modification or waiver which extends the final maturity of the Term Loan, forgives the principal amount of any Obligations outstanding under this Agreement and owing to the Term Loan Lenders or reduces the interest rate applicable to the Term Loan or fees payable to the Term Loan Lenders generally (provided that only the consent of the Required Lenders shall be necessary to amend the definition of "Default Rate" or to waive any obligation of the Borrower to pay interest or any other amount payable by the Borrower hereunder, under any Loan Document or under any Note at the Default Rate) shall be effective without consent of all Term Loan Lenders; (3) no amendment, modification or waiver which releases any guarantor of any Obligations or releases all or substantially all of the collateral, affects Section 7(b)(iii), this Section 15(d) or Section 15(f)(i) or modifies the definition of "Required Lenders" shall be effective without consent of all Lenders; (4) no amendment, modification or waiver which modifies the definition of "Required Revolving Lenders" shall be effective without the consent of all Revolving Lenders; (5) no amendment, modification or waiver which increases the

Maximum Line Amount of any Revolving Lender shall be effective without the consent of such Revolving Lender; (6) no amendment, modification or waiver which modifies the rights, duties or obligations of the Agent shall be effective without the consent of the Agent; and (7) no amendment, modification or waiver which modifies the rights, duties or obligations of the Issuing Lender shall be effective without the consent of the Issuing Lender.

(e) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

(f) Assignments and Participations.

(i) The Borrower may not assign its rights or obligations hereunder or under the Notes or any Letters of Credit without the prior consent of all of the Lenders and the Agent.

(ii) Any Lender (an "Assignor") may assign to one or more assignees (an "Assignee") all or a portion of its rights and obligations under this Agreement pursuant to an Assignment Agreement in substantially the form of Exhibit G hereto (an "Assignment"); provided, however, that (A) except in the case of an assignment to a Lender or a Lender Affiliate, such assignment shall require the written consent of the Agent and, provided no Event of Default then exists, the Borrower, whose consent shall not be unreasonably withheld, (B) except in the case of an assignment to a Lender or a Lender Affiliate, any such assignment shall be in the amount of at least $5,000,000.00 or such lesser amount to which the Borrower and the Agent have consented and if the assigning Lender has assigned less than all of its Commitment Percentage of the Revolving Loans or less than all of its Term Loan Percentage of the Term Loan, such assigning Lender shall retain a Commitment Percentage of the Revolving Loans or Term Loan Percentage of the Term Loan, as applicable, equating to at least $5,000,000.00 or such lesser amount to which the Borrower and the Agent have consented and (C) the assignee or assignor shall pay to the Agent a processing and recordation fee of $3,500.00 for each assignment. Any such assignment will become effective upon the execution and delivery to the Agent of the Assignment, payment of the recordation fee and, if required, the consent of the Agent and the Borrower. Promptly after receipt of an executed Assignment, the Agent shall send to the Borrower a copy of such executed Assignment. Upon receipt of such executed Assignment, the Borrower will, at its own expense, execute and deliver new Notes to the Assignor and/or Assignee, as appropriate, in accordance with their respective interests as they appear. Upon the effectiveness of any assignment pursuant to this Section 15(f)(ii), the Assignee will become a "Lender," if not already a "Lender," for all purposes of this Agreement and the other Loan Documents. The Assignor shall be relieved of its obligations hereunder to the extent of such assignment (and if the assigning Lender no longer holds any rights or obligations under this Agreement, such assigning Lender shall cease to be a "Lender" hereunder except that its rights under Sections 4(e), 5, and 15(c) shall not be affected). The Agent will prepare on the last Business Day of each month during which an assignment has become effective pursuant to this Section 15(f)(ii), a new Annex I giving effect to all such assignments effected during such month, and will promptly provide the same to the Borrower and each of the Lenders. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 15(f)(ii) shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 15(f)(iii).

(iii) Each Lender may, without the consent of the Borrower, the Agent or the Issuing Lender, transfer, grant or assign participations in all or any part of such Lender's interests hereunder pursuant to this Section 15(f)(iii) to any Person (a "Participant"), provided that: (A) such Lender shall remain a "Lender" for all purposes of this Agreement and the transferee of such participation shall not constitute a "Lender" hereunder, (B) such Lender's obligations under this Agreement shall remain unchanged, (C) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (D) the Borrower, the Agent, the Issuing Lender and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce the Loan Documents and to approve any amendment, modification or waiver of any provision of the Loan Documents; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver that would (x) forgive any principal owing on any Obligations or extend the final maturity of the Loans, (y) reduce the interest rate (other than as a result of waiving the applicability of any post-default increases in interest rates) or fees applicable to any of the Revolving Credit Commitments, or Loans or Letters of Credit in which such Participant is participating, or postpone the payment of any thereof, or (z) release any guarantor of the Obligations or release all or substantially all of the collateral (except as provided in the Loan Documents) supporting any of the Revolving Credit Commitments, or Loans or Letters of Credit in which such Participant is participating. In the case of any such participation, the Participant shall not have any rights under this Agreement or any of the Loan Documents (the Participant's rights against the granting Lender in respect of such participation to be those set forth in the agreement with such Lender creating such participation), and all amounts payable by the Borrower hereunder shall be determined as if such Lender had not sold such participation, provided that such Participant shall be entitled to receive additional amounts under Section 5 on the same basis as if it were a Lender and be indemnified under Section 15(c) as if it were a Lender. In addition, each agreement creating any participation must include an agreement by the Participant to be bound by the provisions of Section 15(o).

(iv) The Lenders may furnish any information concerning the Borrower in the possession of the Lenders from time to time to Assignees and Participants (including prospective Assignees and Participants); provided that, such Persons agree to be bound by the provisions of Section 15(o).

(v) Notwithstanding anything in this Section 15(f) to the contrary, any Lender may assign and pledge its Note to any Federal Reserve Bank. No such assignment and/or pledge shall release the assigning and/or pledging Lender from its obligations hereunder.

(vi) Notwithstanding any other provisions of this Section 15(f), no transfer or assignment of the interests or obligations of any Lender or any grant of participations therein shall be permitted if such transfer, assignment or grant would require the Borrower to file a registration statement with the SEC or to qualify the Loans under the "Blue Sky" laws of any state.

(g) Invalidity. In the event that any one or more of the provisions contained in any of the Loan Documents, the Letters of Credit, or the Letter of Credit Agreements shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of the Notes, this Agreement or any other Loan Document.

(h) Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument (including electronic copies) and any of the parties hereto may execute this Agreement by signing any such counterpart.

(i) Survival. The obligations of the parties under Sections 4(e)(iii), 14(e), 15(c), and 15(o) shall survive the repayment of the Loans and the termination of the Revolving Credit Commitments. To the extent that any payments on the Obligations or proceeds of any collateral are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, debtor in possession, receiver or other Person under any bankruptcy law, common law or equitable cause, then to such extent, the Obligations so satisfied shall be revived and continue as if such payment or proceeds had not been received and the Agent's and the Lenders' Liens, security interests, rights, powers and remedies under this Agreement and each Security Instrument shall continue in full force and effect. In such event, each Security Instrument shall be automatically reinstated and the Borrower shall take such action as may be reasonably requested by the Agent and the Lenders to effect such reinstatement.

(j) **NO ORAL AGREEMENTS. THE LOAN DOCUMENTS EMBODY THE ENTIRE AGREEMENT AND UNDERSTANDING BETWEEN THE PARTIES AND SUPERSEDE ALL OTHER AGREEMENTS AND UNDERSTANDINGS BETWEEN SUCH PARTIES RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF. THE LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

(k) Governing Law; Submission to Jurisdiction.

(i) This Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the State of Texas, except to the extent that United States federal law permits any Lender to charge interest at the rate allowed by the laws of the state where such Lender is located.

(ii) Any legal action or proceeding with respect to the Loan Documents shall be brought in the courts of the State of Texas sitting in Dallas County or of the United States of America for the Northern District of Texas, and, by execution and delivery of this Agreement, each of the parties to this Agreement hereby accepts for itself and (to the extent permitted by law) in respect of its Property, generally and unconditionally, the jurisdiction of the aforesaid courts. Each of the parties hereby irrevocably waive any objection, including, without limitation, any objection to the laying of venue or based on the grounds of *forum non conveniens*, which it may now or hereafter have to the bringing of any such action or proceeding in such respective jurisdictions. This submission to jurisdiction is non-exclusive and does not preclude any party hereto from obtaining jurisdiction over any party herein, any of Borrower's Subsidiaries, or any Guarantor in any court otherwise having jurisdiction.

(iii) Each party hereby irrevocably consents to the service of process of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to such party at its said address, such service to become effective thirty (30) days after such mailing. Nothing herein shall affect the right of any party or any holder of a Note to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against any party or the Borrower's Properties in any other jurisdiction.

(l) Interest. It is the intention of the parties hereto that each Lender shall conform strictly to usury laws applicable to it. Accordingly, if the transactions contemplated hereby would be usurious as to any Lender under laws applicable to it (including the laws of the United States of America and the State of Texas or any other jurisdiction whose laws may be mandatorily applicable to such Lender notwithstanding the other provisions of this Agreement), then, in that event, notwithstanding anything to the contrary in any of the Loan Documents or any agreement entered into in connection with or as security for the Notes, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under law applicable to any Lender that is contracted for, taken, reserved, charged or received by such Lender under any of the Loan Documents or agreements or otherwise in connection with the Notes shall under no circumstances exceed the maximum amount allowed by such applicable law, and any excess shall be canceled automatically and if theretofore paid shall be credited by such Lender on the principal amount of the Obligations (or, to the extent that the principal amount of the Obligations shall have been or would thereby be paid in full, refunded by such Lender to the Borrower); and (ii) in the event that the maturity of the Notes is accelerated by reason of an election of the holder thereof resulting from any Event of

Default under this Agreement or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest under law applicable to any Lender may never include more than the maximum amount allowed by such applicable law, and excess interest, if any, provided for in this Agreement or otherwise shall be canceled automatically by such Lender as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited by such Lender on the principal amount of the Obligations (or, to the extent that the principal amount of the Obligations shall have been or would thereby be paid in full, refunded by such Lender to the Borrower). All sums paid or agreed to be paid to any Lender for the use, forbearance or detention of sums due hereunder shall, to the extent permitted by law applicable to such Lender, be amortized, prorated, allocated and spread throughout the full term of the Loans evidenced by the Notes until payment in full so that the rate or amount of interest on account of any Loans hereunder does not exceed the maximum amount allowed by such applicable law.

(m) Confidentiality. In the event that the Borrower or any Guarantor provides to the Agent or the Lenders written confidential information, if the Borrower shall denominate such information in writing as “confidential”, the Agent and the Lenders shall thereafter maintain such information in confidence in accordance with the standards of care and diligence that each utilizes in maintaining its own confidential information. This obligation of confidence shall not apply to such portions of the information which (i) are in the public domain, (ii) hereafter become part of the public domain without the Agent or the Lenders breaching their obligation of confidence to the Borrower or Guarantor, (iii) are previously known by the Agent or the Lenders from some source other than the Borrower, (iv) are hereafter developed by the Agent or the Lenders without using the Borrower’s or Guarantor’s information, (v) are hereafter obtained by or available to the Agent or the Lenders from a third party who owes no obligation of confidence to the Borrower or Guarantor with respect to such information or through any other means other than through disclosure by the Borrower or Guarantor, (vi) are disclosed with the Borrower’s or Guarantor’s consent, (vii) must be disclosed either pursuant to any Governmental Requirement or to Persons regulating the activities of the Agent or the Lenders, or (viii) as may be required by law or regulation or order of any Governmental Authority in any judicial, arbitration or governmental proceeding. Further, the Agent or a Lender may disclose any such information to any other Lender and to any independent petroleum engineers or consultants, any independent certified public accountants, or any legal counsel employed by such Person in connection with this Agreement or any Security Instrument, including without limitation, the enforcement or exercise of all rights and remedies thereunder, or any Assignee or Participant (including prospective Assignees and Participants) in the Loans; provided, however, that the Agent or the Lenders shall receive a confidentiality agreement from the Person to whom such information is disclosed such that said Person shall have the same obligation to maintain the confidentiality of such information as is imposed upon the Agent or the Lenders hereunder. Notwithstanding anything to the contrary provided herein, this obligation of confidence shall cease three (3) years from the termination of this Agreement, unless the Borrower requests in writing at least thirty (30) days prior to the expiration of such three year period, to maintain the confidentiality of such information for an additional three year period. Any Reserve Report, engineering report, geologic data, financial statements or financial information furnished by Borrower or any Guarantor shall be deemed denominated as “confidential” for the purposes of this Section 15(m).

(n) Effectiveness. This Agreement shall not be effective until the date that it is delivered to the Agent in the State of Texas, accepted by the Lenders in such State, and executed by the Agent in such State.

(o) **EXCULPATION PROVISIONS. EACH OF THE PARTIES HERETO SPECIFICALLY AGREES THAT IT HAS A DUTY TO READ THIS AGREEMENT, THE SECURITY INSTRUMENTS AND EACH OTHER LOAN DOCUMENT AND AGREES THAT IT IS CHARGED WITH NOTICE AND KNOWLEDGE OF THE TERMS OF THIS AGREEMENT, THE SECURITY INSTRUMENTS AND EACH OTHER LOAN DOCUMENT; THAT IT HAS IN FACT READ THIS AGREEMENT AND IS FULLY INFORMED AND HAS FULL NOTICE AND KNOWLEDGE OF THE TERMS, CONDITIONS AND EFFECTS OF THIS AGREEMENT; THAT IT HAS BEEN REPRESENTED BY INDEPENDENT LEGAL COUNSEL OF ITS CHOICE THROUGHOUT THE NEGOTIATIONS PRECEDING ITS EXECUTION OF THIS AGREEMENT, THE SECURITY INSTRUMENTS AND EACH OTHER LOAN DOCUMENT; AND HAS RECEIVED THE ADVICE OF ITS ATTORNEY IN ENTERING INTO THIS AGREEMENT, THE SECURITY INSTRUMENTS AND EACH OTHER LOAN DOCUMENT; AND THAT IT RECOGNIZES THAT CERTAIN OF THE TERMS OF THIS AGREEMENT, THE SECURITY INSTRUMENTS AND EACH OTHER LOAN DOCUMENT RESULT IN ONE PARTY ASSUMING THE LIABILITY INHERENT IN SOME ASPECTS OF THE TRANSACTION AND RELIEVING THE OTHER PARTY OF ITS RESPONSIBILITY FOR SUCH LIABILITY. EACH PARTY HERETO AGREES AND COVENANTS THAT IT WILL NOT CONTEST THE VALIDITY OR ENFORCEABILITY OF ANY EXCULPATORY PROVISION OF THIS AGREEMENT, THE SECURITY INSTRUMENTS AND EACH OTHER LOAN DOCUMENT ON THE BASIS THAT THE PARTY HAD NO NOTICE OR KNOWLEDGE OF SUCH PROVISION OR THAT THE PROVISION IS NOT “CONSPICUOUS.”**

(p) USA PATRIOT Act Notice. Each Lender that is subject to the Act (as hereinafter defined) and the Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “Act”), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Agent, as applicable, to identify the Borrower in accordance with the Act.

(q) Collateral Matters; Swap Agreements. The benefit of the Security Instruments and of the provisions of this Agreement relating to any collateral securing the Obligations shall also extend to and be available to those Lenders or their Affiliates which are counterparties to any Commodity Hedge Agreement with the Borrower or any of its Subsidiaries on a pro rata basis in respect of any obligations of the Borrower or any of its Subsidiaries which arise under any such Commodity Hedge Agreement while such

Person or its Affiliate is a Lender, but only while such Person or its Affiliate is a Lender, including any Commodity Hedge Agreements between such Persons in existence prior to the date hereof. No Lender or any Affiliate of a Lender shall have any voting rights under any Loan Document as a result of the existence of obligations owed to it under any such Commodity Hedge Agreements.

[Remainder of the Page Intentionally Left Blank.
Signature Pages to Follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

THE BORROWER:

MATADOR RESOURCES COMPANY

By: /s/ David E. Lancaster
David E. Lancaster
Executive Vice President

Address for Notices:

5400 LBJ Freeway, Suite 1500
Dallas, Texas 75240
Telephone: (972) 371-5200
Facsimile: (972) 371-5201
Attention: Executive Vice President

AGENT:

COMERICA BANK, as Agent, Issuing Lender and Lender

By: /s/ James A. Morgan
Name: James A. Morgan
Title: Vice President

EXHIBIT A

MORTGAGED PROPERTIES

MORTGAGED PROPERTIES

EXHIBIT B

REVOLVING CREDIT NOTE

$150,000,000.00 May 19, 2011

FOR VALUE RECEIVED, Matador Resources Company, a Texas corporation (the "Borrower") hereby promises to pay to the order of Comerica Bank (the "Lender"), at the Principal Office of Comerica Bank (the "Agent"), at 1717 Main Street, 4th Floor, Dallas, Texas 75201, the principal sum of One Hundred Fifty Million and No/100 Dollars ($150,000,000.00) (or such lesser amount as shall equal the aggregate unpaid principal amount of the Revolving Loans made by the Lender to the Borrower under the Credit Agreement, as hereinafter defined), in lawful money of the United States of America and in immediately available funds, on the dates and in the principal amounts provided in the Credit Agreement, and to pay interest on the unpaid principal amount of each such Revolving Loan, at such office, in like money and funds, for the period commencing on the date of such Revolving Loan until such Revolving Loan shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

The date, amount, Type, interest rate, Interest Period and maturity of each Revolving Loan made by the Lender to the Borrower, and each payment made on account of the principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of this Revolving Credit Note (this "Note"), endorsed by the Lender on the schedules attached hereto or any continuation thereof.

This Note is one of the Notes referred to in the Amended and Restated Credit Agreement dated as of an even date herewith, among the Borrower, the Lenders which are or become parties thereto (including the Lender) and the Agent (as the same may be amended or supplemented from time to time, the "Credit Agreement"), and evidences Revolving Loans made by the Lender thereunder. Capitalized terms used in this Note have the respective meanings assigned to them in the Credit Agreement.

This Note is issued pursuant to the Credit Agreement and is entitled to the benefits provided for in the Credit Agreement and the Security Instruments. The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events, for prepayments of Revolving Loans upon the terms and conditions specified therein and other provisions relevant to this Note.

This Note is given in renewal and extension, but not in novation, extinguishment or discharge, of that certain Revolving Credit Note dated as of March 20, 2008, made by the Borrower and payable to the order of the Lender.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS.

[SIGNATURE PAGE FOLLOWS]

MATADOR RESOURCES COMPANY,
a Texas corporation

By: ____________________
Name: ____________________
Title: ____________________

EXHIBIT C

TERM LOAN NOTE

$25,000,000 May 19, 2011

FOR VALUE RECEIVED, Matador Resources Company, a Texas corporation (the "Borrower") hereby promises to pay to the order of Comerica Bank (the "Lender"), at the Principal Office of Comerica Bank (the "Agent"), at 1717 Main Street, 4th Floor, Dallas, Texas 75201, the principal sum of Twenty-Five Million and No/100 Dollars ($25,000,000) (or such lesser amount as shall equal the aggregate unpaid principal amount of the Advances of the Term Loan made by the Lender to the Borrower under the Credit Agreement, as hereinafter defined), in lawful money of the United States of America and in immediately available funds, on the dates and in the principal amounts provided in the Credit Agreement, and to pay interest on the unpaid principal amount of each such Advance of the Term Loan, at such office, in like money and funds, for the period commencing on the date of such Advance until all such Advances shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

The date, amount, interest rate, Interest Period and maturity of each Advance of the Term Loan made by the Lender to the Borrower, and each payment made on account of the principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of this Term Loan Note (this "Note"), endorsed by the Lender on the schedules attached hereto or any continuation thereof.

This Note is one of the Notes referred to in the Amended and Restated Credit Agreement dated as of an even date herewith, among the Borrower, the Lenders which are or become parties thereto (including the Lender) and the Agent (as the same may be amended or supplemented from time to time, the "Credit Agreement"), and evidences Advances of the Term Loan made by the Lender thereunder. Capitalized terms used in this Note have the respective meanings assigned to them in the Credit Agreement.

This Note is issued pursuant to the Credit Agreement and is entitled to the benefits provided for in the Credit Agreement and the Security Instruments. The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events, for prepayments of the Term Loan upon the terms and conditions specified therein and other provisions relevant to this Note.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS.

[SIGNATURE PAGE FOLLOWS]

MATADOR RESOURCES COMPANY,
a Texas corporation

By: ______________________________
Name: ______________________________
Title: ______________________________

EXHIBIT D

FORM OF COMPLIANCE CERTIFICATE

Financial Statement Date: __________,

To: Comerica Bank, as Agent

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of May 19, 2011 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined), among Matador Resources Company, a Texas corporation (the "Borrower"), the Lenders from time to time party thereto, and Comerica Bank, as Agent (the "Agent").

The undersigned Responsible Officer hereby certifies as of the date hereof that he/she is the ______________________________ of the Borrower, and that, as such, he/she is authorized to execute and deliver this Compliance Certificate (this "Certificate") to the Agent on the behalf of the Borrower, and that:

[Use following paragraph 1 for fiscal year-end financial statements]

1. Attached hereto as Schedule 1 are the year-end audited financial statements required by Section 11(a)(i) of the Agreement for the fiscal year of the Borrower ended as of the above date, together with the report and opinion of a public accounting firm required by such section.

[Use following paragraph 1 for fiscal quarter-end financial statements]

1. Attached hereto as Schedule 1 are the unaudited financial statements required by Section 11(a)(ii) of the Agreement for the fiscal quarter of the Borrower ended as of the above date. Such financial statements fairly present the consolidated financial condition and results of operations of the Borrower and its Subsidiaries in accordance with GAAP (except as disclosed on Annex 1 hereto), as at the end of, and for, such period (subject to normal year-end audit adjustments, including tests for impairment of assets, and to the lack of footnotes), and

[select one:]

[to the best knowledge of the undersigned during such fiscal period, no Default has occurred and is continuing.]

or—

[the following is a list of each such Default and its nature and status:]

2. The representations and warranties of the Borrower contained in Section 9 of the Agreement or in any other Loan Document are true and correct in all material respects on and as of the date hereof, except to the extent that such representations and warranties specifically refer

to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date, and except that for purposes of this Certificate, the representations and warranties contained in Section 9(b) of the Agreement shall be deemed to refer to the most recent statements furnished pursuant to Section 11(a)(i) and Section 11(a)(ii) of the Agreement, including the statements in connection with which this Certificate is delivered.

3. The financial covenant analyses and information set forth on Schedule 2 attached hereto are true and accurate on and as of the date of this Certificate.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of ________________, ______.

MATADOR RESOURCES COMPANY

By: ______________________________
Name: ______________________________
Title: ______________________________

ANNEX 1

The attached financial statements are in accordance with GAAP, except:

For the Month/Quarter/Year ended ________ ("Statement Date")

SCHEDULE 2
TO THE COMPLIANCE CERTIFICATE
($ IN 000'S)

I. Current Ratio (Section 12(l)).

A. Current Assets of Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP:

1. The total of the Borrower's current assets, determined in accordance with GAAP (except as provided with respect to ASC 815), at the time of any determination thereof, which shall not include the amount of any non-cash items resulting from the application of ASC 815 or the fair value of any Commodity Hedging Agreement or any non-hedge derivative contract (whether deemed effective or non-effective): $_______________

2. The excess, if any, of (a) the lesser of (i) the Borrowing Base less Letter of Credit Exposure or (ii) the Maximum Line Amount less Letters of Credit Exposure minus (b) the aggregate Revolving Loans then outstanding: $_______________

3. Total Consolidated Current Assets (Line A.1 + Line A.2): $_______________

B. Current Liabilities of Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP:

1. The total of the Borrower's current liabilities, determined in accordance with GAAP (except as provided herein with respect to ASC 815), at the time of any determination thereof, less current maturities under the Agreement at such time, which shall not include any non-cash items resulting from the requirements of ASC 815 or the fair value of any Commodity Hedging Agreement or any non-hedge derivative contract (whether deemed effective or non-effective), or any liability resulting from the accounting for stock option expense: $_______________

2. Total Consolidated Current Liabilities (Line B.1): $________________

C. Consolidated Current Ratio (Line A.3 / Line B.2): _____ : 1.0

D. Required ratio for compliance: Greater than or equal to 1.0 to 1.0

E. Compliance: Yes/No

II. Debt to EBITDA Ratio (Section 12(m))

A. Debt of Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP:

1. All obligations of such Person for borrowed money or evidenced by bonds, debentures, notes or other similar instruments (including principal, but excluding interest, fees and charges): $________________

2. All obligations of such Person (whether contingent or otherwise) in respect of bankers' acceptances, letters of credit, surety or other bonds and similar instruments: $________________

3. All obligations of such Person to pay the deferred purchase price of Property or services (other than for borrowed money and other than accounts payable (for the deferred purchase price of Property or services) from time to time incurred in the ordinary course of business which, if greater than ninety (90) days past the invoice or billing date, are being contested in good faith by appropriate proceedings if reserves adequate under GAAP shall have been established therefor): $________________

4. All obligations under leases which shall have been, or should have been, in accordance with GAAP, recorded as capital leases in respect of which such Person is liable (whether contingent or otherwise including principal but excluding interest, fees and charges): $________________

5. All obligations under operating leases which require such Person or its Affiliate to make payments over the term of such lease, including payments at termination, based on the purchase price or appraisal value of the Property subject to such lease plus a marginal interest rate, and used primarily as a financing vehicle for, or to monetize, such Property: $________________

6. All Debt (as described in the other clauses of this certificate) of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person: $________________

7. All Debt (as described in the other clauses of this certificate) and other obligations of others guaranteed by such Person or in which such Person otherwise assures a creditor against loss of the debtor or obligations of others: $________________

8. All obligations or undertakings of such Person to maintain or cause to be maintained the financial position or covenants of others or to purchase the Debt or Property of others: $________________

9. Obligations to deliver or sell Hydrocarbons in consideration of advance payments, as disclosed by Section 11(g)(iii) of the Agreement: $________________

10. Any capital stock of such Person in which such Person has a mandatory obligation to redeem such stock: $________________

11. The undischarged balance of any production payment created by such Person or for the creation of which such Person directly or indirectly received payment: $________________

12. Total of Lines A.2 + A.3 + A.4 + A.5 + A.6 + A.7 + A.8 + A.9 + A.10 + A.11, minus $1,000,000, but not less than zero: $________________

13. Total Debt of Borrower and its Subsidiaries (Lines A.1 + A.12): $________________

B. EBITDA (for the first four fiscal quarters most recently ended)[1]

1. Consolidated Net Income of Borrower and its Subsidiaries, determined on a consolidated basis in accordance with GAAP:[2] $________________

2. Interest, taxes, depreciation, depletion, amortization, and accretion of asset retirement obligations (to the extent such expenses or charges have been deducted from Consolidated Net Income for the applicable period): $________________

3. Any non-cash revenue or expense associated with hedging contracts resulting from ASC 815 and any non-cash income, gain, loss or expense arising from the issuance of stock options or restricted stock, to the extent such items are included in Consolidated Net Income: $________________

4. Total EBITDA (Line B.1 + Line B.2 and + or – Line B.3 (as appropriate)): $________________

C. Debt to EBITDA Ratio (Line A.13 / Line B.4) ______ : ______

D. Required ratio for compliance: 4.00 to 1.00

E. Compliance: Yes/No

[1] Provided that the Debt to EBITDA Ratio shall be calculated based on annualized data for fiscal quarters ending during 2011, as follows: (i) EBITDA for the fiscal quarter ending March 31, 2011, shall be multiplied by four, (ii) EBITDA for the two fiscal quarters ending June 30, 2011, shall be multiplied by two, (iii) EBITDA for the three fiscal quarters ending September 30, 2011, shall be multiplied by four and divided by three.

[2] Provided that there shall be excluded from such net income (to the extent otherwise included therein) the following: (a) the net income of any Person in which the Borrower or any Subsidiary has an interest which interest does not cause the net income of such other Person to be consolidated with the net income of the Borrower and its Subsidiaries in accordance with GAAP, except to the extent of the amount of dividends or distributions actually paid in such period by such other Person to the Borrower or to a Subsidiary, as the case may be; (b) any extraordinary gains or losses, including gains or losses attributable to Property sales not in the ordinary course of business; and (c) the cumulative effect of a change in accounting principles and any gains or losses attributable to writeups or write downs of assets.

EXHIBIT E

SECURITY INSTRUMENTS

Pledge and Security Agreement dated March 20, 2008, by and between Matador Resources Company, as Debtor, and Comerica Bank, as Agent.

Deed of Trust, Mortgage, Security Agreement, Assignment of Production and Financing Statement dated March 20, 2008, as recorded as Document No. 8004168 in Volume 3845, Page 1 of the records of Harrison County, Texas, by and between Matador Resources Company, as Grantor, Dan Neumeyer, as Trustee, and Comerica Bank, as Beneficiary, as amended by First Amendment to Deed of Trust, Mortgage, Security Agreement, Assignment of Production and Financing Statement dated as of May 19, 2011, to be recorded in the records of Harrison County, Texas.

Deed of Trust, Mortgage, Security Agreement, Assignment of Production and Financing Statement dated March 20, 2008, as recorded as Document No. 200802601 in Volume 794, Page 18 of the records of Upshur County, Texas, by and between Matador Resources Company, as Grantor, Dan Neumeyer, as Trustee, and Comerica Bank, as Beneficiary, as amended by First Amendment to Deed of Trust, Mortgage, Security Agreement, Assignment of Production and Financing Statement dated as of May 19, 2011, to be recorded in the records of Upshur County, Texas.

Deed of Trust, Mortgage, Security Agreement, Assignment of Production and Financing Statement dated as of March 9, 2011, as recorded as Document No. 2011-000004013 in the records of Harrison County, Texas, by and between Matador Resources Company, as Grantor, Brian P. Foley, as Trustee, and Comerica Bank, as Beneficiary, as amended by First Amendment to Deed of Trust, Mortgage, Security Agreement, Assignment of Production and Financing Statement dated as of May 19, 2011, to be recorded in the records of Harrison County, Texas.

Deed of Trust, Mortgage, Security Agreement, Assignment of Production and Financing Statement dated as of March 9, 2011, as recorded as Document No. 201102281 in Volume 973, Page 1 of the records of Upshur County, Texas, by and between Matador Resources Company, as Grantor, Brian P. Foley, as Trustee, and Comerica Bank, as Beneficiary, as amended by First Amendment to Deed of Trust, Mortgage, Security Agreement, Assignment of Production and Financing Statement dated as of May 19, 2011, to be recorded in the records of Upshur County, Texas.

Deed of Trust, Mortgage, Security Agreement, Assignment of Production and Financing Statement dated as of March 9, 2011, as recorded as Document No. 367199 in the records of Orange County, Texas, by and between Matador Resources Company, as Grantor, Brian P. Foley, as Trustee, and Comerica Bank, as Beneficiary, as amended by First Amendment to Deed of Trust, Mortgage, Security Agreement, Assignment of Production and Financing Statement dated as of May 19, 2011, to be recorded in the records of Orange County, Texas.

Deed of Trust, Mortgage, Security Agreement, Assignment of Production and Financing Statement dated as of May 19, 2011, to be recorded in the records of DeWitt, Gonzales, Karnes and Wilson Counties, Texas, by and between Matador Resources Company, as Grantor, Brian P.

Foley, as Trustee, and Comerica Bank, as Beneficiary, covering the Oil and Gas Properties acquired under the Eagle Ford Acquisition Documents.

Act of Collateral Chattel Mortgage, Collateral Mortgage, Pledge and Assignment of Production and Multiple Indebtedness Mortgage dated March 20, 2008, as recorded under Filing Reference No. 2146623 with the Caddo Parish, Louisiana Clerk of Court, by and between Matador Resources Company, as Mortgagor, and Comerica Bank, as Mortgagee, as amended by First Amendment to Act of Collateral Chattel Mortgage, Collateral Mortgage, Pledge and Assignment of Production and Multiple Indebtedness Mortgage dated as of May 19, 2011, to be recorded in the records of Caddo Parish, Louisiana.

Act of Collateral Chattel Mortgage, Collateral Mortgage, Pledge and Assignment of Production and Multiple Indebtedness Mortgage dated March 20, 2008, as recorded under Filing Reference No. 646646 in Book 382, Page 451 with the DeSoto Parish, Louisiana Clerk of Court, by and between Matador Resources Company, as Mortgagor, and Comerica Bank, as Mortgagee, as amended by First Amendment to Act of Collateral Chattel Mortgage, Collateral Mortgage, Pledge and Assignment of Production and Multiple Indebtedness Mortgage dated as of May 19, 2011, to be recorded in the records of DeSoto Parish, Louisiana.

Act of Collateral Chattel Mortgage, Collateral Mortgage, Pledge and Assignment of Production and Multiple Indebtedness Mortgage dated March 20, 2008, as recorded under Filing Reference No. 212331 with the Red River Parish, Louisiana Clerk of Court, by and between Matador Resources Company, as Mortgagor, and Comerica Bank, as Mortgagee, as amended by First Amendment to Act of Collateral Chattel Mortgage, Collateral Mortgage, Pledge and Assignment of Production and Multiple Indebtedness Mortgage dated as of May 19, 2011, to be recorded in the records of Red River Parish, Louisiana.

Act of Collateral Chattel Mortgage, Collateral Mortgage, Pledge and Assignment of Production and Multiple Indebtedness Mortgage dated as of March 23, 2011, as recorded under Document No. 1017150, Volume 2076 with the Bossier Parish, Louisiana Clerk of Court, by and between Matador Resources Company, as Mortgagor, and Comerica Bank, as Mortgagee, as amended by First Amendment to Act of Collateral Chattel Mortgage, Collateral Mortgage, Pledge and Assignment of Production and Multiple Indebtedness Mortgage dated as of May 19, 2011, to be recorded in the records of Bossier Parish, Louisiana.

Act of Collateral Chattel Mortgage, Collateral Mortgage, Pledge and Assignment of Production and Multiple Indebtedness Mortgage dated as of March 23, 2011, as recorded under Registry No. 2342688 with the Caddo Parish, Louisiana Clerk of Court, by and between Matador Resources Company, as Mortgagor, and Comerica Bank, as Mortgagee, as amended by First Amendment to Act of Collateral Chattel Mortgage, Collateral Mortgage, Pledge and Assignment of Production and Multiple Indebtedness Mortgage dated as of May 19, 2011, to be recorded in the records of Caddo Parish, Louisiana.

Act of Collateral Chattel Mortgage, Collateral Mortgage, Pledge and Assignment of Production and Multiple Indebtedness Mortgage dated as of March 23, 2011, as recorded under File No. 695116, in Book 444, Page 692 with the DeSoto Parish, Louisiana Clerk of Court, by and between Matador Resources Company, as Mortgagor, and Comerica Bank, as Mortgagee, as amended by First Amendment to Act of Collateral Chattel Mortgage, Collateral Mortgage, Pledge and Assignment of Production and Multiple Indebtedness Mortgage dated as of May 19, 2011, to be recorded in the records of DeSoto Parish, Louisiana.

Act of Collateral Chattel Mortgage, Collateral Mortgage, Pledge and Assignment of Production and Multiple Indebtedness Mortgage dated as of March 23, 2011, as recorded under Instrument No. 226793 in Volume 192, Page 275 with the Red River Parish, Louisiana Clerk of Court, by and between Matador Resources Company, as Mortgagor, and Comerica Bank, as Mortgagee, as amended by First Amendment to Act of Collateral Chattel Mortgage, Collateral Mortgage, Pledge and Assignment of Production and Multiple Indebtedness Mortgage dated as of May 19, 2011, to be recorded in the records of Red River Parish, Louisiana.

Line of Credit Mortgage, Security Agreement, Assignment of Production and Financing Statement dated March 20, 2008, as recorded in Book 732, Page 0217 of the records of Eddy County, New Mexico, by and between MRC Permian Company, as Mortgagor, and Comerica Bank, as Mortgagee, as amended by First Amendment to Line of Credit Mortgage, Security Agreement, Assignment of Production and Financing Statement dated as of May 19, 2011, to be recorded in the records of Eddy County, New Mexico.

Line of Credit Mortgage, Security Agreement, Assignment of Production and Financing Statement dated March 20, 2008, as recorded in Book 1570, Page 672 of the records of Lea County, New Mexico, by and between MRC Permian Company, as Mortgagor, and Comerica Bank, as Mortgagee, as amended by First Amendment to Line of Credit Mortgage, Security Agreement, Assignment of Production and Financing Statement dated as of May 19, 2011, to be recorded in the records of Lea County, New Mexico.

EXHIBIT F

PLEDGE AND SECURITY AGREEMENT

As of _______, _______, for value received, the undersigned ("Debtor") pledges, assigns and grants to Comerica Bank, whose address is 1717 Main Street, 4th Floor, Dallas, Texas 75201, in its capacity as Agent ("Agent"), for the benefit of Agent and for the ratable benefit of the Lenders, a continuing security interest and lien (any pledge, assignment, security interest or other lien arising hereunder is sometimes referred to herein as a "security interest") in the Collateral (as defined below) to secure payment when due, whether by stated maturity, demand, acceleration or otherwise, of all Obligations (as defined in the Credit Agreement). Reference is made to that certain Amended and Restated Credit Agreement dated May 19, 2011, among Matador Resources Company (the "Borrower"), Agent and the Lenders signatories thereto (as amended or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein and not otherwise defined herein will have the meanings given such terms in the Credit Agreement. Obligations include without limit any and all obligations or liabilities of the Borrower and/or Debtor to the Agent or the Lenders, whether absolute or contingent, direct or indirect, voluntary or involuntary, liquidated or unliquidated, joint or several, known or unknown, arising under the Credit Agreement or any other Loan Document; any and all amendments, modifications, renewals and/or extensions of any of the above; all reasonable costs incurred by Agent or any Lender in establishing, determining, continuing, or defending the validity or priority of any security interest, or in pursuing its rights and remedies under this Agreement or under any other agreement between Agent or the Lenders and the Borrower and/or Debtor or in connection with any proceeding involving Agent or the Lenders as a result of any financial accommodation to the Borrower and/or Debtor; and all other reasonable costs of collecting Obligations, including without limit reasonable attorneys' fees. Debtor agrees to pay Agent or the Lenders all such costs incurred by the Agent or any Lender, immediately upon demand, and until paid all costs shall bear interest at the Default Rate (to the fullest extent such rate does not exceed the Maximum Rate) applicable to the Obligations. Any reference in this Agreement to attorneys' fees shall be deemed a reference to reasonable fees, costs, and expenses, whether or not a suit or action is instituted, and to court costs if a suit or action is instituted, and whether attorneys' fees or court costs are incurred at the trial court level, on appeal, in a bankruptcy, administrative or probate proceeding or otherwise. Debtor further covenants, agrees, represents and warrants as follows:

1. Collateral shall mean all of the following property Debtor now or later owns or has an interest in, wherever located:

(a) (i) all of Debtor's interests (the "Pledged Equity Interests") in any limited liability company, general partnership, limited partnership, limited liability partnership, other partnership, or corporation and listed on Schedule 1 hereto (the "Subsidiaries"), and all proceeds, interest, profits, and other payments or rights to payment attributable to the Pledged Equity Interests;

(ii) all distributions, cash, instruments, certificates and other property now or hereafter received, receivable or otherwise made with respect to or in exchange for the Pledged Equity Interests, including interim distributions, returns of capital, loan repayments, and payments made in liquidation of the Pledged Equity Interests, and whether or not the same arise or are payable under any agreement or certificate forming any of the Subsidiaries or any other agreement governing the Subsidiaries or the relations among the partners of the Subsidiaries, if applicable (any and all such proceeds, interest, profits, payments, rights to payment, distributions, cash, instruments, certificates, other property, interim distributions, returns of capital, loan repayments, and payments made in liquidation being herein called the "Subsidiary Rights to Payments", and any and all such agreements, certificates, and other agreements being herein called the "Subsidiary Agreements");

(iii) all other interests and rights of Debtor in the Pledged Equity Interests, whether under the Subsidiary Agreements or otherwise, including without limitation any right to cause the dissolution of any of the Subsidiaries or to appoint or nominate a successor to Debtor in the Subsidiaries, if applicable (all such other interests and rights being herein called the "Other Subsidiary Rights");

(b) all books, records, ledger cards, files, correspondence, software, computer printouts, and similar items that at any time evidence or contain information relating to the Pledged Equity Interests or are otherwise necessary or helpful in the collection thereof or realization thereon; and

(c) all additions, attachments, accessions, parts, replacements, substitutions, renewals, interest, dividends, distributions, warrants, options, rights, cash, rights of any kind (including but not limited to stock splits, stock rights, voting and preferential rights), products, and proceeds of or pertaining to the above including, without limit, cash or other property which were proceeds and are recovered by a bankruptcy trustee or otherwise as a preferential transfer by Debtor.

In the definition of Collateral, a reference to a type of collateral shall not be limited by a separate reference to a more specific or narrower type of that Collateral.

2. Warranties, Covenants and Agreements. Debtor warrants, covenants and agrees as follows:

2.1 Prior to or concurrently with the execution and delivery of this Agreement, Debtor shall deliver to Agent all certificate(s) identified in Exhibit A hereof and evidencing any of the Pledged Equity Interests and shall be accompanied by undated stock powers duly executed in blank.

2.2 Upon the occurrence and continuance of an Event of Default, if Debtor shall become entitled to receive or shall receive any stock certificate (including, without limitation, any certificate representing a stock dividend or a distribution in connection with any reclassification, increase, or reduction of capital or issued in connection with any reorganization), option or rights, whether as an addition to, in substitution of, or in exchange for any Collateral or otherwise, then Debtor agrees to accept the same as Agent's agent and to hold the same in trust for Agent, and to deliver the same forthwith to Agent in the exact form received, with the appropriate endorsement of Agent when necessary and/or appropriate undated stock powers duly executed in blank, to be held by Agent as additional Collateral for the Obligations, subject to the terms hereof. When an Event of Default exists, any sums paid upon or in respect of the Collateral upon the liquidation or dissolution of the issuer thereof shall be paid over to Agent to be held by it as additional Collateral for the Obligations subject to the terms hereof; and in case any distribution of capital shall be made on or in respect of the Collateral or any property shall be distributed upon or with respect to the Collateral pursuant to any recapitalization or reclassification of the capital of the issuer thereof or pursuant to any reorganization of the issuer thereof, the property so distributed shall be delivered to the Agent to be held by it, as additional Collateral for the Obligations, subject to the terms hereof. All sums of money and property so paid or distributed in respect of the Collateral that are received by Agent shall, until paid or delivered to Agent, be held by Debtor in trust as additional security for the Obligations.

2.3 Debtor shall not consent to or approve the issuance of any additional shares of any class of capital stock of the issuer of the Pledged Equity Interests, or any securities convertible into, or exchangeable for, any such shares or any warrants, options, rights, or other commitments entitling any person or entity to purchase or otherwise acquire any such shares.

2.4 Debtor shall furnish to Agent, in form and at intervals as Agent may reasonably request, any information Agent may reasonably request and allow Agent to examine, inspect, and copy any of Debtor’s books and records. Debtor shall, at the reasonable request of Agent, mark its records and the Collateral to clearly indicate the security interest of Agent under this Agreement.

2.5 At the time any Collateral becomes, or is represented to be, subject to a security interest in favor of Agent or any Lender, Debtor shall be deemed to have warranted that (a) Debtor is the lawful owner of the Collateral and has the right and authority to subject it to a security interest granted to Agent or any Lender; (b) none of the Collateral is subject to any security interest other than that in favor of Agent or any Lender; (c) there are no financing statements on file, other than in favor of Agent; (d) no person, other than Agent, has possession or control (as defined in the Uniform Commercial Code) of any Collateral of such nature that perfection of a security interest may be accomplished by control; (e) Debtor acquired its rights in the Collateral in the ordinary course of its business; and (f) except for compliance with applicable federal and state securities laws and regulations promulgated thereunder, the Collateral is not subject to any restriction on transfer or assignment, Debtor has the unrestricted right to pledge the Collateral as contemplated hereby, and all of the Collateral has been duly and validly issued and is fully paid and nonassessable.

2.6 Debtor will keep the Collateral free at all times from all claims, liens, security interests and encumbrances other than those in favor of Agent and the Lenders.

Debtor will not, without the prior written consent of Agent, sell, transfer or lease, or permit to be sold, transferred or leased, any or all of the Collateral.

2.7 Debtor will do all acts and will execute or cause to be executed all writings reasonably requested by Agent to establish, maintain and continue an exclusive, perfected and first security interest of Agent and the Lenders in the Collateral. Debtor agrees that Agent and the Lenders have no obligation to acquire or perfect any lien on or security interest in any asset(s), whether realty or personalty, to secure payment of the Obligations.

2.8 Debtor will pay within the time that they can be paid without interest or penalty all taxes, assessments and similar charges which at any time are or may become a lien, charge, or encumbrance upon any Collateral, except to the extent contested in good faith and bonded in a manner satisfactory to Agent. If Debtor fails to pay any of these taxes, assessments, or other charges in the time provided above, Agent has the option (but not the obligation) to do so, and Debtor agrees to repay all amounts so expended by Agent immediately upon demand, together with interest at the Default Rate (to the fullest extent such rate does not exceed the Maximum Rate).

2.9 If Agent, acting in its sole discretion, redelivers Collateral to Debtor or Debtor's designee for the purpose of (a) the ultimate sale or exchange thereof; or (b) presentation, collection, renewal, or registration of transfer thereof; such redelivery shall be in trust for the benefit of Agent and the Lenders and shall not constitute a release of Agent's or the Lenders' security interest in it or in the proceeds or products of it unless Agent specifically so agrees in writing. If Debtor requests any such redelivery, Debtor will deliver with such request a duly executed financing statement in form and substance satisfactory to Agent. Any proceeds of Collateral coming into Debtor's possession as a result of any such redelivery shall be held in trust for Agent and immediately delivered to Agent for application on the Obligations. Agent may (in its sole discretion) deliver any or all of the Collateral to Debtor, and such delivery by Agent shall discharge Agent from all liability or responsibility for such Collateral except for any liability which arises from the gross negligence or willful misconduct of the Agent. Agent, at its option, may require delivery of any Collateral to Agent at any time with such endorsements or assignments of the Collateral as Agent may reasonably request.

2.10 At any time during the existence of an Event of Default and without notice, Agent may (a) cause any or all of the Collateral to be transferred to its name or to the name of its nominees; (b) receive or collect by legal proceedings or otherwise all dividends, interest, principal payments and other sums and all other distributions at any time payable or receivable on account of the Collateral, and hold the same as Collateral, or apply the same to the Obligations, the manner and distribution of the application to be in the sole discretion of Agent; (c) enter into any extension, subordination, reorganization, deposit, merger or consolidation agreement or any other agreement relating to or affecting the Collateral, and deposit or surrender control of the Collateral, and accept other property in exchange for the Collateral and hold or apply the property or money so received pursuant to this Agreement; and (d) take such actions in its own name or in Debtor's name as Debtor's agent, in its sole discretion, deems necessary or appropriate to establish exclusive control (as defined in the Uniform Commercial Code) over any Collateral of such nature that perfection of the Agent's or any Lender's security interest may be accomplished by control.

2.11 Agent may assign any of the Obligations and deliver any or all of the Collateral to its assignee, who then shall have with respect to Collateral so delivered all the rights and powers of Agent under this Agreement, and after that Agent shall be fully discharged from all liability and responsibility with respect to Collateral so delivered except to the extent any such liability results from the gross negligence or willful misconduct of the Agent.

2.12 The undersigned agrees that no security or guarantee now or later held by Agent or any Lender for the payment of any indebtedness, whether from the Borrower, any guarantor, or otherwise, and whether in the nature of a security interest, pledge, lien, assignment, setoff, suretyship, guaranty, indemnity, insurance or otherwise, shall affect in any manner the unconditional pledge of the undersigned under this Agreement, and Agent, in its sole discretion, without notice to the undersigned, may release, exchange, modify, enforce and otherwise deal with any security or guaranty without affecting in any manner the unconditional pledge of the undersigned under this Agreement. The undersigned acknowledges and agrees that Agent and the Lenders have no obligation to acquire or perfect any lien on or security interest in any assets, whether realty or personalty, or to obtain any guaranty to secure payment of the Obligations, and the undersigned is not relying upon any guaranty which Agent has or may have or assets in which Agent or any Lender has or may have a lien or security interest for payment of the Obligations.

2.13 The undersigned may terminate their pledge under this Agreement as to future indebtedness (except as provided below) by (and only by) delivering written notice of termination to an officer of Agent and receiving from an officer of Agent written acknowledgment of delivery; provided, the termination shall not be effective until the opening of business on the fifth (5th) day following written acknowledgment of delivery. Any termination shall not affect in any way Agent's rights under this Agreement as to any Obligations existing at the effective date of termination or any Obligations created after that pursuant to any commitment or agreement of Agent or pursuant to any Borrower loan with Agent existing at the effective date of termination (whether advances or readvances by Agent are optional or obligatory), or any modifications, extensions or renewals of any of the Obligations, whether in whole or in part, and as to all of the Obligations and modifications, extensions or renewals of it, this Agreement shall continue effective until the same shall have been fully satisfied.

2.14 The undersigned agrees to reimburse Agent upon demand for all reasonable costs and expenses (including, without limit, reasonable attorneys' fees) incurred in enforcing any of the duties or obligations of the undersigned under this Agreement or in establishing, determining, continuing or defending the validity or priority of Agent's security interest under this Agreement.

3. Collection of Proceeds.

3.1 Debtor agrees to collect and enforce payment of all Collateral until Agent shall direct Debtor to the contrary. Immediately upon notice to Debtor by Agent and at all times after that, Debtor agrees to fully and promptly cooperate and assist Agent in the collection and enforcement of all Collateral and to hold in trust for Agent and the Lenders all payments received in connection with Collateral and from the sale, lease or other disposition of any Collateral, all rights by way of suretyship or guaranty and all rights in the nature of a lien or security interest which Debtor now or later has regarding Collateral. Immediately upon and after such notice, Debtor agrees, subject to the right of Debtor to receive cash dividends under Section 4.8 hereof, to (a) endorse to Agent and immediately deliver to Agent all payments received on Collateral or from the sale, lease or other disposition of any Collateral or arising from any other rights or interests of Debtor in the Collateral, in the form received by Debtor without commingling with any other funds, and (b) immediately deliver to Agent all property in Debtor's possession or later coming into Debtor's possession through enforcement of Debtor's rights or interests in the Collateral. During the existence of an Event of Default, Debtor irrevocably authorizes Agent or any Agent employee or agent to endorse the name of Debtor upon any checks or other items which are received in payment for any Collateral, and to do any and all things necessary in order to reduce these items to money. Agent shall at all times have the right to exchange any certificates representing Collateral for certificates of smaller or larger denominations for any purpose consistent with this Agreement. Agent and the Lenders shall have no duty as to the collection or protection of Collateral or the proceeds of it, or as to the preservation of any related rights, beyond the use of reasonable care in the custody and preservation of Collateral in the possession of Agent or any Lender. Debtor agrees to take all steps necessary to preserve rights against prior parties with respect to the Collateral. Nothing in this Section 3.1 shall be deemed a consent by Agent to any sale, lease or other disposition of any Collateral.

4. Defaults, Enforcement and Application of Proceeds.

4.1 Upon the occurrence of any of the following events (each an "Event of Default"), Debtor shall be in default under this Agreement:

(a) Any Event of Default under and as defined in the Credit Agreement; or

(b) Any failure or neglect to comply with, or breach of or default under, any term of this Agreement if such failure, neglect, breach or default continues uncured after 30 days following notice thereof from Agent to Debtor.

4.2 Upon the occurrence of any Event of Default, Agent may at its discretion and without prior notice to Debtor declare any or all of the Obligations to be immediately due and payable, and shall have and may exercise any right or remedy available to it including, without limitation, any rights and remedies described in the Credit Agreement and any one or more of the following rights and remedies:

(a) Exercise all the rights and remedies upon default, in foreclosure and otherwise, available to secured parties under the provisions of the Uniform Commercial Code and other applicable law;

(b) Institute legal proceedings to foreclose upon the lien and security interest granted by this Agreement, to recover judgment for all amounts then due and owing as Obligations, and to collect the same out of any Collateral or the proceeds of any sale of it;

(c) Institute legal proceedings for the sale, under the judgment or decree of any court of competent jurisdiction, of any or all Collateral; and/or

(d) Personally or by agents, attorneys, or appointment of a receiver, enter upon any premises where Collateral may then be located, and take possession of all or any of it and/or render it unusable; and without being responsible for loss or damage to such Collateral, hold, operate, sell, lease, or dispose of all or any Collateral at one or more public or private sales, leasings or other dispositions, at places and times and on terms and conditions as Agent may deem fit, without any previous demand or advertisement; and except as provided in this Agreement, and any obligation of a prospective purchaser or lessee to inquire as to the power and authority of Agent to sell, lease, or otherwise dispose of the Collateral or as to the application by Agent of the proceeds of sale or otherwise, which would otherwise be required by, or available to Debtor under, applicable law are expressly waived by Debtor to the fullest extent permitted.

At any sale pursuant to this Section 4.2, whether under the power of sale, by virtue of judicial proceedings or otherwise, it shall not be necessary for Agent or a public officer under order of a court to have present physical or constructive possession of Collateral to be sold. The recitals contained in any conveyances and receipts made and given by Agent or the public officer to any purchaser at any sale made pursuant to this Agreement shall, to the extent permitted by applicable law, be presumed (absent manifest error) to establish the truth and accuracy of the matters stated (including, without limit, as to the amounts of the principal of and interest on the Obligations, the accrual and nonpayment of it and advertisement and conduct of the sale); and all prerequisites to the sale shall be presumed to have been satisfied and performed. Upon any sale of any Collateral, the receipt of the officer making the sale under judicial proceedings or of Agent shall be sufficient discharge to the purchaser for the purchase money, and the purchaser shall not be obligated to see to the application of the money. Any sale of any Collateral under this Agreement shall be a perpetual bar against Debtor with respect to that Collateral. At any sale or other disposition of the Collateral pursuant to this Section 4.2, Agent disclaims all warranties which would otherwise be given under the Uniform Commercial Code, including without limit a disclaimer of any warranty relating to title, possession, quiet enjoyment or the like, and Agent may communicate these disclaimers to a purchaser at such disposition. This disclaimer of warranties will not render the sale commercially unreasonable.

4.3 The proceeds of any sale or other disposition of Collateral authorized by this Agreement shall be applied by Agent as described in the Credit Agreement. Debtor shall remain liable for any deficiency, which it shall pay to Agent immediately upon demand. Debtor agrees that Agent shall be under no obligation to accept any noncash proceeds in connection with any sale or disposition of Collateral unless failure to do so would be commercially unreasonable. If Agent agrees in its sole discretion to accept noncash proceeds (unless the failure to do so would be commercially unreasonable), Agent may ascribe any commercially reasonable value to such proceeds. Without limiting the foregoing, Agent may apply any reasonable discount factor in determining the present value of proceeds to be received in the future or may elect to apply proceeds to be received in the future only as and when such proceeds are actually received in cash by Agent.

4.4 Nothing in this Agreement is intended, nor shall it be construed, to preclude Agent from pursuing any other remedy provided by law or in equity for the collection of the Obligations or for the recovery of any other sum to which Agent may be entitled for the breach of this Agreement by Debtor. Nothing in this Agreement shall reduce or release in any way any rights or security interests of Agent contained in any existing agreement between the Borrower, Debtor, or any Guarantor and Agent.

4.5 No waiver of default or consent to any act by Debtor shall be effective unless in writing and signed by an authorized officer of Agent. No waiver of any default or forbearance on the part of Agent in enforcing any of its rights under this Agreement shall operate as a waiver of any other default or of the same default on a future occasion or of any rights.

4.6 Debtor authorizes Agent or any agent of Agent, in its own name, at Debtor’s expense, to do any of the following during the existence of an Event of Default, as Agent, in its sole discretion, deems appropriate:

(i) to demand, sue for, collect, or receive in the name of Debtor or in its own name, any money or property at any time payable or receivable on account of or in exchange for any of the Collateral and, in connection therewith, endorse checks, notes, drafts, acceptances, money orders, or any other instruments for the payment of money under the Collateral;

(ii) to pay or discharge taxes, liens, security interests, or other encumbrances levied or placed on or threatened against the Collateral;

(iii) to direct account debtors and any other parties liable for any payment under any of the Collateral to make payment of any and all monies due and to become due thereunder directly to Agent or as Agent shall direct; (i) to receive payment of and receipt for any and all monies, claims, and other amounts due and to become due at any time in respect of or arising out of any Collateral; (ii) to sign and endorse any drafts, assignments, proxies, stock powers, verifications, notices, and other documents relating to the Collateral; (iii) to commence and prosecute any suit, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any part thereof and to enforce any other right in respect of any Collateral; (iv) to defend any suit, action, or proceeding brought against Debtor with respect to any Collateral; (v) to settle, compromise, or adjust any suit, action, or proceeding described above and, in connection therewith, to give such discharges or releases as Agent may deem appropriate;

(iv) to exchange any of the Collateral for other property upon any merger, consolidation, reorganization, recapitalization, or other readjustment of the issuer thereof and, in connection therewith, deposit any of the Collateral with any committee, depositary, transfer agent, registrar, or other designated agency upon such terms as Agent may determine; (vii) to add or release any guarantor, endorser, surety, or other party to any of the Collateral or the Obligations; (viii) to renew, extend, or otherwise change the terms and conditions of any of the Collateral or Obligations; and (ix) to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Agent were the absolute owner thereof for all purposes, and to do, at Agent’s option and Debtor’s expense, at any time, or from time to time, all acts and things which Agent reasonably deems necessary to protect, preserve, or realize upon the Collateral and Agent’s security interest therein; and

(v) to do and perform any act on behalf of Debtor permitted or required under this Agreement.

4.7 Unless and until an Event of Default shall have occurred and be continuing, Debtor shall be entitled to exercise any and all voting rights relating or pertaining to the Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement. Agent shall execute and deliver to Debtor all such proxies and other instruments as Debtor may reasonably request for the purpose of enabling Debtor to exercise the voting rights which it is entitled to exercise pursuant to this Section.

4.8 Unless an Event of Default shall have occurred and be continuing, Debtor shall be entitled to receive and retain all cash dividends and distributions paid on the

Collateral to the extent and only to the extent that such dividends and distributions are paid out of earned surplus.

4.9 During the existence of an Event of Default, Agent shall have the right, but shall not be obligated to, exercise or cause to be exercised all voting, consensual, and other powers of ownership pertaining to the Collateral, and Debtor shall deliver to Agent, if reasonably requested by Agent, irrevocable proxies with respect to the Collateral in form satisfactory to Agent.

4.10 Debtor hereby acknowledges and confirms that Agent may be unable to effect a public sale of any or all of the Collateral by reason of certain prohibitions contained in the Securities Act of 1933, as amended, and applicable state securities laws and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers who will be obligated to agree, among other things, to acquire any shares of the Collateral for their own respective accounts for investment and not with a view to distribution or resale thereof. Debtor further acknowledges and confirms that any such private sale may result in prices or other terms less favorable to the seller than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner, and Agent shall be under no obligation to take any steps in order to permit the Collateral to be sold at a public sale. Agent shall be under no obligation to delay a sale of any of the Collateral for any period of time necessary to permit any issuer thereof to register such Collateral for public sale under the Securities Act of 1933, as amended, or under applicable state securities laws.

4.11 Upon the occurrence of an Event of Default, Debtor also agrees, upon request of Agent, to assemble the Collateral and make it available to Agent at any place designated by Agent which is reasonably convenient to Agent and Debtor.

5. Miscellaneous.

5.1 Until Agent is advised in writing by Debtor to the contrary, all notices, requests and demands required under this Agreement or by law shall be given to, or made upon, Debtor at the first address indicated in Section 5.15 below.

5.2 Debtor will give Agent not less than 30 days prior written notice of all contemplated changes in Debtor’s name, location, chief executive office, principal place of business, and/or location of any Collateral, and Debtor shall promptly take all necessary steps reasonably requested by Agent to maintain the perfection of Agent’s security interest in the Collateral.

5.3 Agent assumes no duty of performance or other responsibility under any contracts contained within the Collateral.

5.4 Agent has the right to sell, assign, transfer, negotiate or grant participations or any interest in, any or all of the Obligations and any related obligations, including without limit this Agreement. In connection with the above, subject to any restrictions in the Credit Agreement, Agent may disclose all documents and information which Agent now or later has relating to Debtor, the Obligations or this Agreement, however obtained. Debtor further agrees that Agent may provide information relating to this Agreement or relating to Debtor or the Obligations to the Agent's parent, affiliates, subsidiaries, and service providers but subject to any restrictions in the Credit Agreement and solely for purposes relating to this Agreement.

5.5 In addition to Agent's other rights, any indebtedness owing from Agent to Debtor can be set off and applied by Agent on any Obligations at any time(s) either before or after maturity or demand with notice to Debtor, provided that Agent's failure to give such notice shall not affect the validity thereof. Any such action shall not constitute acceptance of collateral in discharge of any portion of the Obligations.

5.6 Debtor, to the extent not expressly prohibited by applicable law, waives any right to require the Agent to: (a) proceed against any person or property; or (b) pursue any other remedy in the Agent's power. Debtor waives, to the extent allowed by law, notice of acceptance of this Agreement and presentment, demand, protest, notice of protest, dishonor, notice of dishonor, notice of default, notice of intent to accelerate or demand payment or notice of acceleration of any Obligations, any and all other notices to which the undersigned might otherwise be entitled, and diligence in collecting any Obligations, and agree(s) that the Agent may, once or any number of times, modify the terms of any Obligations, compromise, extend, increase, accelerate, renew or forbear to enforce payment of any or all Obligations, or permit the Borrower to incur additional Obligations, all without notice to Debtor and without affecting in any manner the unconditional obligation of Debtor under this Agreement. Debtor unconditionally and irrevocably waives each and every defense (other than payment) of any nature which, under principles of guaranty or otherwise, would operate to impair or diminish in any way the obligation of Debtor under this Agreement, and acknowledges that such waiver is by this reference incorporated into each security agreement, collateral assignment, pledge and/or other document from Debtor now or later securing the Obligations, and acknowledges that as of the date of this Agreement no such defense or setoff exists.

5.7 Debtor waives any and all rights (whether by subrogation, indemnity, reimbursement, or otherwise) to recover from the Borrower any amounts paid or the value of any Collateral given by Debtor pursuant to this Agreement until such time as all of the Obligations have been fully paid.

5.8 In the event that applicable law shall obligate Agent to give prior notice to Debtor of any action to be taken under this Agreement, Debtor agrees that a written notice given to Debtor at least ten days before the date of the act shall be reasonable notice of the act and, specifically, reasonable notification of the time and place of any public sale or of the time after which any private sale, lease, or other disposition is to be made, unless a shorter notice period is reasonable under the circumstances. A notice shall be deemed to be given under this Agreement when delivered to Debtor or three Business Days after being placed in an envelope addressed to Debtor and deposited, with postage prepaid, in a post office or official depository under the exclusive care and custody of the United States Postal Service or one Business Day after being delivered to an overnight courier. The mailing shall be by overnight courier, certified, or first class mail.

5.9 Notwithstanding any prior revocation, termination, surrender, or discharge of this Agreement in whole or in part, the effectiveness of this Agreement shall automatically continue or be reinstated in the event that any payment received or credit given by Agent or the Lenders in respect of the Obligations is returned, disgorged, or rescinded under any applicable law, including, without limitation, bankruptcy or insolvency laws, in which case this Agreement shall be enforceable against Debtor as if the returned, disgorged, or rescinded payment or credit had not been received or given by Agent, and whether or not Agent or any Lender relied upon this payment or credit or changed its position as a consequence of it. In the event of continuation or reinstatement of this Agreement, Debtor agrees upon demand by Agent to execute and deliver to Agent those documents which Agent reasonably determines are appropriate to further evidence (in the public records or otherwise) this continuation or reinstatement, although the failure of Debtor to do so shall not affect in any way the reinstatement or continuation.

5.10 This Agreement and all the rights and remedies of Agent and the Lenders under this Agreement shall inure to the benefit of Agent's and the Lenders' successors and assigns and to any other holder who derives from Agent title to or an interest in the Obligations or any portion of it, and shall bind Debtor and the heirs, legal representatives, successors, and assigns of Debtor. Nothing in this Section 5.10 is deemed a consent by Agent to any assignment by Debtor.

5.11 If there is more than one Debtor, all undertakings, warranties and covenants made by Debtor and all rights, powers and authorities given to or conferred upon Agent are made or given jointly and severally.

5.12 Except as otherwise provided in this Agreement, all terms in this Agreement have the meanings assigned to them in Article 9 (or, absent definition in Article 9, in any other Article) of the Uniform Commercial Code as those meanings may be amended, revised or replaced from time to time. "Uniform Commercial Code" means the Texas Business and Commerce Code as amended, revised or replaced from time to time. Notwithstanding the foregoing, the parties intend that the terms used herein which are defined in the Uniform Commercial Code have, at all times, the broadest and most inclusive meanings possible. Accordingly, if the Uniform Commercial Code shall in the future be amended or held by a court to define any term used herein more broadly or inclusively than the Uniform Commercial Code in effect on the date of this Agreement, then such term, as used herein, shall be given such broadened meaning. If the Uniform Commercial Code shall in the future be amended or held by a court to define any term used herein more narrowly, or less inclusively, than the Uniform Commercial Code in effect on the date of this Agreement, such amendment or holding shall be disregarded in defining terms used in this Agreement.

5.13 No single or partial exercise, or delay in the exercise, of any right or power under this Agreement, shall preclude other or further exercise of the rights and powers under this Agreement. The unenforceability of any provision of this Agreement shall not affect the enforceability of the remainder of this Agreement. This Agreement constitutes the entire agreement of Debtor and Agent with respect to the subject matter of this Agreement. No amendment or modification of this Agreement shall be effective unless the same shall be in writing and signed by Debtor and an authorized officer of Agent. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

5.14 To the extent that any of the Obligations is payable upon demand, nothing contained in this Agreement shall modify the terms and conditions of the Obligations nor shall anything contained in this Agreement prevent Agent from making demand, without notice and with or without reason, for immediate payment of any or all of the Obligations at any time(s), whether or not an Event of Default has occurred.

5.15 Debtor represents and warrants that Debtor’s exact name is the name set forth in this Agreement. Debtor further represents and warrants the following and agrees that Debtor is, and at all times shall be, located in the following place:

5400 LBJ Freeway, Suite 1500
Dallas, Texas 75240

Debtor, Matador Resources Company, is a registered organization which is organized under the laws of one of the states comprising the United States (e.g. corporation, limited partnership, registered limited liability partnership or limited liability company), and Debtor is located (as determined pursuant to the Uniform Commercial Code) in the state under the laws of which it was organized, which is: Texas.

5.16 A carbon, photographic or other reproduction of this Agreement shall be sufficient as a financing statement under the Uniform Commercial Code and may be filed by Agent in any filing office.

5.17 This Agreement shall be terminated only upon the payment in full of the non-contingent Obligations, the termination of any continuing commitment of the Lenders under the Credit Agreement to make additional Loans thereunder and the termination or expiration of all outstanding Letters of Credit, but the obligations contained in Section 2.14 of this Agreement shall survive termination. Upon termination of this Agreement, upon reasonable request by Debtor, Agent shall promptly execute, deliver and file (to the extent necessary) termination statements and other instruments to evidence release of the liens and security interests created hereunder and return to Debtor any of the Collateral in its possession.

5.18 Debtor agrees to reimburse the Agent upon demand for any and all reasonable costs and expenses (including, without limit, court costs, legal expenses and reasonable attorneys' fees, whether or not suit is instituted and, if suit is instituted, whether at the trial court level, appellate level, in a bankruptcy, probate or administrative proceeding or otherwise) incurred in enforcing or attempting to enforce this Agreement or in exercising or attempting to exercise any right or remedy under this Agreement or incurred in any other matter or proceeding relating to this Security Agreement.

6. THIS WRITTEN LOAN AGREEMENT (AS DEFINED BY SECTION 26.02 OF THE TEXAS BUSINESS AND COMMERCE CODE) REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.
SIGNATURE PAGE FOLLOWS.]**

DEBTOR:

MATADOR RESOURCES COMPANY

By: ______________________________

Signature of: ______________________________
Its ______________________________

Address of Debtor:

5400 LBJ Freeway, Suite 1500
Dallas, Texas 75240

AGENT:

COMERICA BANK

By: ______________________________

Signature of: ______________________________
Its ______________________________

SCHEDULE 1

The Subsidiaries

MRC Permian Company, a Texas corporation

Matador Production Company, a Texas corporation

Longwood Gathering and Disposal Systems GP, Inc., a Texas corporation

Longwood Gathering and Disposal Systems, LP, a Texas limited partnership

MRC Rockies Company, a Texas corporation

Matador Holdco, Inc., a Texas corporation

Matador Merger Co., a Texas corporation

EXHIBIT A

1. Certificate #1 for 1,000 shares of common capital stock of MRC Permian Company, a Texas corporation, in the name of Matador Resources Company.
2. Certificate #001 for 1,000 shares of common capital stock of Matador Production Company, a Texas corporation, in the name of Matador Resources Company.
3. Certificate #1 for 1,000 shares of common capital stock of Longwood Gathering and Disposal Systems GP, Inc., a Texas corporation, in the name of Matador Resources Company.
4. Certificate #1 for 1,000 shares of common capital stock of MRC Rockies Company, a Texas corporation, in the name of Matador Resources Company.

EXHIBIT G

FORM OF
ASSIGNMENT AND ACCEPTANCE

Reference is made to the Amended and Restated Credit Agreement, dated as of May 19, 2011 (as amended, supplemented or otherwise modified from time to time, the "Loan Agreement"), among Matador Resources Company, a Texas corporation (the "Borrower"), the Lenders named therein, Comerica Bank as agent for the Lenders (in such capacity, the "Agent"), and Comerica Bank as Issuing Lender. Unless otherwise defined herein, terms defined in the Loan Agreement and used herein shall have the meanings given to them in the Loan Agreement.

The Assignor identified on Schedule 1 hereto (the "Assignor") and the Assignee identified on Schedule 1 hereto (the "Assignee") agree as follows:

1. The Assignor hereby irrevocably sells and assigns to the Assignee without recourse to the Assignor, and the Assignee hereby irrevocably purchases and assumes from the Assignor without recourse to the Assignor, as of the Effective Date (as defined below), the interest described in Schedule 1 hereto (the "Assigned Interest") in and to the Assignor's rights and obligations under the Loan Agreement with respect to those credit facilities contained in the Loan Agreement as are set forth on Schedule 1 hereto (individually, an "Assigned Facility"), collectively, the "Assigned Facilities"), in a principal amount for each Assigned Facility as set forth on Schedule 1 hereto.

2. The Assignor (a) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Loan Agreement or any other Loan Document or with respect to the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Agreement, any other Loan Document or any other instrument, document or collateral furnished pursuant thereto, other than that the Assignor has not created any adverse claim upon the interest being assigned by it hereunder and that such interest is free and clear of any such adverse claim; (b) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower, any of its Subsidiaries or any other obligor or the performance or observance by the Borrower, any of its Subsidiaries or any other obligor of any of their respective obligations under the Loan Agreement or any other Loan Document or any other instrument or document furnished pursuant hereto or thereto; and (c) attaches any Notes held by it evidencing the Assigned Facilities and (i) requests that the Agent, upon request by the Assignee, exchange the attached Notes for a new Note or Notes payable to the Assignee and (ii) if the Assignor has retained any interest in the Assigned Facility, requests that the Agent exchange the attached Notes for a new Note or Notes payable to the Assignor, in each case in amounts which reflect the assignment being made hereby (and after giving effect to any other assignments which have become effective on the Effective Date).

3. The Assignee (a) represents and warrants that it is legally authorized to enter into this Assignment and Acceptance; (b) confirms that it has received a copy of the Loan Agreement, together with copies of the Financial Statements delivered pursuant to Section 11(a)

thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (c) agrees that it will, independently and without reliance upon the Assignor, the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Agreement, the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto; (d) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Loan Agreement, the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto as are delegated to the Agent by the terms thereof, together with such powers as are incidental thereto; and (e) agrees that it will be bound by the provisions of the Loan Agreement and will perform in accordance with its terms all the obligations which by the terms of the Loan Agreement are required to be performed by it as a Lender.

4. The effective date of this Assignment and Acceptance shall be the Effective Date of Assignment described in Schedule 1 hereto (the "Effective Date"). Following the execution of this Assignment and Acceptance, it will be delivered to the Agent for acceptance by it and recording by the Agent pursuant to the Loan Agreement, effective as of the Effective Date (which shall not, unless otherwise agreed to by the Agent, be earlier than five Business Days after the date of such acceptance and recording by the Agent).

5. Upon such acceptance and recording, from and after the Effective Date, the Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to the Effective Date and to the Assignee for amounts which have accrued subsequent to the Effective Date. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

6. From and after the Effective Date, (a) the Assignee shall be a party to the Loan Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and under the other Loan Documents and shall be bound by the provisions thereof and (b) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Loan Agreement.

7. This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of Texas without regard to its conflicts of laws principles.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance to be executed as of the date first above written by their respective duly authorized officers on Schedule 1 hereto.

Schedule 1 to Assignment and Acceptance relating to
the Credit Agreement,
dated as of May 19, 2011, among
Matador Resources Company,
the several lenders from time to time parties thereto (the "Lenders"),
Comerica Bank, as Agent for the Lenders,
and Comerica Bank, as Issuing Lender.

Name of Assignor: ______________________

Name of Assignee: ______________________

Effective Date of Assignment: _____________

Credit Facility Assigned	Principal Amount Assigned	Commitment Percentage Assigned	Term Loan Percentage Assigned
Revolving Loans	$__________	__________%	
Term Loan	$__________		__________%

[Name of Assignee]

By: ______________________
Name: ______________________
Title: ______________________

[Name of Assignor]

By: ______________________
Name: ______________________
Title: ______________________

[Consented to and] Accepted for Recording in the Register:

Comerica Bank
as Agent

By: ______________________
Title:

[Consented to:

MATADOR RESOURCES COMPANY

By: ______________________
Title:

EXHIBIT H

UNCONDITIONAL GUARANTY

1. The undersigned, MRC Permian Company, a Texas corporation, Matador Production Company, a Texas corporation, Longwood Gathering and Disposal Systems GP, Inc., a Texas corporation, Longwood Gathering and Disposal Systems, LP, a Texas limited partnership, and MRC Rockies Company, a Texas corporation (individually, a "Guarantor" and collectively, the "Guarantors"), whose address is 5400 LBJ Freeway, Suite 1500, Dallas, Texas 75240, hereby jointly and severally, irrevocably, unconditionally and absolutely guarantee in favor of Comerica Bank, as agent (in such capacity, "Agent") for the Lenders and Issuing Lender from time to time parties to that certain Amended and Restated Credit Agreement, dated as of May 19, 2011, among Matador Resources Company, a Texas corporation ("Borrower"), the Lenders named therein, Comerica Bank, as Agent and Comerica Bank, as Issuing Lender (as the same may be amended, restated, renewed, extended, supplemented, or otherwise modified from time to time, the "Credit Agreement"; capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in the Credit Agreement), their respective successors, endorsees, transferees and assigns, the prompt and complete payment and performance when due, after the expiration of any applicable cure period under the Credit Agreement, if any, of all Guaranteed Obligations (as herein defined).

As used herein, "Guaranteed Obligations" means all obligations, interest (including any interest which, but for the application of the provisions of the United States Bankruptcy Code, would have accrued on amounts owed by the Borrower), principal, fees, expenses (including, without limitation, the reasonable attorneys' fees of Agent, the Lenders and Issuing Lender) and other amounts now or hereafter owing by the Borrower to the Lenders and Issuing Lender, including, without limitation, (i) all obligations and liabilities incurred pursuant to, or arising in connection with, the Credit Agreement, (ii) all obligations, liabilities and indebtedness represented or evidenced by any promissory note executed pursuant to the Credit Agreement and any renewal, extension, modification, increase or substitution thereof, (iii) all reimbursement obligations arising with respect to any and all letters of credit issued by Issuing Lender and (iv) any and all losses, costs, expenses, and damages suffered or incurred by Agent, the Lenders or Issuing Lender as a consequence of the Borrower's becoming the subject of a proceeding pursuant to, whether voluntarily or involuntarily, the United States Bankruptcy Code, as amended. This is a joint and several, irrevocable, unconditional and continuing guaranty of payment, and not a guaranty of collection, and Agent, the Lenders or Issuing Lender may enforce each Guarantor's obligations hereunder without first suing or enforcing its rights or remedies against the Borrower or any other Guarantor or obligor or enforcing or collecting any present or future collateral security for the Guaranteed Obligations. Notwithstanding anything herein or in any other Loan Document to the contrary, in any action or proceeding involving any state corporate law, or any state or federal bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if, as a result of applicable law relating to fraudulent conveyance or fraudulent transfer, including Section 548 of the Bankruptcy Code or any applicable provisions of comparable state law (collectively, "Fraudulent Transfer Laws"), the obligations of any Guarantor under this Section 1 would otherwise, after giving effect to (y) all other liabilities of such Guarantor, contingent or otherwise, that are relevant under such Fraudulent Transfer Laws (specifically excluding, however, any liabilities of such Guarantor in respect of intercompany Debt to the Borrower to the extent that such Debt would be discharged in an amount equal to the amount paid by such Guarantor hereunder) and (z) the value as assets of such Guarantor (as determined under the applicable provisions of such Fraudulent Transfer Laws) of any rights of subrogation, contribution, reimbursement, indemnity or similar rights held by such Guarantor pursuant to (i) applicable requirements of law, (ii) Section 10 hereof or (iii) any other contractual obligations providing for an equitable allocation among such Guarantor and other Subsidiaries or Affiliates of the Borrower of obligations arising under this Guaranty or other guaranties of the Guaranteed Obligations by such parties, be held or determined to be void, invalid or unenforceable, or subordinated to the claims of any other creditors, on account of the amount of its liability under this Section 1, then the amount of such liability shall, without any further action by such Guarantor, any Lender, Agent or any other Person, be automatically limited and reduced to the highest amount that is valid and enforceable and not subordinated to the claims of other creditors as determined in such action or proceeding.

2. Payment of any sum or sums due to Agent, the Lenders or Issuing Lender hereunder will be made by each Guarantor immediately upon demand by Agent. Each Guarantor agrees that its obligation hereunder shall not be discharged or impaired in any respect by reason of any failure by Agent to perfect, or continue perfection of, any Lien or security interest in any security or any delay by Agent in perfecting any such Lien or security interest.

3. Each Guarantor hereby waives (a) notice of acceptance of this Guaranty, (b) notice of the extension of credit by the Lenders or Issuing Lender to the Borrower, (c) notice of the occurrence of any breach or default by the Borrower in respect of the Guaranteed Obligations, (d) notice of the sale or foreclosure on any collateral for the Guaranteed Obligations, (e) notice of the transfer of any part or all of the Guaranteed Obligations to any third party, (f) demand for payment, presentment, protest, notice of protest and non-payment, or other notice of default, notice of acceleration and intention to accelerate, and (g) all other notices.

4. Each Guarantor hereby consents and agrees to, and acknowledges that its obligations hereunder shall not be released or discharged by, the following: (a) the renewal, extension, modification, increase, amendment or alteration of the Credit Agreement, the Guaranteed Obligations or any related document or instrument; (b) any forbearance, waiver, extension or compromise granted to the Borrower by the Lenders or Issuing Lender; (c) the insolvency, bankruptcy, liquidation or dissolution of the Borrower or any other Guarantor or obligor; (d) the invalidity, illegality or unenforceability of all or any part of the Guaranteed Obligations; (e) the full or partial release of the Borrower, any other Guarantor or obligor; (f) the release, surrender, exchange, subordination, deterioration, waste, loss or impairment (including without limitation negligent, willful, unreasonable or unjustifiable impairment) of any collateral for the Guaranteed Obligations; (g) the failure of Agent, Lender or Issuing Lender to properly obtain, perfect or preserve any security interest or Lien in any such collateral; (h) the failure of Agent, Lender or Issuing Lender to exercise diligence, commercial reasonableness or reasonable care in the preservation, enforcement or sale of any such collateral; (i) the time for the Borrower's performance of or compliance with any covenant or agreement contained in the Credit Agreement or any other Loan Document may be extended or such performance or compliance may be waived; and (j) any other act or omission of Agent, the Lenders, Issuing Lender, the Borrower or any other Person or any other circumstance which would otherwise constitute or create a legal or equitable defense in favor of any Guarantor.

5. Each Guarantor hereby waives any rights of subrogation, reimbursement, indemnity, or contribution which he may have as a result of paying the Guaranteed Obligations until all of the Guaranteed Obligations have been paid in full in cash.

6. Each Guarantor represents and warrants that (a) it has received or will receive direct or indirect benefit from the making of this Guaranty and the creation of the Guaranteed Obligations; (b) each Guarantor is familiar with the financial condition of the Borrower and the value of any collateral security for the Guaranteed Obligations; (c) neither Agent, the Lenders nor Issuing Lender has made any representations to any Guarantor in order to induce such Guarantor to execute this Guaranty; (d) as of the date hereof, and after giving effect to this Guaranty and the contingent obligation evidenced hereby, each Guarantor is, and will be, solvent, and has and will have assets which, fairly valued, exceed his obligations, liabilities and debts; (e) to the best of its knowledge and belief, the execution, delivery and performance by each Guarantor of this Guaranty and the consummation of the transactions contemplated hereunder do not, and will not, contravene or conflict with any law, statute or regulation whatsoever to which such Guarantor is subject or constitute a default (or an event which with notice or lapse of time or both would constitute a default) under, or result in the breach of, any indenture, mortgage, deed of trust, charge, Lien, or any contract, agreement or other instrument to which such Guarantor is a party or which may be applicable to such Guarantor or any of its assets; (f) this Guaranty is a legal and binding obligation of each Guarantor and is enforceable in accordance with its terms, except as limited by bankruptcy, insolvency or other laws of general application relating to the enforcement of creditors’ rights; and (g) all representations and warranties made by each Guarantor herein shall survive the execution hereof.

7. Each Guarantor hereby acknowledges that any Guarantor’s termination or disposition of any ownership interest in the Borrower shall not alter, affect or in any way limit the obligations of such Guarantor hereunder.

8. In the event the Borrower is a corporation, joint stock association or partnership, or is hereafter incorporated, if the indebtedness at any time hereafter exceeds the amount permitted by law, or the Borrower is not liable because the act of creating the obligation is ultra vires, or the officers or persons creating same acted in excess of their authority, and for these reasons any part of the Guaranteed Obligations cannot be enforced against the Borrower, such fact shall in no manner affect any Guarantor’s liability hereunder; but each Guarantor shall be liable hereunder, notwithstanding any finding that the Borrower is not liable for part or all of the Guaranteed Obligations, and to the same extent as such Guarantor would have been if the Guaranteed Obligations had been enforceable against the Borrower.

9. In the event of a default in the payment or performance of all or any part of the Guaranteed Obligations when such Guaranteed Obligations become due, whether by its terms, by acceleration or otherwise, each Guarantor shall, upon demand, promptly pay the amount due thereon to Agent, in lawful money of the United States, at Agent’s address set forth in the Credit Agreement. One or more successive or concurrent actions may be brought against any Guarantor, either in the same action in which the Borrower is sued or in separate actions, as often as Agent deems advisable. Suit may be brought or demand may be made against all parties who have signed this Guaranty or any other guaranty in favor of Agent covering all or any part of the Guaranteed Obligations, or against any one or more of them, separately or together, without

impairing the rights of Agent against any party hereto. The exercise by Agent of any right or remedy under this Guaranty or under any other agreement or instrument, at law, in equity or otherwise, shall not preclude concurrent or subsequent exercise of any other right or remedy. No delay on the part of Agent in exercising any right hereunder or failure to exercise the same shall operate as a waiver of such right. In no event shall any waiver of the provisions of this Guaranty be effective unless the same be in writing and signed by Agent, and then only in the specific instance and for the purpose given. The books and records of Agent, the Lenders and Issuing Lender shall be admissible in evidence in any action or proceeding involving this Guaranty and shall be prima facie evidence of the payments made on, and the outstanding balance of, the Guaranteed Obligations.

10. To the extent that any Guarantor shall be required hereunder to pay a portion of the Guaranteed Obligations exceeding the greater of (a) the amount of the economic benefit actually received by such Guarantor from the Loans and the Letters of Credit and (b) the amount such Guarantor would otherwise have paid if such Guarantor had paid the aggregate amount of the Guaranteed Obligations (excluding the amount thereof repaid by the Borrower) in the same proportion as such Guarantor’s net worth at the date enforcement is sought hereunder bears to the aggregate net worth of all the Guarantors at the date enforcement is sought hereunder, then such Guarantor shall be reimbursed by such other Guarantors for the amount of such excess, pro rata, based on the respective net worths of such other Guarantors at the date enforcement hereunder is sought. Notwithstanding anything to the contrary, each Guarantor agrees that the Guaranteed Obligations may at any time and from time to time exceed the amount of the liability of such Guarantor hereunder without impairing its guaranty herein or affecting the rights and remedies of the Guarantors hereunder. This Section 10 is intended only to define the relative rights of the Guarantors, and nothing set forth in this Section 10 is intended to or shall impair the obligations of the Guarantors, jointly and severally, to pay to the Lenders the Guaranteed Obligations as and when the same shall become due and payable in accordance with the terms hereof.

11. If Agent, the Lenders or Issuing Lender must rescind or restore any payment, or any part thereof, received by Agent, the Lenders or Issuing Lender in satisfaction of any part of the Guaranteed Obligations, any prior release or discharge from the terms of this Guaranty given to any Guarantor by Agent shall be without effect, and this Guaranty shall be reinstated and remain in full force and effect. It is the intention of the Borrower and each Guarantor that such Guarantor’s obligations hereunder shall not be discharged except by Guarantors’ indefeasible performance of such obligations and then only to the extent of such performance.

12. All notices shall be given as provided by the terms of the Credit Agreement and to the addresses for notices set forth in the Credit Agreement.

13. This Guaranty shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns, transferees, endorsees and legal representatives.

14. Whenever herein the singular number is used, the same shall include the plural where appropriate, and words of any gender shall include each other gender where appropriate.

15. This Guaranty embodies the entire agreement between the parties hereto, and supersedes all prior agreements, conditions and understandings, if any, related to the subject

matter hereof. This Guaranty may be amended only by a written instrument executed by Guarantors and Agent. The substantive laws of the State of Texas shall govern the validity, construction, enforcement and interpretation of this Guaranty. For purposes of litigation pertaining to this Guaranty, each Guarantor hereby irrevocably consents and submits to the exclusive personal jurisdiction of state and federal courts located in the State of Texas. Each Guarantor and Agent each agree that Dallas County, Texas, is a convenient forum in which to decide any dispute related to this Guaranty or the Credit Agreement and agrees that all actions pertaining to this Guaranty and the Credit Agreement shall be brought in Dallas County, Texas. In addition to the obligation of each Guarantor set forth in Section 1 hereof, such Guarantor shall pay to Agent, the Lenders or Issuing Lender all costs and expenses (including court costs and reasonable attorneys' fees) incurred by any of Agent, the Lenders or Issuing Lender in the preservation or enforcement of its rights and remedies hereunder.

16. THIS GUARANTY AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BETWEEN THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES HERETO.

EXECUTED this __________, ______.

GUARANTORS:

MRC PERMIAN COMPANY

By: ______________________________
Name: ______________________________
Title: ______________________________

MATADOR PRODUCTION COMPANY

By: ______________________________
Name: ______________________________
Title: ______________________________

LONGWOOD GATHERING AND DISPOSAL SYSTEMS GP, INC.

By: ______________________________
Name: ______________________________
Title: ______________________________

LONGWOOD GATHERING AND DISPOSAL SYSTEMS, LP

By: Longwood Gathering and Disposal Systems GP, Inc., its General Partner

By: ____________________
Name: ____________________
Title: ____________________

MRC ROCKIES COMPANY

By: ____________________
Name: ____________________
Title: ____________________

EXHIBIT I

**FORM OF BORROWING, CONVERSION
AND CONTINUATION NOTICE**

Date: __________, ______

To: Comerica Bank, as Agent

Ladies and Gentlemen:

Reference is made to that certain Amended and Restated Credit Agreement, dated as of May 19, 2011 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined), among Matador Resources Company, a Texas corporation (the "Borrower"), the Lenders from time to time party thereto, and Comerica Bank, as Agent.

The undersigned hereby requests (select one):

□ A borrowing of Revolving Loans □ A conversion or continuation of Revolving Loans

1. For a Base Rate Loan, on ____________________ (a Business Day).

2. For a Eurodollar Loan, on ____________________ (a Business Day).

2. For a Base Rate Loan, in the amount of $__________.

3. For a Eurodollar Loan, in the amount of $__________.

4. For Eurodollar Rate Loans: with an Interest Period of __ months.

The borrowing under the Revolving Credit Commitments, if any, requested herein complies with the provisos to the first sentence of Section 2(a) of the Agreement.

[SIGNATURE PAGE FOLLOWS]

MATADOR RESOURCES COMPANY

By: ___________________________________

Name: ______________________________

Title: ______________________________

EXHIBIT J

FORM OF TERM LOAN RATE REQUEST

Date: __________, ______

To: Comerica Bank, as Agent

Ladies and Gentlemen:

Reference is made to that certain Amended and Restated Credit Agreement, dated as of May 19, 2011 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined), among Matador Resources Company, a Texas corporation (the "Borrower"), the Lenders from time to time party thereto, and Comerica Bank, as Agent.

The undersigned hereby requests:

Date of continuation of Advance of Term Loan: __________

Amount of Advance of Term Loan: $__________

Interest Period: __________ months (insert 1, 2, 3, 6 or 12)

[SIGNATURE PAGE FOLLOWS]

MATADOR RESOURCES COMPANY

By: ______________________________

Name: ___________________________

Title: ___________________________

Exhibit 10.2

Pledge and Security Agreement

As of August 9, 2011, for value received, the undersigned ("Debtor") pledges, assigns and grants to Comerica Bank, whose address is 1601 Elm Street, 2nd Floor, Dallas, Texas 75201, in its capacity as Agent ("Agent"), for the benefit of Agent and for the ratable benefit of the Lenders, a continuing security interest and lien (any pledge, assignment, security interest or other lien arising hereunder is sometimes referred to herein as a "security interest") in the Collateral (as defined below) to secure payment when due, whether by stated maturity, demand, acceleration or otherwise, of all Obligations (as defined in the Credit Agreement). Debtor became the parent company of the Borrower (hereinafter defined) as a result of the reorganization of Borrower into a holding company structure (the "Reorganization"). As a condition to the Agent's consent to the Reorganization, Debtor is required to deliver this Agreement to Agent and to guarantee the Obligations. Reference is made to that certain Amended and Restated Credit Agreement dated May 19, 2011, among MRC Energy Company (formerly known as Matador Resources Company, a wholly-owned subsidiary of Debtor) (the "Borrower"), Agent and the Lenders signatories thereto (as amended or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein and not otherwise defined herein will have the meanings given such terms in the Credit Agreement. Obligations include without limit any and all obligations or liabilities of the Borrower and/or Debtor to the Agent or the Lenders, whether absolute or contingent, direct or indirect, voluntary or involuntary, liquidated or unliquidated, joint or several, known or unknown, arising under the Credit Agreement or any other Loan Document; any and all amendments, modifications, renewals and/or extensions of any of the above; all reasonable costs incurred by Agent or any Lender in establishing, determining, continuing, or defending the validity or priority of any security interest, or in pursuing its rights and remedies under this Agreement or under any other agreement between Agent or the Lenders and the Borrower and/or Debtor or in connection with any proceeding involving Agent or the Lenders as a result of any financial accommodation to the Borrower and/or Debtor; and all other reasonable costs of collecting Obligations, including without limit reasonable attorneys' fees. Debtor agrees to pay Agent or the Lenders all such costs incurred by the Agent or any Lender, immediately upon demand, and until paid all costs shall bear interest at the Default Rate (to the fullest extent such rate does not exceed the Maximum Rate) applicable to the Obligations. Any reference in this Agreement to attorneys' fees shall be deemed a reference to reasonable fees, costs, and expenses, whether or not a suit or action is instituted, and to court costs if a suit or action is instituted, and whether attorneys' fees or court costs are incurred at the trial court level, on appeal, in a bankruptcy, administrative or probate proceeding or otherwise. Debtor further covenants, agrees, represents and warrants as follows:

1. **Collateral** shall mean all of the following property Debtor now or later owns or has an interest in, wherever located:

   (a) (i) all of Debtor's interests (the "Pledged Equity Interests") in any limited liability company, general partnership, limited partnership, limited liability partnership, other partnership, or corporation and listed on Schedule 1 hereto (the

"Subsidiaries"), and all proceeds, interest, profits, and other payments or rights to payment attributable to the Pledged Equity Interests;

(ii) all distributions, cash, instruments, certificates and other property now or hereafter received, receivable or otherwise made with respect to or in exchange for the Pledged Equity Interests, including interim distributions, returns of capital, loan repayments, and payments made in liquidation of the Pledged Equity Interests, and whether or not the same arise or are payable under any agreement or certificate forming any of the Subsidiaries or any other agreement governing the Subsidiaries or the relations among the partners of the Subsidiaries, if applicable (any and all such proceeds, interest, profits, payments, rights to payment, distributions, cash, instruments, certificates, other property, interim distributions, returns of capital, loan repayments, and payments made in liquidation being herein called the "Subsidiary Rights to Payments", and any and all such agreements, certificates, and other agreements being herein called the "Subsidiary Agreements");

(iii) all other interests and rights of Debtor in the Pledged Equity Interests, whether under the Subsidiary Agreements or otherwise, including without limitation any right to cause the dissolution of any of the Subsidiaries or to appoint or nominate a successor to Debtor in the Subsidiaries, if applicable (all such other interests and rights being herein called the "Other Subsidiary Rights");

(b) all books, records, ledger cards, files, correspondence, software, computer printouts, and similar items that at any time evidence or contain information relating to the Pledged Equity Interests or are otherwise necessary or helpful in the collection thereof or realization thereon; and

(c) all additions, attachments, accessions, parts, replacements, substitutions, renewals, interest, dividends, distributions, warrants, options, rights, cash, rights of any kind (including but not limited to stock splits, stock rights, voting and preferential rights), products, and proceeds of or pertaining to the above including, without limit, cash or other property which were proceeds and are recovered by a bankruptcy trustee or otherwise as a preferential transfer by Debtor.

In the definition of Collateral, a reference to a type of collateral shall not be limited by a separate reference to a more specific or narrower type of that Collateral.

2. Warranties, Covenants and Agreements. Debtor warrants, covenants and agrees as follows:

2.1 Prior to or concurrently with the execution and delivery of this Agreement, Debtor shall deliver to Agent all certificate(s) identified in Exhibit A hereof and evidencing any of the Pledged Equity Interests and shall be accompanied by undated stock powers duly executed in blank.

2.2 Upon the occurrence and continuance of an Event of Default, if Debtor shall become entitled to receive or shall receive any stock certificate (including, without limitation, any certificate representing a stock dividend or a distribution in connection with any reclassification, increase, or reduction of capital or issued in connection with any reorganization), option or rights, whether as an addition to, in substitution of, or in exchange for any Collateral or otherwise, then Debtor agrees to accept the same as Agent's agent and to hold the same in trust for Agent, and to deliver the same forthwith to Agent in the exact form received, with the appropriate endorsement of Agent when necessary and/or appropriate undated stock powers duly executed in blank, to be held by Agent as additional Collateral for the Obligations, subject to the terms hereof. When an Event of Default exists, any sums paid upon or in respect of the Collateral upon the liquidation or dissolution of the issuer thereof shall be paid over to Agent to be held by it as additional Collateral for the Obligations subject to the terms hereof; and in case any distribution of capital shall be made on or in respect of the Collateral or any property shall be distributed upon or with respect to the Collateral pursuant to any recapitalization or reclassification of the capital of the issuer thereof or pursuant to any reorganization of the issuer thereof, the property so distributed shall be delivered to the Agent to be held by it, as additional Collateral for the Obligations, subject to the terms hereof. All sums of money and property so paid or distributed in respect of the Collateral that are received by Agent shall, until paid or delivered to Agent, be held by Debtor in trust as additional security for the Obligations.

2.3 Debtor shall not consent to or approve the issuance of any additional shares of any class of capital stock of the issuer of the Pledged Equity Interests, or any securities convertible into, or exchangeable for, any such shares or any warrants, options, rights, or other commitments entitling any person or entity to purchase or otherwise acquire any such shares.

2.4 Debtor shall furnish to Agent, in form and at intervals as Agent may reasonably request, any information Agent may reasonably request and allow Agent to examine, inspect, and copy any of Debtor's books and records. Debtor shall, at the reasonable request of Agent, mark its records and the Collateral to clearly indicate the security interest of Agent under this Agreement.

2.5 At the time any Collateral becomes, or is represented to be, subject to a security interest in favor of Agent or any Lender, Debtor shall be deemed to have warranted that (a) Debtor is the lawful owner of the Collateral and has the right and authority to subject it to a security interest granted to Agent or any Lender; (b) none of the Collateral is subject to any security interest other than that in favor of Agent or any Lender; (c) there are no financing statements on file, other than in favor of Agent; (d) no person, other than Agent, has possession or control (as defined in the Uniform Commercial Code) of any Collateral of such nature that perfection of a security interest may be accomplished by control; (e) Debtor acquired its rights in the Collateral in the ordinary course of its business; and (f) except for compliance with applicable federal and state securities laws and regulations promulgated thereunder, the Collateral is not subject to any restriction on transfer or assignment, Debtor has the unrestricted right to pledge the Collateral as contemplated hereby, and all of the Collateral has been duly and validly issued and is fully paid and nonassessable.

2.6 Debtor will keep the Collateral free at all times from all claims, liens, security interests and encumbrances other than those in favor of Agent and the Lenders. Debtor will not, without the prior written consent of Agent, sell, transfer or lease, or permit to be sold, transferred or leased, any or all of the Collateral.

2.7 Debtor will do all acts and will execute or cause to be executed all writings reasonably requested by Agent to establish, maintain and continue an exclusive, perfected and first security interest of Agent and the Lenders in the Collateral. Debtor agrees that Agent and the Lenders have no obligation to acquire or perfect any lien on or security interest in any asset(s), whether realty or personalty, to secure payment of the Obligations.

2.8 Debtor will pay within the time that they can be paid without interest or penalty all taxes, assessments and similar charges which at any time are or may become a lien, charge, or encumbrance upon any Collateral, except to the extent contested in good faith and bonded in a manner satisfactory to Agent. If Debtor fails to pay any of these taxes, assessments, or other charges in the time provided above, Agent has the option (but not the obligation) to do so, and Debtor agrees to repay all amounts so expended by Agent immediately upon demand, together with interest at the Default Rate (to the fullest extent such rate does not exceed the Maximum Rate).

2.9 If Agent, acting in its sole discretion, redelivers Collateral to Debtor or Debtor's designee for the purpose of (a) the ultimate sale or exchange thereof; or (b) presentation, collection, renewal, or registration of transfer thereof; such redelivery shall be in trust for the benefit of Agent and the Lenders and shall not constitute a release of Agent's or the Lenders' security interest in it or in the proceeds or products of it unless Agent specifically so agrees in writing. If Debtor requests any such redelivery, Debtor will deliver with such request a duly executed financing statement in form and substance satisfactory to Agent. Any proceeds of Collateral coming into Debtor's possession as a result of any such redelivery shall be held in trust for Agent and immediately delivered to Agent for application on the Obligations. Agent may (in its sole discretion) deliver any or all of the Collateral to Debtor, and such delivery by Agent shall discharge Agent from all liability or responsibility for such Collateral except for any liability which arises from the gross negligence or willful misconduct of the Agent. Agent, at its option, may require delivery of any Collateral to Agent at any time with such endorsements or assignments of the Collateral as Agent may reasonably request.

2.10 At any time during the existence of an Event of Default and without notice, Agent may (a) cause any or all of the Collateral to be transferred to its name or to the name of its nominees; (b) receive or collect by legal proceedings or otherwise all dividends, interest, principal payments and other sums and all other distributions at any time payable or receivable on account of the Collateral, and hold the same as Collateral, or apply the same to the Obligations, the manner and distribution of the application to be in the sole discretion of Agent; (c) enter into any extension, subordination, reorganization, deposit, merger or consolidation agreement or any other agreement relating to or affecting the Collateral, and deposit or surrender control of the Collateral, and accept other property in exchange for the Collateral and hold or apply the property or money so received pursuant to this Agreement; and (d) take such actions in its own name or in Debtor's name as Debtor's agent, which it deems necessary or appropriate in its sole discretion to establish exclusive control (as defined in the Uniform Commercial Code) over any Collateral of such nature that perfection of the Agent's or any Lender's security interest may be accomplished by control.

2.11 To the extent permitted by Section 14(h) of the Credit Agreement, Agent may assign any of the Obligations and deliver any or all of the Collateral to its assignee, who then shall have with respect to Collateral so delivered all the rights and powers of Agent under this Agreement, and after that Agent shall be fully discharged from all liability and responsibility with respect to Collateral so delivered except to the extent any such liability results from the gross negligence or willful misconduct of the Agent.

2.12 The undersigned agrees that no security or guarantee now or later held by Agent or any Lender for the payment of any indebtedness, whether from the Borrower, any guarantor, or otherwise, and whether in the nature of a security interest, pledge, lien, assignment, setoff, suretyship, guaranty, indemnity, insurance or otherwise, shall affect in any manner the unconditional pledge of the undersigned under this Agreement, and Agent, in its sole discretion, without notice to the undersigned, may release, exchange, modify, enforce and otherwise deal with any security or guaranty without affecting in any manner the unconditional pledge of the undersigned under this Agreement. The undersigned acknowledges and agrees that Agent and the Lenders have no obligation to acquire or perfect any lien on or security interest in any assets, whether realty or personalty, or to obtain any guaranty to secure payment of the Obligations, and the undersigned is not relying upon any guaranty which Agent has or may have or assets in which Agent or any Lender has or may have a lien or security interest for payment of the Obligations.

2.13 The undersigned may terminate its/their pledge under this Agreement as to future indebtedness (except as provided below) by (and only by) delivering written notice of termination to an officer of Agent and receiving from an officer of Agent written acknowledgment of delivery; provided, the termination shall not be effective until the opening of business on the fifth (5th) day following written acknowledgment of delivery. Any termination shall not affect in any way Agent’s rights under this Agreement as to any Obligations existing at the effective date of termination or any Obligations created after that pursuant to any commitment or agreement of Agent or pursuant to any Borrower loan with Agent existing at the effective date of termination (whether advances or readvances by Agent are optional or obligatory), or any modifications, extensions or renewals of any of the Obligations, whether in whole or in part, and as to all of the Obligations and modifications, extensions or renewals of it, this Agreement shall continue effective until the same shall have been fully satisfied.

2.14 The undersigned agrees to reimburse Agent upon demand for all reasonable costs and expenses (including, without limit, reasonable attorneys’ fees) incurred in enforcing any of the duties or obligations of the undersigned under this Agreement or in establishing, determining, continuing or defending the validity or priority of Agent’s security interest under this Agreement.

3. Collection of Proceeds.

3.1 Debtor agrees to collect and enforce payment of all Collateral until Agent shall direct Debtor to the contrary. Immediately upon notice to Debtor by Agent and at all times after that, Debtor agrees to fully and promptly cooperate and assist Agent in the collection and enforcement of all Collateral and to hold in trust for Agent and the Lenders all payments received in connection with Collateral and from the sale, lease or other disposition of any Collateral, all rights by way of suretyship or guaranty and all rights in the nature of a lien or security interest which Debtor now or later has regarding Collateral. Immediately upon and after such notice, Debtor agrees, subject to the right of Debtor to receive cash dividends under Section 4.8 hereof, to (a) endorse to Agent and immediately deliver to Agent all payments received on Collateral or from the sale, lease or other disposition of any Collateral or arising from any other rights or interests of Debtor in the Collateral, in the form received by Debtor without commingling with any other funds, and (b) immediately deliver to Agent all property in Debtor’s possession or later coming into Debtor’s possession through enforcement of Debtor’s rights or interests in the Collateral. During the existence of an Event of Default, Debtor irrevocably authorizes Agent or any Agent employee or agent to endorse the name of Debtor upon any checks or other items which are received in payment for any Collateral, and to do any and all things necessary in order to reduce these items to money. Agent shall at all times have the right to exchange any certificates representing Collateral for certificates of smaller or larger denominations for any purpose consistent with this Agreement. Agent and the Lenders shall have no duty as to the collection or protection of Collateral or the proceeds of it, or as to the preservation of any related rights, beyond the use of reasonable care in the custody and preservation of Collateral in the possession of Agent or any Lender. Debtor agrees to take all steps necessary to preserve rights against prior parties with respect to the Collateral. Nothing in this Section 3.1 shall be deemed a consent by Agent to any sale, lease or other disposition of any Collateral.

4. Defaults, Enforcement and Application of Proceeds.

4.1 Upon the occurrence of any of the following events (each an “Event of Default”), Debtor shall be in default under this Agreement:

(a) Any Event of Default under and as defined in the Credit Agreement; or

(b) Any failure or neglect to comply with, or breach of or default under, any term of this Agreement if such failure, neglect, breach or default continues uncured after 30 days following notice thereof from Agent to Debtor.

4.2 Upon the occurrence of any Event of Default, Agent may at its discretion and without prior notice to Debtor declare any or all of the Obligations to be immediately due and payable, and shall have and may exercise any right or remedy available to it including, without limitation, any rights and remedies described in the Credit Agreement and any one or more of the following rights and remedies:

(a) Exercise all the rights and remedies upon default, in foreclosure and otherwise, available to secured parties under the provisions of the Uniform Commercial Code and other applicable law;

(b) Institute legal proceedings to foreclose upon the lien and security interest granted by this Agreement, to recover judgment for all amounts then due and owing as Obligations, and to collect the same out of any Collateral or the proceeds of any sale of it;

(c) Institute legal proceedings for the sale, under the judgment or decree of any court of competent jurisdiction, of any or all Collateral; and/or

(d) Personally or by agents, attorneys, or appointment of a receiver, enter upon any premises where Collateral may then be located, and take possession of all or any of it and/or render it unusable; and without being responsible for loss or damage to such Collateral, hold, operate, sell, lease, or dispose of all or any Collateral at one or more public or private sales, leasings or other dispositions, at places and times and on terms and conditions as Agent may deem fit, without any previous demand or advertisement; and except as provided in this Agreement, and any obligation of a prospective purchaser or lessee to inquire as to the power and authority of Agent to sell, lease, or otherwise dispose of the Collateral or as to the application by Agent of the proceeds of sale or otherwise, which would otherwise be required by, or available to Debtor under, applicable law are expressly waived by Debtor to the fullest extent permitted.

At any sale pursuant to this Section 4.2, whether under the power of sale, by virtue of judicial proceedings or otherwise, it shall not be necessary for Agent or a public officer under order of a court to have present physical or constructive possession of Collateral to be sold. The recitals contained in any conveyances and receipts made and given by Agent or the public officer to any purchaser at any sale made pursuant to this Agreement shall, to the extent permitted by applicable law, be presumed (absent manifest error) to establish the truth and accuracy of the matters stated (including, without limit, as to the amounts of the principal of and interest on the Obligations, the accrual and nonpayment of it and advertisement and conduct of the sale); and all prerequisites to the sale shall be presumed to have been satisfied and performed. Upon any sale of any Collateral, the receipt of the officer making the sale under judicial proceedings or of Agent shall be sufficient discharge to the purchaser for the purchase money, and the purchaser shall not be obligated to see to the application of the money. Any sale of any Collateral under this Agreement shall be a perpetual bar against Debtor with respect to that Collateral. At any sale or other disposition of the Collateral pursuant to this Section 4.2, Agent disclaims all warranties which would otherwise be given under the Uniform Commercial Code, including without limit a disclaimer of any warranty relating to title, possession, quiet enjoyment or the like, and Agent may communicate these disclaimers to a purchaser at such disposition. This disclaimer of warranties will not render the sale commercially unreasonable.

4.3 The proceeds of any sale or other disposition of Collateral authorized by this Agreement shall be applied by Agent as described in the Credit Agreement. Debtor shall remain liable for any deficiency, which it shall pay to Agent immediately upon demand. Debtor agrees that Agent shall be under no obligation to accept any noncash proceeds in connection with any sale or disposition of Collateral unless failure to do so would be commercially unreasonable. If Agent agrees in its sole discretion to accept noncash proceeds (unless the failure to do so would be commercially unreasonable), Agent may ascribe any commercially reasonable value to such proceeds. Without limiting the foregoing, Agent may apply any reasonable discount factor in determining the present value of proceeds to be received in the future or may elect to apply proceeds to be received in the future only as and when such proceeds are actually received in cash by Agent.

4.4 Nothing in this Agreement is intended, nor shall it be construed, to preclude Agent from pursuing any other remedy provided by law or in equity for the collection of the Obligations or for the recovery of any other sum to which Agent may be entitled for the breach of this Agreement by Debtor. Nothing in this Agreement shall reduce or release in any way any rights or security interests of Agent contained in any existing agreement between the Borrower, Debtor, or any Guarantor and Agent.

4.5 No waiver of default or consent to any act by Debtor shall be effective unless in writing and signed by an authorized officer of Agent. No waiver of any default or forbearance on the part of Agent in enforcing any of its rights under this Agreement shall operate as a waiver of any other default or of the same default on a future occasion or of any rights.

4.6 Debtor authorizes Agent or any agent of Agent, in its own name, at Debtor’s expense, to do any of the following during the existence of an Event of Default, as Agent, in its sole discretion, deems appropriate:

(i) to demand, sue for, collect, or receive in the name of Debtor or in its own name, any money or property at any time payable or receivable on account of or in exchange for any of the Collateral and, in connection therewith, endorse checks, notes, drafts, acceptances, money orders, or any other instruments for the payment of money under the Collateral;

(ii) to pay or discharge taxes, liens, security interests, or other encumbrances levied or placed on or threatened against the Collateral;

(iii) to direct account debtors and any other parties liable for any payment under any of the Collateral to make payment of any and all monies due and to become due thereunder directly to Agent or as Agent shall direct;

(iv) to receive payment of and receipt for any and all monies, claims, and other amounts due and to become due at any time in respect of or arising out of any Collateral;

(v) to sign and endorse any drafts, assignments, proxies, stock powers, verifications, notices, and other documents relating to the Collateral;

(vi) to commence and prosecute any suit, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any part thereof and to enforce any other right in respect of any Collateral;

(vii) to defend any suit, action, or proceeding brought against Debtor with respect to any Collateral;

(viii) to settle, compromise, or adjust any suit, action, or proceeding described above and, in connection therewith, to give such discharges or releases as Agent may deem appropriate;

(ix) to exchange any of the Collateral for other property upon any merger, consolidation, reorganization, recapitalization, or other readjustment of the issuer thereof and, in connection therewith, deposit any of the Collateral with any committee, depositary, transfer agent, registrar, or other designated agency upon such terms as Agent may determine;

(x) to add or release any guarantor, indorser, surety, or other party to any of the Collateral or the Obligations;

(xi) to renew, extend, or otherwise change the terms and conditions of any of the Collateral or Obligations;

(xii) to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Agent were the absolute owner thereof for all purposes, and to do, at Agent's option and Debtor's expense, at any time, or from time to time, all acts and things which Agent reasonably deems necessary to protect, preserve, or realize upon the Collateral and Agent's security interest therein; and

(xiii) to do and perform any act on behalf of Debtor permitted or required under this Agreement.

4.7 Unless and until an Event of Default shall have occurred and be continuing, Debtor shall be entitled to exercise any and all voting rights relating or pertaining to the Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement. Agent shall execute and deliver to Debtor all such proxies and other instruments as Debtor may reasonably request for the purpose of enabling Debtor to exercise the voting rights which it is entitled to exercise pursuant to this Section.

4.8 Unless an Event of Default shall have occurred and be continuing, Debtor shall be entitled to receive and retain all cash dividends and distributions paid on the Collateral to the extent and only to the extent that such dividends and distributions are paid out of earned surplus.

4.9 During the existence of an Event of Default, Agent shall have the right, but shall not be obligated to, exercise or cause to be exercised all voting, consensual, and other powers of ownership pertaining to the Collateral, and Debtor shall deliver to Agent, if reasonably requested by Agent, irrevocable proxies with respect to the Collateral in form satisfactory to Agent.

4.10 Debtor hereby acknowledges and confirms that Agent may be unable to effect a public sale of any or all of the Collateral by reason of certain prohibitions contained in the Securities Act of 1933, as amended, and applicable state securities laws and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers who will be obligated to agree, among other things, to acquire any shares of the Collateral for their own respective accounts for investment and not with a view to distribution or resale thereof.

Debtor further acknowledges and confirms that any such private sale may result in prices or other terms less favorable to the seller than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner, and Agent shall be under no obligation to take any steps in order to permit the Collateral to be sold at a public sale. Agent shall be under no obligation to delay a sale of any of the Collateral for any period of time necessary to permit any issuer thereof to register such Collateral for public sale under the Securities Act of 1933, as amended, or under applicable state securities laws.

4.11 Upon the occurrence of an Event of Default, Debtor also agrees, upon request of Agent, to assemble the Collateral and make it available to Agent at any place designated by Agent which is reasonably convenient to Agent and Debtor.

5. Miscellaneous.

5.1 Until Agent is advised in writing by Debtor to the contrary, all notices, requests and demands required under this Agreement or by law shall be given to, or made upon, Debtor at the first address indicated in Section 5.15 below.

5.2 Debtor will give Agent not less than 30 days prior written notice of all contemplated changes in Debtor’s name, location, chief executive office, principal place of business, and/or location of any Collateral, and Debtor shall promptly take all necessary steps reasonably requested by Agent to maintain the perfection of Agent’s security interest in the Collateral.

5.3 Agent assumes no duty of performance or other responsibility under any contracts contained within the Collateral.

5.4 Agent has the right to sell, assign, transfer, negotiate or grant participations or any interest in, any or all of the Obligations and any related obligations, including without limit this Agreement. In connection with the above, subject to any restrictions in the Credit Agreement, Agent may disclose all documents and information which Agent now or later has relating to Debtor, the Obligations or this Agreement, however obtained. Debtor further agrees that Agent may provide information relating to this Agreement or relating to Debtor or the Obligations to the Agent’s parent, affiliates, subsidiaries, and service providers but subject to any restrictions in the Credit Agreement and solely for purposes relating to this Agreement.

5.5 In addition to Agent’s other rights, any indebtedness owing from Agent to Debtor can be set off and applied by Agent on any Obligations at any time(s) either before or after maturity or demand with notice to Debtor, provided that Agent’s failure to give such notice shall not affect the validity thereof. Any such action shall not constitute acceptance of collateral in discharge of any portion of the Obligations.

5.6 Debtor, to the extent not expressly prohibited by applicable law, waives any right to require the Agent to: (a) proceed against any person or property; or (b) pursue any other remedy in the Agent's power. Debtor waives, to the extent allowed by law, notice of acceptance of this Agreement and presentment, demand, protest, notice of protest, dishonor, notice of dishonor, notice of default, notice of intent to accelerate or demand payment or notice of acceleration of any Obligations, any and all other notices to which the undersigned might otherwise be entitled, and diligence in collecting any Obligations, and agree(s) that the Agent may, once or any number of times, modify the terms of any Obligations, compromise, extend, increase, accelerate, renew or forbear to enforce payment of any or all Obligations, or permit the Borrower to incur additional Obligations, all without notice to Debtor and without affecting in any manner the unconditional obligation of Debtor under this Agreement. Debtor unconditionally and irrevocably waives each and every defense (other than payment) of any nature which, under principles of guaranty or otherwise, would operate to impair or diminish in any way the obligation of Debtor under this Agreement, and acknowledges that such waiver is by this reference incorporated into each security agreement, collateral assignment, pledge and/or other document from Debtor now or later securing the Obligations, and acknowledges that as of the date of this Agreement no such defense or setoff exists.

5.7 Debtor waives any and all rights (whether by subrogation, indemnity, reimbursement, or otherwise) to recover from the Borrower any amounts paid or the value of any Collateral given by Debtor pursuant to this Agreement until such time as all of the Obligations have been fully paid.

5.8 In the event that applicable law shall obligate Agent to give prior notice to Debtor of any action to be taken under this Agreement, Debtor agrees that a written notice given to Debtor at least ten days before the date of the act shall be reasonable notice of the act and, specifically, reasonable notification of the time and place of any public sale or of the time after which any private sale, lease, or other disposition is to be made, unless a shorter notice period is reasonable under the circumstances. A notice shall be deemed to be given under this Agreement when delivered to Debtor or three Business Days after being placed in an envelope addressed to Debtor and deposited, with postage prepaid, in a post office or official depository under the exclusive care and custody of the United States Postal Service or one Business Day after being delivered to an overnight courier. The mailing shall be by overnight courier, certified, or first class mail.

5.9 Notwithstanding any prior revocation, termination, surrender, or discharge of this Agreement in whole or in part, the effectiveness of this Agreement shall automatically continue or be reinstated in the event that any payment received or credit given by Agent or the Lenders in respect of the Obligations is returned, disgorged, or rescinded under any applicable law, including, without limitation, bankruptcy or insolvency laws, in which case this Agreement shall be enforceable against Debtor as if the returned, disgorged, or rescinded payment or credit had not been received or given by Agent, and whether or not Agent or any Lender relied upon this payment or credit or changed its position as a consequence of it. In the event of continuation or reinstatement of this Agreement, Debtor agrees upon demand by Agent to execute and deliver to Agent those documents which Agent reasonably determines are appropriate to further evidence (in the public records or otherwise) this continuation or reinstatement, although the failure of Debtor to do so shall not affect in any way the reinstatement or continuation.

5.10 This Agreement and all the rights and remedies of Agent and the Lenders under this Agreement shall inure to the benefit of Agent's and the Lenders' successors and assigns and to any other holder who derives from Agent title to or an interest in the Obligations or any portion of it, and shall bind Debtor and the heirs, legal representatives, successors, and assigns of Debtor. Nothing in this Section 5.10 is deemed a consent by Agent to any assignment by Debtor.

5.11 If there is more than one Debtor, all undertakings, warranties and covenants made by Debtor and all rights, powers and authorities given to or conferred upon Agent are made or given jointly and severally.

5.12 Except as otherwise provided in this Agreement, all terms in this Agreement have the meanings assigned to them in Article 9 (or, absent definition in Article 9, in any other Article) of the Uniform Commercial Code as those meanings may be amended, revised or replaced from time to time. "Uniform Commercial Code" means the Texas Business and Commerce Code as amended, revised or replaced from time to time. Notwithstanding the foregoing, the parties intend that the terms used herein which are defined in the Uniform Commercial Code have, at all times, the broadest and most inclusive meanings possible. Accordingly, if the Uniform Commercial Code shall in the future be amended or held by a court to define any term used herein more broadly or inclusively than the Uniform Commercial Code in effect on the date of this Agreement, then such term, as used herein, shall be given such broadened meaning. If the Uniform Commercial Code shall in the future be amended or held by a court to define any term used herein more narrowly, or less inclusively, than the Uniform Commercial Code in effect on the date of this Agreement, such amendment or holding shall be disregarded in defining terms used in this Agreement.

5.13 No single or partial exercise, or delay in the exercise, of any right or power under this Agreement, shall preclude other or further exercise of the rights and powers under this Agreement. The unenforceability of any provision of this Agreement shall not affect the enforceability of the remainder of this Agreement. This Agreement constitutes the entire agreement of Debtor and Agent with respect to the subject matter of this Agreement. No amendment or modification of this Agreement shall be effective unless the same shall be in writing and signed by Debtor and an authorized officer of Agent. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE

INTERNAL LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

5.14 To the extent that any of the Obligations is payable upon demand, nothing contained in this Agreement shall modify the terms and conditions of the Obligations nor shall anything contained in this Agreement prevent Agent from making demand, without notice and with or without reason, for immediate payment of any or all of the Obligations at any time(s), whether or not an Event of Default has occurred.

5.15 Debtor represents and warrants that Debtor's exact name is the name set forth in this Agreement. Debtor further represents and warrants the following and agrees that Debtor is, and at all times shall be, located in the following place:

Debtor, Matador Resources Company, is a registered organization which is organized under the laws of one of the states comprising the United States (e.g. corporation, limited partnership, registered limited liability partnership or limited liability company), and Debtor is located (as determined pursuant to the Uniform Commercial Code) in the state under the laws of which it was organized, which is: Texas.

5.16 A carbon, photographic or other reproduction of this Agreement shall be sufficient as a financing statement under the Uniform Commercial Code and may be filed by Agent in any filing office.

5.17 This Agreement shall be terminated only upon the payment in full of the non-contingent Obligations, the termination of any continuing commitment of the Lenders under the Credit Agreement to make additional Loans thereunder and the termination or expiration of all outstanding Letters of Credit, but the obligations contained in Section 2.14 of this Agreement shall survive termination. Upon termination of this Agreement, upon reasonable request by Debtor, Agent shall promptly execute, deliver and file (to the extent necessary) termination statements and other instruments to evidence release of the liens and security interests created hereunder and return to Debtor any of the Collateral in its possession.

5.18 Debtor agrees to reimburse the Agent upon demand for any and all reasonable costs and expenses (including, without limit, court costs, legal expenses and reasonable attorneys' fees, whether or not suit is instituted and, if suit is instituted, whether at the trial court level, appellate level, in a bankruptcy, probate or administrative proceeding or otherwise) incurred in enforcing or attempting to enforce this Agreement or in exercising or attempting to exercise any right or remedy under this Agreement or incurred in any other matter or proceeding relating to this Agreement.

6. THIS WRITTEN LOAN AGREEMENT (AS DEFINED BY SECTION 26.02 OF THE TEXAS BUSINESS AND COMMERCE CODE) REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.
SIGNATURE PAGE FOLLOWS.]**

DEBTOR:

MATADOR RESOURCES COMPANY

By: /s/ Joseph Wm. Foran
Signature of: Joseph Wm. Foran
Its Chief Executive Officer

Address of Debtor:

5400 LBJ Freeway, Suite 1500
Dallas, Texas 75240

AGENT:

COMERICA BANK

By: /s/ James A. Morgan
Signature of: James A. Morgan
Its Vice President

PLEDGE AND SECURITY AGREEMENT

SCHEDULE 1

The Subsidiaries

MRC Energy Company, a Texas corporation

EXHIBIT A

Stock Certificate no. 1 for 1,000 shares of common stock of MRC Energy Company issued to Matador Resources Company on August 9, 2011

Exhibit 10.3

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered into on August 9, 2011, to be effective as of the Effective Date (as defined below) by and between Matador Resources Company, a Texas corporation ("Matador"), acting through its Board of Directors (the "Board"), and Joseph Wm. Foran ("Employee"). For purposes of this Agreement, the "Effective Date" shall mean the date of filing with the United States Securities and Exchange Commission of Matador's first registration statement following the date hereof with respect to an underwritten public offering of its equity securities, or such other date as the Board and Employee may agree.

WHEREAS, Matador and Employee desire to enter into this Agreement to set forth the terms and conditions of Employee's employment with Matador;

NOW, THEREFORE, the parties hereto, in consideration of the mutual covenants and promises hereinafter contained, do hereby agree as follows:

1. Employment. Matador hereby agrees to employ Employee in the capacity of Chief Executive Officer, or in such other position or positions of the same or greater stature as the Board may direct or desire, to the extent reasonably acceptable to Employee, and Employee hereby accepts such employment, on the terms and subject to the conditions set forth herein.

2. Duties. Employee's principal duties and responsibilities shall be to manage, generally, all of Matador's operations, which duties and responsibilities are more fully described in Matador's Bylaws, and such other duties consistent with his position as Chief Executive Officer and such other duties that are reasonably assigned to Employee from time to time by the Board. Employee agrees to perform such services and duties and hold such offices as may be reasonably assigned to him from time to time by the Board, consistent with his position, and to devote substantially his full time, energies and best efforts to the performance thereof to the exclusion of all other business activities, except reasonable and normal work for his personal affairs and estate and any other activities to which Matador may consent, and except for services to charitable, civic and/or professional organizations, to the extent such service does not materially and adversely impact Employee's service to Matador. Employee shall also have the authority to hire or terminate any employee.

3. Term. Employee's employment shall be under the terms and conditions of this Agreement and shall expire at the end of twenty-four (24) months from the Effective Date (the "Term"), subject to earlier termination as provided herein; provided, however, that the Term shall be extended automatically at the end of each month by one additional month unless by such date Matador or Employee gives written notice to the other that the Term shall not be further extended. Such notice must indicate that it shall have the effect of preventing any further extension of the Term.

4. Salary and Other Compensation. As compensation for the services to be rendered by Employee to Matador pursuant to this Agreement, Employee shall be paid the following compensation and other benefits:

(a) Base Salary. Employee shall receive an annualized salary of $550,000 per year, payable in installments in accordance with Matador's then standard payroll practices, or such higher compensation as may be established by Matador from time to time ("Base Salary"); provided, however, that until the earlier of (i) the consummation of Matador's first underwritten public offering of its equity securities following the date hereof or (ii) immediately prior to a Change of Control (as defined below), the Base Salary shall continue to be the annualized salary of Employee as of the date hereof. Should Employee become "Partially Disabled," which for purposes hereof means the inability because of any physical or emotional illness lasting no more than 90 days to perform his assigned duties under this Agreement for no less than 20 hours per week (and including any period of short term total absence due to illness or injury, including recovery from surgery, but in no event lasting more than the 90-day period of Partial Disability), and if Employee, during any period of Partial Disability, receives any periodic payments representing lost compensation under any health and accident policy or under any salary continuation insurance policy, the premiums for which have been paid by Matador, the amount of Base Salary that Employee would be entitled to receive from Matador during the period of Partial Disability shall be decreased by the amounts of such payments. Notwithstanding the foregoing, should Employee become Totally Disabled, as defined in Section 12(b), during a period of Partial Disability, the provisions in Sections 12 and 14 with respect to Total Disability shall control.

(b) Annual Incentive Compensation. Employee shall be entitled to participate in the annual incentive plan for management maintained by Matador at a level to provide Employee with annual incentive compensation commensurate with Employee's position and responsibilities, as determined by, and based on such performance objectives as established by the Nominating, Compensation and Planning Committee of the Board (the "NCP Committee") and the Board, in their sole discretion.

(c) Long-Term Incentive Compensation. Employee shall be entitled to participate in Matador's 2011 Long-Term Incentive Plan, or such other equity incentive plan as may exist in the future, with awards under any such plan to be determined by the NCP Committee or the Board, in their discretion.

(d) Employee Benefit Plans. Employee shall be eligible to participate, to the extent he may be eligible pursuant to the terms of any such plan, in any profit sharing, retirement, insurance or other employee benefit plan maintained by Matador for the benefit of officers and senior management of Matador, at the officer/senior management level.

5. Life Insurance. Matador, in its discretion, may apply for and procure in its own name and for its own benefit, life insurance on the life of Employee in any amount or amounts considered advisable by Matador, and Employee shall submit to any medical or other examination and execute and deliver any application or other instrument in writing, reasonably necessary to effectuate such insurance.

6. Expenses. Matador shall pay, or reimburse Employee, for the reasonable and necessary business expenses of Employee, to the extent incurred in accordance with all applicable expense reimbursement policies of Matador.

7. Vacations and Leave. Employee shall be entitled to four (4) weeks paid vacation per year, to be accrued and used in accordance with Matador's vacation policy in effect from time to time.

8. Non-Disclosure of Confidential Information. Matador shall provide Employee Confidential Information, which Employee may use in the performance of his job duties with Matador. "Confidential Information," whether electronic, oral or in written form, includes without limitation: all geological and geophysical reports and related data such as maps, charts, logs, seismographs, seismic records and other reports and related data, calculations, summaries, memoranda and opinions relating to the foregoing, production records, electric logs, core data, pressure data, lease files, well files and records, land files, abstracts, title opinions, title or curative matters, contract files, notes, records, drawings, manuals, correspondence, financial and accounting information, customer lists, statistical data and compilations, patents, copyrights, trademarks, trade names, inventions, formulae, methods, processes, agreements, contracts, manuals or any documents relating to the business of Matador and information or data regarding Matador's systems, operations, business, finances, prospects, properties or prospective properties; provided, however, that Confidential Information shall not include any information that is or becomes publicly available, or is otherwise generally known in Matador's industry, other than as a result of any disclosure by Employee that is inconsistent with his duties pursuant to this Agreement. As a material inducement to Matador to enter into this Agreement and to pay to Employee the compensation stated in Section 4, Employee covenants and agrees that he shall not, at any time during or following the term of his employment, directly or indirectly divulge or disclose for any purpose whatsoever, other than as may be required by law, any Confidential Information that has been obtained by, or disclosed to, him as a result of his employment by Matador, or use such Confidential Information for any reason other than to perform his duties pursuant to this Agreement.

9. Noncompetition Agreement. Employee acknowledges and agrees that the Confidential Information Matador shall provide Employee will enable Employee to injure Matador if Employee should compete with Matador. Therefore, Employee hereby agrees that during Employee's employment, and (i) if Matador terminates Employee's employment for Total Disability, or if Employee terminates his employment for Good Reason, then for a period of six (6) months thereafter, or (ii) if Matador terminates Employee's employment for Just Cause, Employee terminates his employment during the Term other than for Good Reason or Employee is entitled to severance pay pursuant to Section 14(b) or Section 14(c) (other than if Employee terminates his employment for Good Reason), then for a period of twelve (12) months thereafter (the period specified in clause (i) or (ii), as applicable, being referred to herein as the "Restricted Period"), Employee shall not, without Matador's prior written consent (which consent, in the event Employee terminates his employment other than for Good Reason, may not be unreasonably withheld, but in each other situation described in clauses (i) and (ii) above, may be withheld in its sole discretion), directly or indirectly: (a) invest in (other than investments in publicly-owned companies which constitute not more than 1% of the voting securities of any such company) a Competing Business with Significant Assets in the Restricted Area (each as

defined below), or (b) participate in a Competing Business as a manager, employee, director, officer, consultant, independent contractor, or other capacity or otherwise provide, directly or indirectly, services or assistance to a Competing Business in a position that involves input into or direction of the Competing Business's decisions within the Restricted Area. "Competing Business" means any person or entity engaged in oil and natural gas exploration, development, production and acquisition activities. "Significant Assets" means oil and natural gas reserves with an aggregate fair market value of $25 million or more. "Restricted Area" means a one-mile radius of any oil and natural gas reserves held by Matador as of the end of Employee's employment, plus any county or parish where Matador, together with its subsidiaries, has Significant Assets as of the end of Employee's employment.

10. Reasonableness of Restrictions

(a) Employee has carefully read and considered the provisions of Sections 8 and 9, and, having done so, agrees that the restrictions set forth in those Sections are fair and reasonable and are reasonably required for the protection of the interests of Matador and its parent or subsidiary corporations, officers, directors, and shareholders.

(b) In the event that, notwithstanding the foregoing, any of the provisions of Sections 8 or 9 shall be held to be invalid or unenforceable, the remaining provisions thereof shall nevertheless continue to be valid and enforceable as though the invalid or unenforceable parts had not been included therein. In the event that any provision of Sections 8 or 9 shall be declared by a court of competent jurisdiction to exceed the maximum restrictiveness such court deems reasonable and enforceable, the time period, the areas of restriction and/or related aspects deemed reasonable and enforceable by the court shall become and thereafter be the maximum restriction in such regard, and the restriction shall remain enforceable to the fullest extent deemed reasonable by such court.

(c) Sections 8 and 9 shall survive the termination of this Agreement. If Employee is found by a court of competent jurisdiction or arbitrator to have materially violated any of the restrictions contained in Section 9, the restrictive period will be suspended and will not run in favor of Employee during such period that Employee shall have been found to be in material violation thereof.

11. Remedies for Breach of Employee's Covenants of Non-Disclosure and Non-Competition. In the event of a breach or threatened breach of any of the covenants in Sections 8 or 9, then Matador shall be entitled to seek a temporary restraining order and injunctive relief restraining Employee from the commission of any breach.

12. Termination. Employment of Employee under this Agreement may be terminated:

(a) By Employee's death.

(b) If Employee is Totally Disabled. For the purposes of this Agreement, Employee is totally disabled if he is "Totally Disabled" as defined in and for the period necessary to qualify for benefits under any disability income insurance policy and any replacement policy or policies covering Employee and Employee has been declared to be Totally Disabled by the insurer.

(c) By mutual agreement of Employee and Matador.

(d) By the dissolution and liquidation of Matador (other than as part of a reorganization, merger, consolidation or sale of all or substantially all of the assets of Matador whereby the business of Matador is continued).

(e) By Matador for Just Cause. This Agreement and Employee's employment with Matador may be terminated for Just Cause at any time in accordance with Section 13. For purposes of this Agreement, "Just Cause" shall mean only the following: (i) Employee's continued and material failure to perform the duties of his employment consistent with Employee's position, except as a result of being Partially Disabled (during any period of Partial Disability) or Totally Disabled, (ii) Employee's failure to perform his material obligations under this Agreement, except as a result of being Partially Disabled (during any period of Partial Disability) or Totally Disabled, or a material breach by the Employee of Matador's written policies concerning discrimination, harassment or securities trading, (iii) Employee's refusal or failure to follow lawful directives of the Board, except as a result of being Partially Disabled (during any period of Partial Disability) or Totally Disabled, (iv) Employee's commission of an act of fraud, theft, or embezzlement, (v) Employee's indictment for or conviction of a felony or other crime involving moral turpitude, or (vi) Employee's intentional breach of fiduciary duty; provided, however, that Employee shall have thirty (30) days after written notice from the Board (or NCP Committee) to remedy any actions alleged under subsections (i), (ii) or (iii) in the manner reasonably specified by the Board (or NCP Committee). For the avoidance of doubt, the parties acknowledge and agree that a termination by Matador for Just Cause shall have priority over the other provisions of this Section 12, and Matador shall have the right, to the extent raised by Matador within twelve (12) months following Employee's termination, to "claw back" any benefits paid to Employee based on a termination pursuant to any other provision of this Section 12, in the event that Matador subsequently discovers the existence of facts or circumstances that would have been grounds for Employee's termination for Just Cause; provided, however, that the foregoing shall not modify in any way Employee's rights to dispute any termination for Just Cause, or to have any such dispute resolved by mediation or arbitration, as provided herein.

(f) At the end of the Term.

(g) By Employee for Good Reason. This Agreement and Employee's employment with Matador may be terminated at any time, at the election of Employee, for Good Reason in accordance with Section 13, and such termination for Good Reason shall be treated as an involuntary separation from service within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the Treasury Regulations promulgated thereunder. As used in this

Agreement, "Good Reason" shall mean (i) the assignment to Employee of duties inconsistent with the title of Chief Executive Officer or his then-current office, or a material diminution in Employee's then current authority, duties or responsibilities; (ii) a diminution of Employee's then current Base Salary or other action or inaction that constitutes a material breach of this Agreement by Matador; or (iii) the relocation of Matador's principal executive offices to a location more than thirty (30) miles from Matador's current principal executive offices or the transfer of Employee to a place other than Matador's principal executive offices (excepting required travel on Matador's business). Within thirty (30) days from the date Employee knows of the actions constituting Good Reason as defined in this Section 12(g), Employee shall give Matador written notice thereof, and provide Matador with a reasonable period of time, in no event exceeding thirty (30) days, after receipt of such notice to remedy the alleged actions constituting Good Reason; provided, however, that Matador shall not be entitled to notice of, and the opportunity to remedy, the recurrence of any alleged actions (or substantially similar actions) constituting Good Reason in the event that Employee has previously provided notice of such prior alleged actions (or substantially similar actions) to Matador and provided Matador an opportunity to cure such prior actions (or substantially similar actions). In the event Matador does not cure the alleged actions, if Employee does not terminate this Agreement and his employment within sixty (60) days following the last day of Matador's cure period, Employee shall not be entitled to terminate his employment for Good Reason based upon the occurrence of such actions; provided, however, that any recurrence of such actions (or substantially similar actions) may constitute Good Reason. Any corrective measures undertaken by Matador are solely within its discretion and do not concede or indicate agreement that the actions described in Employee's written notice constitute Good Reason within the meaning of this Section 12(g).

(h) By Employee other than for Good Reason. This Agreement and Employee's employment with Matador may be terminated at any time, at the election of Employee, other than for Good Reason.

(i) Change in Control. In the event of a Change in Control and Employee is terminated by Matador without Just Cause, or Employee terminates his employment with or without Good Reason, within 30 days prior to or twelve (12) months following the Change in Control. As used in this Section 12(i) and Section 14, the term "Change in Control" shall mean a change in control event for purposes of Section 409A of the Code, as defined in Treasury Regulation Section 1.409A-3(i)(5) and any successor provision thereto, which currently is the following:

(i) A change in ownership of Matador occurs on the date that any Person other than (1) Matador or any subsidiaries, (2) a trustee or other fiduciary holding securities under an employee benefit plan of Matador or any of its Affiliates, (3) an underwriter temporarily holding stock pursuant to an offering of such stock, or (4) a corporation owned, directly or indirectly, by the shareholders of Matador in substantially the same proportions as their ownership of Matador's stock, acquires ownership of Matador's stock that, together with stock held by such Person, constitutes more than 50% of the total fair market value or total voting power of Matador's stock. However, if any Person is considered to own already more than 50% of the total fair market value or total voting power of Matador's stock, the acquisition of additional stock by the same Person is not considered to be a Change in Control. In addition, if any Person has effective control of Matador through ownership of 30% or more of the total voting power of Matador's stock, as described in Section 12(i), subsection (ii), below, the acquisition of additional control of Matador by the same Person is not considered to cause a Change in Control pursuant to this Section 12(i), subsection (i);

(ii) Even though Matador may not have undergone a change in ownership under Section 12(i), subsection (i), above, a change in the effective control of Matador occurs on either of the following dates:

> a) the date that any Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) ownership of Matador's stock possessing 30% or more of the total voting power of Matador's stock. However, if any Person owns 30% or more of the total voting power of Matador's stock, the acquisition of additional control of Matador by the same Person is not considered to cause a Change in Control pursuant to this Section 12(i), subsection (ii), clause a); or
>
> b) the date during any 12-month period when a majority of members of the Board is replaced by directors whose appointment or election is not endorsed by a majority of the Board before the date of appointment or election; provided, however, that any such director shall not be considered to be endorsed by the Board if his or her initial assumption of office occurs as a result of an actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) A change in the ownership of a substantial portion of Matador's assets occurs on the date that a Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) assets of Matador, that have a total gross fair market value equal to at least 40% of the total gross fair market value of all of Matador's assets immediately before such acquisition or acquisitions. However, there is no Change in Control where there is such a transfer to an entity that is controlled by the shareholders of Matador immediately after the transfer, through a transfer to a) a shareholder of Matador (immediately before the asset transfer) in exchange for or with respect to Matador's stock; b) an entity, at least 50% of the total value or voting power of the stock of which is owned, directly or indirectly, by Matador; c) a Person that owns, directly or indirectly, at least 50% of the total value or voting power of Matador's outstanding stock; or d) an entity, at least 50% of the total value or voting power of the stock of which is owned by a Person that owns, directly or indirectly, at least 50% of the total value or voting power of Matador's outstanding stock.

(iv) For the purposes of this definition of Change in Control only:

"Person" shall have the meaning given in Section 7701(a)(1) of the Code. Person shall include more than one Person acting as a group as defined in the Final Treasury Regulations issued under Section 409A of the Code.

(v) As noted, the definition of Change in Control as set forth in this Section 12(i) shall be interpreted in accordance with the Treasury Regulations under Section 409A of the Code, it being the intent of the parties that this Section 12(i) shall be in compliance with the requirements of said Code Section and said Regulations. Notwithstanding the definition of Change in Control as set forth in this Section 12(i), no Change in Control shall be deemed to have occurred as a result of the sale of any equity securities by Matador in any registered public offering.

13. Notice of Termination/Date of Termination. Termination of Employee's employment by Matador for Just Cause or by Employee for Good Reason or other than for Good Reason shall be accompanied by written notice of the reason for such termination. Such notice shall indicate a specific termination provision in this Agreement which is relied upon, describe the basis for such termination, if any, and the Date of Termination. If Employee's employment is terminated by Employee other than for Good Reason, the Date of Termination shall be not less than thirty (30) days following such written notice. As used in this Agreement, "Date of Termination" shall mean a "Separation from Service" as defined in Section 16 hereof.

14. Payments With Respect to Termination; Vesting of Equity Incentive Awards. Payments to Employee upon termination shall be limited to the following:

(a) If Employee's employment is terminated by Matador upon death pursuant to Section 12(a), Total Disability pursuant to Section 12(b), mutual agreement pursuant to Section 12(c), dissolution and liquidation pursuant to Section 12(d), for Just Cause pursuant to Section 12(e), at the end of the Term pursuant to Section 12(f), or by Employee other than for Good Reason pursuant to Section 12(h), Employee shall be entitled to all arrearages of Base Salary, accrued but unused vacation and expenses as of the Date of Termination (the "Accrued Obligations") payable in accordance with Matador's customary payroll practices, plus (unless

Employee’s employment is terminated by Matador for Just Cause or by Employee other than for Good Reason) an amount equal to the average annual amount of all bonuses paid to Employee with respect to the prior two (2) calendar years, pro-rated based on the number of complete or partial months of Employee’s employment during the calendar year in which his employment terminates payable in a lump sum, subject to Section 16(b), on the sixtieth (60th) day following the Date of Termination, but shall not be entitled to further compensation.

(b) If Employee’s employment is terminated by Matador for a reason other than as described in Section 14(a) or (c), or is terminated by Employee for Good Reason pursuant to Section 12(g), Matador shall (i) pay to Employee all Accrued Obligations as required under applicable wage payment laws and in accordance with Matador’s customary payroll practices, and (ii) subject to Employee’s compliance with Sections 8 and 9, pay to Employee severance pay in an amount equal to two (2) times his then-current Base Salary as of the Date of Termination, plus two (2) times an amount equal to the average annual amount of all bonuses paid to Employee with respect to the prior two (2) calendar years, in a lump sum, (A) on the date which immediately follows six (6) months from the Date of Termination or, if earlier, (B) within thirty (30) days of Employee’s death, with the exact date of payment after Employee’s death to be determined by Matador. Employee shall have no obligation to seek other employment, and any income so earned shall not reduce the foregoing amounts.

(c) If in contemplation of or following a Change in Control pursuant to Section 12(i), Employee’s employment is terminated by Matador without Just Cause or is terminated by Employee with or without Good Reason, Matador shall (i) pay to Employee all Accrued Obligations as required under applicable wage payment laws and in accordance with Matador’s customary payroll practices, and (ii) subject to Employee’s compliance with Sections 8 and 9, pay to Employee severance pay in an amount equal three (3) times the then-current Base Salary as of the Date of Termination, plus three (3) times an amount equal to the average annual amount of all bonuses paid to Employee with respect to the prior two (2) calendar years, in a lump sum, (A) on the date which immediately follows six (6) months from the Date of Termination or, if earlier, (B) within thirty (30) days of Employee’s death, with the exact date of payment after Employee’s death to be determined by Matador. Immediately prior to such termination of employment, as contemplated in the prior sentence, all unvested equity incentive awards held by Employee shall vest, and the forfeiture provisions with respect to any such awards that are subject to forfeiture will terminate. Employee shall have no obligation to seek other employment and any income so earned shall not reduce the foregoing amounts.

(d) Except with respect to any Accrued Obligations, which shall be paid in accordance with Section 14, as a condition to receiving any other payment under Section 14, and to the extent that Employee is then living and not prevented from executing a release of claims due to any disability, Employee shall execute (and not revoke) a release of claims substantially in the form attached hereto (which release shall be provided to Employee within five (5) business days following the

Date of Termination and must be returned to Matador (and not revoked) within forty-five (45) days following the Date of Termination). If Employee fails or otherwise refuses to execute and not revoke a release of claims within forty-five (45) days following the Date of Termination, and in all events prior to the date on which such other payment is to be first paid to him, Employee shall not be entitled to any such other payment, except as required by applicable wage payment laws, until Employee executes and does not revoke for forty-five (45) days, a release of claims.

15. Timing of Payments with Respect to Termination. In the event that, without the express or implied consent of Employee, Matador fails to make, either intentionally or unintentionally, any payment required pursuant to Section 14 at the time such payment is so required, and in addition to any other remedies that might be available to Employee under this Agreement or applicable law, including compliance with the requirements of Section 409A of the Code regarding disputed payments and refusals to pay, Matador and Employee agree that the unpaid amount of any such required payment shall increase by five percent (5%) per month for each month, or portion thereof, during which such payment is not made. Matador and Employee agree that any such increase is not interest, but is for purposes of compensating Employee for certain costs and expenses anticipated to be incurred by Employee in the event that any such payment is not made when required, the actual amounts of which are difficult to estimate. Notwithstanding the foregoing, in the event that any such amount is held to be interest, Employee shall not be entitled to charge, receive or collect, nor shall amounts received hereunder be credited so that Employee shall be paid, as interest a sum greater than interest at the Maximum Rate (as defined below). It is the intention of Matador and Employee that this Agreement shall comply with applicable law. If Employee is deemed to have charged or received anything of value which is deemed to be interest under applicable law, and if such interest is deemed to exceed the maximum lawful amount, any amount which exceeds interest at the Maximum Rate shall be applied to other amounts that might be owed to Employee by Matador or its affiliates, whether under this Agreement or otherwise, and if there are no such other amounts owed to Employee by Matador or its affiliates, any remaining excess shall be paid to Matador. In determining whether any such deemed interest exceeds interest at the Maximum Rate, the total amount of interest shall be spread, prorated and amortized throughout the entire time during which such payment is due, until payment in full. The term "Maximum Rate" means the maximum nonusurious rate of interest per annum permitted by whichever of applicable United States federal law or Texas law permits the higher interest rate, including to the extent permitted by applicable law, any amendments thereof hereafter or any new law hereafter coming into effect to the extent a higher Maximum Rate is permitted thereby.

16. Other Termination Provisions.

(a) Separation from Service. Notwithstanding anything to the contrary in this Agreement, with respect to any amounts payable to Employee under this Agreement that are treated as "non-qualified deferred compensation" subject to Section 409A of the Code in connection with a termination of Employee's employment, in no event shall a termination of employment occur under this Agreement unless such termination constitutes a Separation from Service. "Separation from Service" shall mean Employee's "separation from service" with

Matador as such term is defined in Treasury Regulation Section 1.409A-1(h) and any successor provision thereto.

(b) Section 409A Compliance. Notwithstanding anything contained in this Agreement to the contrary, to the maximum extent permitted by applicable law, amounts payable to Employee pursuant to Section 14 shall be made in reliance upon Treasury Regulation Section 1.409A-1(b)(9) (Separation Pay Plans) or Treasury Regulation Section 1.409A-1(b)(4) (Short-Term Deferrals). However, to the extent any such payments are treated as non-qualified deferred compensation subject to Section 409A of the Code, then if Employee is deemed at the time of his Separation from Service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, then to the extent delayed commencement of any portion of the benefits to which Employee is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of Employee's termination benefits shall not be provided to Employee prior to the earlier of (i) the expiration of the six-month period measured from the date of Employee's Separation from Service or (ii) the date of Employee's death. Upon the earlier of such dates, all payments deferred pursuant to this Section 16(b) shall be paid in a lump sum to Employee. The determination of whether Employee is a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code as of the time of his Separation from Service shall made by Matador in accordance with the terms of Section 409A of the Code and applicable guidance thereunder (including without limitation Treasury Regulation Section 1.409A-1(i) and any successor provision thereto).

(c) Section 280G Treatment.

(i) (A) In the event it is determined that any payment, distribution or benefits of any type by Matador to or for the benefit of Employee, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "Change in Control Payments"), constitute "parachute payments" within the meaning of Section 280G(b)(2) of the Code, Matador will provide Employee with a computation of (1) the maximum amount of the Change in Control Payments that could be made, without the imposition of the excise tax imposed by Section 4999 of the Code (said maximum amount being referred to as the "Capped Amount"); (2) the value of the Change in Control Payments that could be made pursuant to the terms of this Agreement (all said payments, distributions and benefits being referred to as the "Uncapped Amount"); (iii) the dollar amount of the excise tax (if any) including any interest or penalties with respect to such excise tax which Employee would become obligated to pay pursuant to Section 4999 of the Code as a result of receipt of the Uncapped Amount (the "Excise Tax Amount"); and (iv) the net value of the Uncapped Amount after reduction by the Excise Tax Amount and the estimated income taxes payable by Employee on the difference between the Uncapped Amount and the Capped Amount, assuming that Employee is paying the highest marginal tax rate for state, local and federal income taxes (the "Net Uncapped Amount").

(B) If the Capped Amount is greater than the Net Uncapped Amount, Employee shall be entitled to receive or commence to receive payments equal to the Capped Amount; or if the Net Uncapped Amount is greater than the Capped Amount, Employee shall be entitled to receive or commence to receive payments equal to the Uncapped Amount. If Employee receives the Uncapped Amount, then Employee shall be solely responsible for the payment of all income and excise taxes due from Employee and attributable to such Uncapped Amount, with no right of additional payment from Matador as reimbursement for any taxes.

(ii) All determinations required to be made under Section 16(c)(i)(A) shall be made in writing by the independent accounting firm agreed to by Matador and Employee on the date of the Change in Control (the "Accounting Firm"), whose determination shall be conclusive and binding upon Employee and Matador for all purposes. For purposes of making the calculations required by Section 16(c)(i)(A), the Accounting Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. Matador and Employee shall furnish to the Accounting Firm such information and documents as it reasonably may request in order to make determinations under Section 16(c)(i)(A). If the Accounting Firm determines that no Excise Tax Amount is payable by Employee, it shall furnish Employee with an opinion that he has substantial authority not to report any excise tax pursuant to Section 4999 of the Code on his federal income tax return. Matador shall bear all costs the Accounting Firm may reasonably incur in connection with any calculations contemplated by Section 16(c)(i)(A).

(iii) (A) If the computations and valuations required to be provided by Matador to Employee pursuant to Section 16(c)(i)(A) are on audit challenged by the Internal Revenue Service as having been performed in a manner inconsistent with the requirements of Sections 280G and 4999 of the Code or if Section 409A of the Code is determined to apply to all or any part of the payments to which Employee or his survivors may be entitled under this Agreement and as a result of such audit or determination, (1) the amount of cash and the benefits provided for in Section 16(c)(i) remaining to Employee after completion of such audit or determination is less than (2) the amount of cash and the benefits which were paid or provided to Employee on the basis of the calculations provided for in Section 16(c)(i)(A) (the difference between (1) and (2) being referred to as the "Shortfall Amount"), then Employee shall be entitled to receive an additional payment (an "Indemnification Payment") in an amount such that, after payment by Employee of all taxes (including additional excise taxes under said Section 4999 of the Code and any interest and penalties imposed with respect to any taxes) imposed upon the Indemnification Payment and all reasonable attorneys' and accountants' fees incurred by Employee in connection with such audit or determination, Employee retains an amount of the Indemnification Payment equal to the Shortfall Amount. Matador shall pay the Indemnification Payment to Employee in a lump sum cash payment within thirty (30) days of the completion of such audit or determination.

(B) If the computations and valuations required to be provided by Matador to Employee pursuant to Section 16(c)(i)(A) are on audit challenged by the Internal Revenue Service as having been performed in a manner inconsistent with the requirements of Sections 280G and 4999 of the Code and as a result of such audit or determination, (1) the amount of cash and the benefits which were paid or provided to Employee on the basis of the calculations provided for in Section 16(c)(i)(A) is greater than (2) the amount of cash and the benefits provided for in Section 16(c)(i) payable to Employee after completion of such audit or determination (the difference between (1) and (2) being referred to as the "Excess Amount"), then Employee shall repay to Matador the Excess Amount in a lump sum cash payment within thirty (30) days of the completion of such audit or determination.

(C) Notwithstanding the foregoing provisions of this Section 16(c)(iii), (1) any payment made to or on behalf of Employee which relates to taxes imposed on Employee shall be made not later than the end of the calendar year next following the calendar year in which such taxes are remitted by or on behalf of Employee, and (2) any payment made to or on behalf of Employee which relates to reimbursement of expenses incurred due to a tax audit or litigation addressing the existence or amount of a tax liability shall be made by the end of the calendar year following the calendar year in which the taxes that are the subject of the audit or litigation are remitted to the taxing authority, or where as a result of such audit or litigation no taxes are remitted, the end of the calendar year following the calendar year in which the audit is completed or there is a final and non-appealable settlement or other resolution of the litigation, whichever is the last event to occur.

(d) Termination by Employee Other than for Good Reason. If at any time Employee terminates his employment other than for Good Reason, Employee shall have no further obligation to Matador other than the provisions of Sections 8, 9, 14(d), 16(c)(iii)(B) and 21.

17. In-Kind Benefits and Reimbursements. Notwithstanding any thing to the contrary in this Agreement, in-kind benefits and reimbursements provided under this Agreement during any tax year of Employee shall not affect in-kind benefits or reimbursements to be provided in any other tax year of Employee and are not subject to liquidation or exchange for another benefit. Notwithstanding any thing to the contrary in this Agreement, reimbursement requests

must be timely submitted by Employee and, if timely submitted, reimbursement payments shall be made to Employee as soon as administratively practicable following such submission, but in no event later than the last day of Employee’s taxable year following the taxable year in which the expense was incurred. In no event shall Employee be entitled to any reimbursement payments after the last day of Employee’s taxable year following the taxable year in which the expense was incurred. This paragraph shall only apply to in-kind benefits and reimbursements that would result in taxable compensation income to Employee.

18. Section 409A; Separate Payments. This Agreement is intended to be written, administered, interpreted and construed in a manner such that no payment or benefits provided under the Agreement become subject to (a) the gross income inclusion set forth within Code Section 409A(a)(1)(A) or (b) the interest and additional tax set forth within Code Section 409A(a)(1)(B) (together, referred to herein as the “Section 409A Penalties”), including, where appropriate, the construction of defined terms to have meanings that would not cause the imposition of Section 409A Penalties. In no event shall Matador be required to provide a tax gross-up payment to Employee or otherwise reimburse Employee with respect to Section 409A Penalties. For purposes of Section 409A of the Code (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), each payment that Employee may be eligible to receive under this Agreement shall be treated as a separate and distinct payment.

19. Indemnification. Matador shall indemnify Employee to the extent permitted pursuant to the Certificate of Formation of Matador, the Bylaws of Matador and any indemnification agreement between Matador and Employee that may be in effect from time to time during the Term, the terms of which are incorporated herein by reference.

20. Resignation Upon Termination. In the event of termination of Employee’s employment for any reason, Employee hereby shall be deemed upon such termination to have immediately resigned from all positions held in Matador, including without limitations any position as a director, officer, agent, trustee or consultant of Matador or any affiliate of Matador and shall execute all documents reasonably necessary to further effectuate or document such resignation from such positions.

21. Cooperation. During and after Employee’s employment with Matador, Employee shall cooperate fully with Matador in the defense or prosecution of all claims or actions now in existence or which may be brought in the future against or on behalf of Matador or its affiliates. Employee’s full cooperation in connection with such claims or actions shall include, but shall not be limited to, being available to meet with counsel to Matador and/or its affiliates to prepare for discovery, trial or alternative dispute resolution proceedings, and to act as a witness on behalf of Matador and its affiliates. During and after Employee’s employment, Employee shall cooperate with Matador and its affiliates in connection with any investigation or review by any federal, state or local regulatory authority. In addition, during and after Employee’s employment with Matador, Employee shall assist Matador in all reasonably requested transition efforts in connection with Employee’s separation from Matador or the transfer of duties or responsibilities from Employee, including but not limited to execution and delivery of all documents that Matador reasonably requests to be signed by Employee. Matador shall (a) pay Employee an amount equal to his Base Salary in effect immediately prior to his termination of employment, but in any case not to exceed $1,500 per day, pro rated based on the number of days (and further

pro rated for any partial day) that Employee is required to perform the foregoing obligations, and (b) reimburse Employee for any reasonable out-of-pocket expenses incurred by Employee in connection therewith.

22. Waiver. A party's failure to insist on compliance or enforcement of any provision of this Agreement, shall not affect the validity or enforceability or constitute a waiver of future enforcement of that provision or of any other provision of this Agreement by that party or any other party.

23. Governing Law; Venue; Arbitration. This Agreement shall in all respects be subject to, and governed by, the laws of the State of Texas.

(a) Injunctive Relief. Matador and Employee agree and consent to the personal jurisdiction of the state and local courts of Dallas County, Texas and/or the United States District Court for the Northern District of Texas in the event that Matador or Employee seeks injunctive relief with respect to any provision hereof, and that those courts, and only those courts, shall have jurisdiction with respect thereto. Matador and Employee also agree that those courts are convenient forums for the parties and for any potential witnesses and that process issued out of any such court or in accordance with the rules of practice of that court may be served by mail or other forms of substituted service to Matador at the address of its principal executive offices and to Employee at his last known address as reflected in Matador's records.

(b) All Other Disputes. In the event of any dispute, claim, question or disagreement relating to this Agreement, other than one for which Matador or Employee seeks injunctive relief, the parties shall use their best efforts to settle the dispute, claim, question or disagreement. To this effect, they shall consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to both parties. If such a dispute cannot be settled through negotiation, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association (the "AAA") under its Commercial Mediation Rules before resorting to arbitration or some other dispute resolution procedure. If the parties do not reach such solution through negotiation or mediation within a period of sixty (60) days after a claim is first made by a party, then, upon notice by either party to the other, all disputes, claims, questions or disagreements shall be finally settled by arbitration administered by the AAA in accordance with the provisions of its Commercial Arbitration Rules. The arbitrator shall be selected by agreement of the parties or, if they do not agree on an arbitrator within thirty (30) days after either party has notified the other of his or its desire to have the question settled by arbitration, then the arbitrator shall be selected pursuant to the procedures of the AAA, with such arbitration taking place in Dallas, Texas. The determination reached in such arbitration shall be final and binding on all parties. Enforcement of the determination by such arbitrator may be sought in any court of competent jurisdiction.

24. Substantially Prevailing Party. The substantially prevailing party in any legal proceeding, including mediation and arbitration, based upon this Agreement shall be entitled to reasonable attorneys' fees and costs, in addition to any other damages and relief allowed by law,

from the substantially non-prevailing party; provided, however, that the maximum amount of fees and costs of all parties for which Employee shall be liable shall be $100,000.

25. Severability. The invalidity or unenforceability of any provision in the Agreement shall not in any way affect the validity or enforceability of any other provision and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had never been in the Agreement.

26. Notice. Any and all notices required or permitted herein shall be deemed delivered if delivered personally or if mailed by registered or certified mail to Matador at its principal place of business and to Employee at the address hereinafter set forth following Employee’s signature, or at such other address or addresses as either party may hereafter designate in writing to the other.

27. Assignment. This Agreement, together with any amendments hereto, shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, assigns, heirs and personal representatives, except that the rights and benefits of either of the parties under this Agreement may not be assigned without the prior written consent of the other party.

28. Amendments. This Agreement may be amended at any time by mutual consent of the parties hereto, with any such amendment to be invalid unless in writing, signed by Matador and Employee.

29. Entire Agreement. This Agreement, along with Matador’s employee handbook, as it may be amended from time to time, to the extent it does not specifically conflict with any provision of this Agreement, contains the entire agreement and understanding by and between Employee and Matador with respect to the employment of Employee, and no representations, promises, agreements, or understandings, written or oral, relating to the employment of Employee by Matador not contained herein shall be of any force or effect.

25. Burden and Benefit. This Agreement shall be binding upon, and shall inure to the benefit of, Matador and Employee, and their respective heirs, personal and legal representatives, successors, and assigns.

26. References to Gender and Number Terms. In construing this Agreement, feminine or number pronouns shall be substituted for those masculine in form and vice versa, and plural terms shall be substituted for singular and singular for plural in any place where the context so requires.

27. Headings. The various headings in this Agreement are inserted for convenience only and are not part of the Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, Matador and Employee have duly executed this Agreement to be effective as of the Effective Date.

MATADOR RESOURCES COMPANY

By: /s/ David M. Laney
David M. Laney
Chairman of Nominating, Compensation and Planning Committee

Address for Notice:

One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, TX 75240
Attention: Board of Directors

EMPLOYEE:

/s/ Joseph Wm. Foran
Joseph Wm. Foran, individually

Address for Notice:

____
____
____

(FORM) SEPARATION AGREEMENT AND RELEASE

This Separation Agreement and Release (this "Agreement") is entered into by Matador Resources Company, a Texas corporation ("Matador" or the "Company"), and ___________ ("Employee") as of ___________ (the "Agreement Date"). Matador and Employee are referred to as the "Parties." This Agreement cancels and supersedes all prior agreements relating to Employee's employment with Matador except as provided in this Agreement.

WHEREAS, Matador and Employee entered into an Employment Agreement as of August ___, 2011 (the "Employment Agreement"). This Agreement is entered into by and between Employee and Matador pursuant to the Employment Agreement;

WHEREAS, because of Employee's employment as an employee of Matador, Employee has obtained intimate and unique knowledge of all aspects of Matador's business operations, current and future plans, financial plans and other confidential and proprietary information;

WHEREAS, Employee's employment with Matador and all other positions, if any, held by Employee in Matador or any of its subsidiaries or affiliates, including officer positions, terminated effective as of [**DATE**] (the "Separation Date"); and

WHEREAS, except as otherwise provided herein, the Parties desire to finally, fully and completely resolve all disputes that now or may exist between them, including, but not limited to those concerning the Employment Agreement (except for the post-termination obligations contained in the Employment Agreement), Employee's job performance and activities while employed by Matador and Employee's hiring, employment and separation from Matador, and all disputes over benefits and compensation connected with such employment;

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. End of Employee's Employment. Employee's employment with Matador terminated on the Separation Date.

2. Certain Payments and Benefits.

(a) Accrued Obligations. In accordance with Matador's customary payroll practices, Matador shall pay Employee for all unpaid salary, unreimbursed business expenses, and any accrued but unused vacation through the Separation Date ("Accrued Obligations").

(b) Separation Payments. Subject to Employee's consent to and fulfillment of Employee's obligations in this Agreement and, if applicable pursuant to the Section 14(b) or (c) of the Employment Agreement, Employee's post-termination obligations in Sections 8 and 9 of the Employment Agreement, and provided that Employee does not revoke this Agreement pursuant to Section 12 hereof, Matador shall pay Employee the amount of $[**AMOUNT**], minus normal payroll withholdings and taxes ("Separation Payment"), payable as provided in the Employment Agreement. The Separation Payment will not be treated as compensation under Matador's 401(k) Plan or any other retirement plan.

(c) Waiver of Additional Compensation or Benefits. Other than the

compensation and payments provided for in this Agreement and the post-termination benefits provided for in the Employment Agreement, Employee shall not be entitled to any additional compensation, benefits, payments or grants under any agreement, benefit plan, severance plan or bonus or incentive program established by Matador or any of Matador's affiliates, other than any vested retirement plan benefits, any vested equity grants or COBRA continuation coverage benefits. **[TO BE MODIFIED, IF APPLICABLE, FOR OTHER BENEFITS.]** Employee agrees that the release in Section 3 covers any claims Employee might have regarding Employee's compensation, bonuses, stock options or grants and any other benefits Employee may or may not have received during Employee's employment with Matador.

3. General Release and Waiver. In consideration of the payments and other consideration provided for in this Agreement, that being good and valuable consideration, the receipt, adequacy and sufficiency of which are acknowledged by Employee, Employee, on Employee's own behalf and on behalf of Employee's agents, administrators, representatives, executors, successors, heirs, devisees and assigns (collectively, the "Releasing Parties") hereby fully releases, remises, acquits and forever discharges Matador and all of its affiliates, and each of their respective past, present and future officers, directors, shareholders, equity holders, members, partners, agents, employees, consultants, independent contractors, attorneys, advisers, successors and assigns (collectively, the "Released Parties"), jointly and severally, from any and all claims, rights, demands, debts, obligations, losses, causes of action, suits, controversies, setoffs, affirmative defenses, counterclaims, third party actions, damages, penalties, costs, expenses, attorneys' fees, liabilities and indemnities of any kind or nature whatsoever (collectively, the "Claims"), whether known or unknown, suspected or unsuspected, accrued or unaccrued, whether at law, equity, administrative, statutory or otherwise, and whether for injunctive relief, back pay, fringe benefits, reinstatement, reemployment, or compensatory, punitive or any other kind of damages, which any of the Releasing Parties ever have had in the past or presently have against the Released Parties, and each of them, arising from or relating to Employee's employment with Matador or its affiliates or the termination of that employment or any circumstances related thereto, or (except as otherwise provided below) any other matter, cause or thing whatsoever, including without limitation all claims arising under or relating to employment, employment contracts, employee benefits or purported employment discrimination or violations of civil rights of whatever kind or nature, including without limitation all claims arising under the Age Discrimination in Employment Act ("ADEA"), the Americans with Disabilities Act, as amended, the Family and Medical Leave Act of 1993, the Equal Pay Act of 1963, the Rehabilitation Act of 1973, Title VII of the United States Civil Rights Act of 1964, 42 U.S.C. § 1981, the Fair Labor Standards Act, the Employee Retirement Income Security Act, the Civil Rights Act of 1991, the Civil Rights Acts of 1866 and/or 1871, the Sarbanes-Oxley Act, the Genetic Information Nondiscrimination Act, the Lily Ledbetter Act, the Texas Commission on Human Rights Act, the Texas Payday Law, the Texas Labor Code or any other applicable federal, state or local employment statute, law or ordinance, including, without limitation, any disability claims under any such laws, claims for wrongful discharge, claims arising under state law, contract claims including breach of express or implied contract, alleged tortious conduct, claims relating to alleged fraud, breach of fiduciary duty or reliance, breach of implied covenant of good faith and fair dealing, and any other claims arising under state or federal law, as well as any expenses, costs or attorneys' fees. Employee further agrees that Employee will not file or permit to be filed on Employee's behalf any such claim. Notwithstanding the preceding sentence or any other provision of this Agreement, this release is not intended to interfere with

Employee's right to file a charge with the Equal Employment Opportunity Commission (the "EEOC"), or other comparable agency, in connection with any claim Employee believes Employee may have against Matador or its affiliates. However, by executing this Agreement, Employee hereby waives the right to recover in any proceeding Employee may bring before the EEOC or any state human rights commission or in any proceeding brought by the EEOC or any state human rights commission on Employee's behalf. This release shall not apply to any of Matador's obligations under this Agreement or post-termination obligations under the Employment Agreement, any vested retirement plan benefits, any vested equity grants or COBRA continuation coverage benefits. **[TO BE MODIFIED, IF APPLICABLE, FOR OTHER SURVIVING ARRANGEMENTS.]** Employee acknowledges that certain of the payments and benefits provided for in Section 2 of this Agreement constitute good and valuable consideration for the release contained in this Section 3.

4. Return of Matador Property. Within 7 days of the Agreement Date, Employee shall, to the extent not previously returned or delivered: (a) return all equipment, records, files, programs or other materials and property in Employee's possession which belongs to Matador or any of its affiliates, including, without limitation, all computers, printers, laptops, personal data assistants, cell phones, credit cards, keys and access cards; and (b) deliver all original and copies of Confidential Information (as defined in the Employment Agreement) in Employee's possession and notes, materials, records, plans, technical data or other documents, files or programs (whether stored in paper form, computer form, digital form, electronically or otherwise) in Employee's possession that contain Confidential Information. By signing this Agreement, Employee represents and warrants that Employee has not retained and has or will timely return and deliver all the items described or referenced in subsections (a) or (b) above; and, that should Employee later discover additional items described or referenced in subsections (a) or (b) above, Employee will promptly notify Matador and return/deliver such items to Matador.

5. Non-Disparagement. Employee agrees that Employee will not, directly or indirectly, disclose, communicate, or publish any disparaging information concerning Matador or the Released Parties, or cause others to disclose, communicate, or publish any disparaging information concerning the same. Matador, on its own behalf and on behalf of its officers and directors, agrees that they will not, directly or indirectly, disclose, communicate or publish any disparaging information concerning Employee, or cause others to disclose, communicate, or publish any disparaging information concerning Employee. Notwithstanding the foregoing, the provisions of this Section shall not apply with respect to any charge filed by Employee with the EEOC or other comparable agency or in connection with any proceeding with respect to any claim not released by this Agreement.

6. Not An Admission of Wrongdoing. This Agreement shall not in any way be construed as an admission by either Party of any acts of wrongdoing, violation of any statute, law or legal or contractual right.

7. Voluntary Execution of the Agreement. Employee and Matador represent and agree that they have had an opportunity to review all aspects of this Agreement, and that they fully understand all the provisions of the Agreement and are voluntarily entering into this Agreement. Employee further represents that Employee has not transferred or assigned to any person or entity any claim involving Matador or any portion thereof or interest therein.

8. Ongoing Obligations. Employee reaffirms and understands Employee's ongoing obligations in the Employment Agreement, including Sections 8, 9, 10, 11 and 21.

9. Binding Effect. This Agreement shall be binding upon Matador and upon Employee and Employee's heirs, administrators, representatives, executors, successors and assigns and Matador's representatives, successors and assigns. In the event of Employee's death, this Agreement shall operate in favor of Employee's estate and all payments, obligations and consideration will continue to be performed in favor of Employee's estate.

10. Severability. Should any provision of this Agreement be declared or determined to be illegal or invalid by any government agency or court of competent jurisdiction, the validity of the remaining parts, terms or provisions of this Agreement shall not be affected and such provisions shall remain in full force and effect.

11. Entire Agreement. Except for the post-termination obligations in the Employment Agreement, any vested retirement plan benefits, any equity grant agreements and COBRA continuation coverage benefits **[TO BE MODIFIED, IF APPLICABLE, FOR OTHER SURVIVING ARRANGEMENTS.]**, this Agreement sets forth the entire agreement between the Parties, and fully supersedes any and all prior agreements, understandings, or representations between the Parties pertaining to Employee's employment with Matador, the subject matter of this Agreement or any other term or condition of the employment relationship between Matador and Employee. Employee represents and acknowledges that in executing this Agreement, Employee does not rely, and has not relied, upon any representation(s) by Matador or its agents except as expressly contained in this Agreement or the Employment Agreement. Employee and Matador agree that they have each used their own judgment in entering into this Agreement.

12. Knowing and Voluntary Waiver. Employee, by Employee's free and voluntary act of signing below, (i) acknowledges that Employee has been given a period of twenty-one (21) days to consider whether to agree to the terms contained herein, (ii) acknowledges that Employee has been advised to consult with an attorney prior to executing this Agreement, (iii) acknowledges that Employee understands that this Agreement specifically releases and waives all rights and claims Employee may have under the ADEA, prior to the date on which Employee signs this Agreement, and (iv) agrees to all of the terms of this Agreement and intends to be legally bound thereby. The Parties acknowledge and agree that each Party has reviewed and negotiated the terms and provisions of this Agreement and has contributed to its preparation (with advice of counsel). Accordingly, the rule of construction to the effect that ambiguities are

resolved against the drafting party shall not be employed in the interpretation of this Agreement. Rather, the terms of this Agreement shall be construed fairly as to both Parties and not in favor of or against either Party, regardless of which Party generally was responsible for the preparation of this Agreement.

This Agreement will become effective, enforceable and irrevocable on the eighth day after the date on which it is executed by Employee (the "Effective Date"). During the seven-day period prior to the Effective Date, Employee may revoke Employee's agreement to accept the terms hereof by giving notice to Matador of Employee's intention to revoke. If Employee exercises Employee's right to revoke hereunder, Employee shall not be entitled, except as required by applicable wage payment laws, including but not limited to the Accrued Obligations, to any payment hereunder until Employee executes and does not revoke a comparable release of claims, and to the extent such payments or benefits have already been made, Employee agrees that Employee will immediately reimburse Matador for the amounts of such payments and benefits to which he is not entitled.

13. Notices. All notices and other communications hereunder will be in writing. Any notice or other communication hereunder shall be deemed duly given if it is delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth:

If to Employee:

[EMPLOYEE]
[EMPLOYEE ADDRESS]

If to Matador:

Matador Resources Company
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, TX 75240
Attention: Board of Directors

Any Party may change the address to which notices and other communications are to be delivered by giving the other Party notice.

14. Governing Law; Venue; Arbitration. This section of the Agreement shall be governed by Section 23 of the Employment Agreement.

15. Counterparts. This Agreement may be executed in counterparts, each of which when executed and delivered (which deliveries may be by facsimile or other electronic method of delivery) shall be deemed an original and all of which together shall constitute one and the same instrument.

16. No Assignment of Claims. Employee represents and agrees that Employee has not transferred or assigned, to any person or entity, any claim involving Matador, or any portion thereof or interest therein.

17. No Waiver. This Agreement may not be waived, modified, amended, supplemented, canceled or discharged, except by written agreement of the Parties. Failure to exercise and/or delay in exercising any right, power or privilege in this Agreement shall not operate as a waiver. No waiver of any breach of any provision shall be deemed to be a waiver of any preceding or succeeding breach of the same or any other provision, nor shall any waiver be implied from any course of dealing between or among the Parties.

I ACKNOWLEDGE THAT I HAVE CAREFULLY READ THE FOREGOING AGREEMENT, THAT I UNDERSTAND ALL OF ITS TERMS AND THAT I AM RELEASING CLAIMS AND THAT I AM ENTERING INTO IT VOLUNTARILY.

AGREED TO BY:

______________________________ Date ______________________________
[EMPLOYEE]

STATE OF TEXAS

COUNTY OF ________________

Before me, a Notary Public, on this day personally appeared ______________, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledges to me that he has executed this Agreement on behalf of himself and his heirs, for the purposes and consideration therein expressed.

Given under my hand and seal of office this ______ day of __________, ______.

____
Notary Public in and for the State of Texas

(PERSONALIZED SEAL)

MATADOR RESOURCES COMPANY

By: ____
Title: ____
Date: ____

STATE OF TEXAS

COUNTY OF ________________

Before me, a Notary Public, on this day personally appeared ____________________, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of ______________________, and that he has executed the same on behalf of said corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office this ______ day of ____________ , ______.

____
Notary Public in and for the State of Texas

(PERSONALIZED SEAL)

Exhibit 10.4

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered into on August 9, 2011, to be effective as of the Effective Date (as defined below) by and between Matador Resources Company, a Texas corporation ("Matador"), acting through its Board of Directors (the "Board"), and David E. Lancaster ("Employee"). For purposes of this Agreement, the "Effective Date" shall mean the date of filing with the United States Securities and Exchange Commission of Matador's first registration statement following the date hereof with respect to an underwritten public offering of its equity securities, or such other date as the Board and Employee may agree.

WHEREAS, Matador and Employee desire to enter into this Agreement to set forth the terms and conditions of Employee's employment with Matador;

NOW, THEREFORE, the parties hereto, in consideration of the mutual covenants and promises hereinafter contained, do hereby agree as follows:

1. Employment. Matador hereby agrees to employ Employee in the capacity of Executive Vice President, Chief Operating Officer and Chief Financial Officer, or in such other position or positions of the same or greater stature as the Board may direct or desire, to the extent reasonably acceptable to Employee, and Employee hereby accepts such employment, on the terms and subject to the conditions set forth herein. Matador and Employee agree that Employee may resign as, or Matador may designate a new, Chief Financial Officer at any time without violating this Agreement.

2. Duties. Employee's principal duties and responsibilities shall be to (a) manage, generally, all of Matador's operations and, while serving as Chief Financial Officer, financial functions, subject to the supervision of the Chairman of the Board and Chief Executive Officer, (b) such other duties and responsibilities as may be more fully described in Matador's Bylaws for his positions, and such other duties consistent with his positions, and (c) such other duties that are reasonably assigned to Employee from time to time by the Board, the Chairman of the Board or Chief Executive Officer. Employee agrees to perform such services and duties and hold such offices as may be reasonably assigned to him from time to time by the Board, the Chairman of the Board or Chief Executive Officer, consistent with his positions, and to devote substantially his full time, energies and best efforts to the performance thereof to the exclusion of all other business activities, except reasonable and normal work for his personal affairs and estate and any other activities to which Matador may consent, and except for services to charitable, civic and/or professional organizations, to the extent such service does not materially and adversely impact Employee's service to Matador.

3. Term. Employee's employment shall be under the terms and conditions of this Agreement and shall expire at the end of eighteen (18) months from the Effective Date (the "Term"), subject to earlier termination as provided herein; provided, however, that the Term shall be extended automatically at the end of each month by one additional month unless by such date Matador or Employee gives written notice to the other that the Term shall not be further extended. Such notice must indicate that it shall have the effect of preventing any further extension of the Term.

4. Salary and Other Compensation. As compensation for the services to be rendered by Employee to Matador pursuant to this Agreement, Employee shall be paid the following compensation and other benefits:

(a) Base Salary. Employee shall receive an annualized salary of $340,000 per year, payable in installments in accordance with Matador's then standard payroll practices, or such higher compensation as may be established by Matador from time to time ("Base Salary"); provided, however, that until the earlier of (i) the consummation of Matador's first underwritten public offering of its equity securities following the date hereof or (ii) immediately prior to a Change of Control (as defined below), the Base Salary shall continue to be the annualized salary of Employee as of the date hereof. Should Employee become "Partially Disabled," which for purposes hereof means the inability because of any physical or emotional illness lasting no more than 90 days to perform his assigned duties under this Agreement for no less than 20 hours per week (and including any period of short term total absence due to illness or injury, including recovery from surgery, but in no event lasting more than the 90-day period of Partial Disability), and if Employee, during any period of Partial Disability, receives any periodic payments representing lost compensation under any health and accident policy or under any salary continuation insurance policy, the premiums for which have been paid by Matador, the amount of Base Salary that Employee would be entitled to receive from Matador during the period of Partial Disability shall be decreased by the amounts of such payments. Notwithstanding the foregoing, should Employee become Totally Disabled, as defined in Section 12(b), during a period of Partial Disability, the provisions in Sections 12 and 14 with respect to Total Disability shall control.

(b) Annual Incentive Compensation. Employee shall be entitled to participate in the annual incentive plan for management maintained by Matador at a level to provide Employee with annual incentive compensation commensurate with Employee's position and responsibilities, as determined by, and based on such performance objectives as established by the Nominating, Compensation and Planning Committee of the Board (the "NCP Committee") and the Board, in their sole discretion.

(c) Long-Term Incentive Compensation. Employee shall be entitled to participate in Matador's 2011 Long-Term Incentive Plan, or such other equity incentive plan as may exist in the future, with awards under any such plan to be determined by the NCP Committee or the Board, in their discretion.

(d) Employee Benefit Plans. Employee shall be eligible to participate, to the extent he may be eligible pursuant to the terms of any such plan, in any profit sharing, retirement, insurance or other employee benefit plan maintained by Matador for the benefit of officers and senior management of Matador, at the officer/senior management level.

5. Life Insurance. Matador, in its discretion, may apply for and procure in its own name and for its own benefit, life insurance on the life of Employee in any amount or amounts

considered advisable by Matador, and Employee shall submit to any medical or other examination and execute and deliver any application or other instrument in writing, reasonably necessary to effectuate such insurance.

6. Expenses. Matador shall pay, or reimburse Employee, for the reasonable and necessary business expenses of Employee, to the extent incurred in accordance with all applicable expense reimbursement policies of Matador.

7. Vacations and Leave. Employee shall be entitled to four (4) weeks paid vacation per year, to be accrued and used in accordance with Matador's vacation policy in effect from time to time.

8. Non-Disclosure of Confidential Information. Matador shall provide Employee Confidential Information, which Employee may use in the performance of his job duties with Matador. "Confidential Information," whether electronic, oral or in written form, includes without limitation: all geological and geophysical reports and related data such as maps, charts, logs, seismographs, seismic records and other reports and related data, calculations, summaries, memoranda and opinions relating to the foregoing, production records, electric logs, core data, pressure data, lease files, well files and records, land files, abstracts, title opinions, title or curative matters, contract files, notes, records, drawings, manuals, correspondence, financial and accounting information, customer lists, statistical data and compilations, patents, copyrights, trademarks, trade names, inventions, formulae, methods, processes, agreements, contracts, manuals or any documents relating to the business of Matador and information or data regarding Matador's systems, operations, business, finances, prospects, properties or prospective properties; provided, however, that Confidential Information shall not include any information that is or becomes publicly available, or is otherwise generally known in Matador's industry, other than as a result of any disclosure by Employee that is inconsistent with his duties pursuant to this Agreement. As a material inducement to Matador to enter into this Agreement and to pay to Employee the compensation stated in Section 4, Employee covenants and agrees that he shall not, at any time during or following the term of his employment, directly or indirectly divulge or disclose for any purpose whatsoever, other than as may be required by law, any Confidential Information that has been obtained by, or disclosed to, him as a result of his employment by Matador, or use such Confidential Information for any reason other than to perform his duties pursuant to this Agreement.

9. Non-Competition and Non-Solicitation Agreement.

(a) Employee acknowledges and agrees that the Confidential Information Matador shall provide Employee will enable Employee to injure Matador if Employee should compete with Matador. Therefore, Employee hereby agrees that during Employee's employment, and (i) if Matador terminates Employee's employment for Total Disability, or if Employee terminates his employment for Good Reason, then for a period of six (6) months thereafter, or (ii) if Matador terminates Employee's employment for Just Cause, Employee terminates his employment during the Term other than for Good Reason or Employee is entitled to severance pay pursuant to Section 14(b) or Section 14(c) (other than if Employee terminates his employment for Good Reason), then for a period of twelve (12) months thereafter (the period specified in clause (i) or (ii), as

applicable, being referred to herein as the "Restricted Period"), Employee shall not, without Matador's prior written consent (which consent, in the event Employee terminates his employment other than for Good Reason, may not be unreasonably withheld, but in each other situation described in clauses (i) and (ii) above, may be withheld in its sole discretion), directly or indirectly: (a) invest in (other than investments in publicly-owned companies which constitute not more than 1% of the voting securities of any such company) a Competing Business with Significant Assets in the Restricted Area (each as defined below), or (b) participate in a Competing Business as a manager, employee, director, officer, consultant, independent contractor, or other capacity or otherwise provide, directly or indirectly, services or assistance to a Competing Business in a position that involves input into or direction of the Competing Business's decisions within the Restricted Area. "Competing Business" means any person or entity engaged in oil and natural gas exploration, development, production and acquisition activities. "Significant Assets" means oil and natural gas reserves with an aggregate fair market value of $25 million or more. "Restricted Area" means a one-mile radius of any oil and natural gas reserves held by Matador as of the end of Employee's employment, plus any county or parish where Matador, together with its subsidiaries, has Significant Assets as of the end of Employee's employment.

(b) During the Restricted Period, Employee agrees on his own behalf and on behalf of his affiliates that, without the prior written consent of the Board, the Chairman of the Board or the Chief Executive Officer, they shall not, directly or indirectly, (i) solicit for employment or a contracting relationship, or employ or retain any person who is or has been, within six months prior to such time, employed by or engaged as an individual independent contractor to Matador or its affiliates or (ii) induce or attempt to induce any such person to leave his or her employment or independent contractor relationship with Matador or its affiliates. Matador agrees that the foregoing restriction is not intended to apply generally to companies providing services to Matador, such as rig and oilfield services providers, or lenders.

10. Reasonableness of Restrictions

(a) Employee has carefully read and considered the provisions of Sections 8 and 9, and, having done so, agrees that the restrictions set forth in those Sections are fair and reasonable and are reasonably required for the protection of the interests of Matador and its parent or subsidiary corporations, officers, directors, and shareholders.

(b) In the event that, notwithstanding the foregoing, any of the provisions of Sections 8 or 9 shall be held to be invalid or unenforceable, the remaining provisions thereof shall nevertheless continue to be valid and enforceable as though the invalid or unenforceable parts had not been included therein. In the event that any provision of Sections 8 or 9 shall be declared by a court of competent jurisdiction to exceed the maximum restrictiveness such court deems reasonable and enforceable, the time period, the areas of restriction and/or related aspects deemed reasonable and enforceable by the court shall become and thereafter be the maximum restriction in such regard, and the restriction shall remain enforceable to the fullest extent deemed reasonable by such court.

(c) Sections 8 and 9 shall survive the termination of this Agreement. If Employee is found by a court of competent jurisdiction or arbitrator to have materially violated any of the restrictions contained in Section 9, the restrictive period will be suspended and will not run in favor of Employee during such period that Employee shall have been found to be in material violation thereof.

11. Remedies for Breach of Employee's Covenants of Non-Disclosure, Non-Competition and Non-Solicitation. In the event of a breach or threatened breach of any of the covenants in Sections 8 or 9, then Matador shall be entitled to seek a temporary restraining order and injunctive relief restraining Employee from the commission of any breach.

12. Termination. Employment of Employee under this Agreement may be terminated:

(a) By Employee's death.

(b) If Employee is Totally Disabled. For the purposes of this Agreement, Employee is totally disabled if he is "Totally Disabled" as defined in and for the period necessary to qualify for benefits under any disability income insurance policy and any replacement policy or policies covering Employee and Employee has been declared to be Totally Disabled by the insurer.

(c) By mutual agreement of Employee and Matador.

(d) By the dissolution and liquidation of Matador (other than as part of a reorganization, merger, consolidation or sale of all or substantially all of the assets of Matador whereby the business of Matador is continued).

(e) By Matador for Just Cause. This Agreement and Employee's employment with Matador may be terminated for Just Cause at any time in accordance with Section 13. For purposes of this Agreement, "Just Cause" shall mean only the following: (i) Employee's continued and material failure to perform the duties of his employment consistent with Employee's position, except as a result of being Partially Disabled (during any period of Partial Disability) or Totally Disabled, (ii) Employee's failure to perform his material obligations under this Agreement, except as a result of being Partially Disabled (during any period of Partial Disability) or Totally Disabled, or a material breach by the Employee of Matador's written policies concerning discrimination, harassment or securities trading, (iii) Employee's refusal or failure to follow lawful directives of the Board, the Chairman of the Board and/or Chief Executive Officer, except as a result of being Partially Disabled (during any period of Partial Disability) or Totally Disabled, (iv) Employee's commission of an act of fraud, theft, or embezzlement, (v) Employee's indictment for or conviction of a felony or other crime involving moral turpitude, or (vi) Employee's intentional breach of fiduciary duty; provided, however, that Employee shall have thirty (30) days after written notice from the

Board (or NCP Committee) to remedy any actions alleged under subsections (i), (ii) or (iii) in the manner reasonably specified by the Board (or NCP Committee). For the avoidance of doubt, the parties acknowledge and agree that a termination by Matador for Just Cause shall have priority over the other provisions of this Section 12, and Matador shall have the right, to the extent raised by Matador within twelve (12) months following Employee's termination, to "claw back" any benefits paid to Employee based on a termination pursuant to any other provision of this Section 12, in the event that Matador subsequently discovers the existence of facts or circumstances that would have been grounds for Employee's termination for Just Cause; provided, however, that the foregoing shall not modify in any way Employee's rights to dispute any termination for Just Cause, or to have any such dispute resolved by mediation or arbitration, as provided herein.

(f) At the end of the Term.

(g) By Employee for Good Reason. This Agreement and Employee's employment with Matador may be terminated at any time, at the election of Employee, for Good Reason in accordance with Section 13, and such termination for Good Reason shall be treated as an involuntary separation from service within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the Treasury Regulations promulgated thereunder. As used in this Agreement, "Good Reason" shall mean (i) the assignment to Employee of duties inconsistent with the title of Chief Operating Officer or his then-current office, or a material diminution in Employee's then current authority, duties or responsibilities; (ii) a diminution of Employee's then current Base Salary or other action or inaction that constitutes a material breach of this Agreement by Matador; or (iii) the relocation of Matador's principal executive offices to a location more than thirty (30) miles from Matador's current principal executive offices or the transfer of Employee to a place other than Matador's principal executive offices (excepting required travel on Matador's business). Within thirty (30) days from the date Employee knows of the actions constituting Good Reason as defined in this Section 12(g), Employee shall give Matador written notice thereof, and provide Matador with a reasonable period of time, in no event exceeding thirty (30) days, after receipt of such notice to remedy the alleged actions constituting Good Reason; provided, however, that Matador shall not be entitled to notice of, and the opportunity to remedy, the recurrence of any alleged actions (or substantially similar actions) constituting Good Reason in the event that Employee has previously provided notice of such prior alleged actions (or substantially similar actions) to Matador and provided Matador an opportunity to cure such prior actions (or substantially similar actions). In the event Matador does not cure the alleged actions, if Employee does not terminate this Agreement and his employment within sixty (60) days following the last day of Matador's cure period, Employee shall not be entitled to terminate his employment for Good Reason based upon the occurrence of such actions; provided, however, that any recurrence of such actions (or substantially similar actions) may constitute Good Reason. Any corrective measures undertaken by Matador are solely within its discretion and do not concede or indicate agreement that the actions described in Employee's written notice constitute Good Reason within the meaning of this Section 12(g).

(h) By Employee other than for Good Reason. This Agreement and Employee's employment with Matador may be terminated at any time, at the election of Employee, other than for Good Reason.

(i) Change in Control. In the event of a Change in Control and Employee is terminated by Matador without Just Cause, or Employee terminates his employment with or without Good Reason, within 30 days prior to or twelve (12) months following the Change in Control. As used in this Section 12(i) and Section 14, the term "Change in Control" shall mean a change in control event for purposes of Section 409A of the Code, as defined in Treasury Regulation Section 1.409A-3(i)(5) and any successor provision thereto, which currently is the following:

> (i) A change in ownership of Matador occurs on the date that any Person other than (1) Matador or any subsidiaries, (2) a trustee or other fiduciary holding securities under an employee benefit plan of Matador or any of its Affiliates, (3) an underwriter temporarily holding stock pursuant to an offering of such stock, or (4) a corporation owned, directly or indirectly, by the shareholders of Matador in substantially the same proportions as their ownership of Matador's stock, acquires ownership of Matador's stock that, together with stock held by such Person, constitutes more than 50% of the total fair market value or total voting power of Matador's stock. However, if any Person is considered to own already more than 50% of the total fair market value or total voting power of Matador's stock, the acquisition of additional stock by the same Person is not considered to be a Change in Control. In addition, if any Person has effective control of Matador through ownership of 30% or more of the total voting power of Matador's stock, as described in Section 12(i), subsection (ii), below, the acquisition of additional control of Matador by the same Person is not considered to cause a Change in Control pursuant to this Section 12(i), subsection (i);
>
> (ii) Even though Matador may not have undergone a change in ownership under Section 12(i), subsection (i), above, a change in the effective control of Matador occurs on either of the following dates:
>
> > a) the date that any Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) ownership of Matador's stock possessing 30% or more of the total voting power of Matador's stock. However, if any Person owns 30% or more of the total voting power of Matador's stock, the acquisition of additional control of Matador by the same Person is not considered to cause a Change in Control pursuant to this Section 12(i), subsection (ii), clause a); or

b) the date during any 12-month period when a majority of members of the Board is replaced by directors whose appointment or election is not endorsed by a majority of the Board before the date of appointment or election; provided, however, that any such director shall not be considered to be endorsed by the Board if his or her initial assumption of office occurs as a result of an actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) A change in the ownership of a substantial portion of Matador's assets occurs on the date that a Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) assets of Matador, that have a total gross fair market value equal to at least 40% of the total gross fair market value of all of Matador's assets immediately before such acquisition or acquisitions. However, there is no Change in Control where there is such a transfer to an entity that is controlled by the shareholders of Matador immediately after the transfer, through a transfer to a) a shareholder of Matador (immediately before the asset transfer) in exchange for or with respect to Matador's stock; b) an entity, at least 50% of the total value or voting power of the stock of which is owned, directly or indirectly, by Matador; c) a Person that owns, directly or indirectly, at least 50% of the total value or voting power of Matador's outstanding stock; or d) an entity, at least 50% of the total value or voting power of the stock of which is owned by a Person that owns, directly or indirectly, at least 50% of the total value or voting power of Matador's outstanding stock.

(iv) For the purposes of this definition of Change in Control only:

"Person" shall have the meaning given in Section 7701(a)(1) of the Code. Person shall include more than one Person acting as a group as defined in the Final Treasury Regulations issued under Section 409A of the Code.

(v) As noted, the definition of Change in Control as set forth in this Section 12(i) shall be interpreted in accordance with the Treasury Regulations under Section 409A of the Code, it being the intent of the parties that this Section 12(i) shall be in compliance with the requirements of said Code Section and said Regulations. Notwithstanding the definition of Change in Control as set forth in this Section 12(i), no Change in Control shall be deemed to have occurred as a result of the sale of any equity securities by Matador in any registered public offering.

13. Notice of Termination/Date of Termination. Termination of Employee's employment by Matador for Just Cause or by Employee for Good Reason or other than for Good Reason shall be accompanied by written notice of the reason for such termination. Such notice shall indicate a specific termination provision in this Agreement which is relied upon, describe the basis for such termination, if any, and the Date of Termination. If Employee's employment is terminated by Employee other than for Good Reason, the Date of Termination shall be not less than thirty (30) days following such written notice. As used in this Agreement, "Date of Termination" shall mean a "Separation from Service" as defined in Section 16 hereof.

14. Payments With Respect to Termination; Vesting of Equity Incentive Awards. Payments to Employee upon termination shall be limited to the following:

(a) If Employee's employment is terminated by Matador upon death pursuant to Section 12(a), Total Disability pursuant to Section 12(b), mutual agreement pursuant to Section 12(c), dissolution and liquidation pursuant to Section 12(d), for Just Cause pursuant to Section 12(e), at the end of the Term pursuant to Section 12(f), or by Employee other than for Good Reason pursuant to Section 12(h), Employee shall be entitled to all arrearages of Base Salary, accrued but unused vacation and expenses as of the Date of Termination (the "Accrued Obligations") payable in accordance with Matador's customary payroll practices, plus (unless Employee's employment is terminated by Matador for Just Cause or by Employee other than for Good Reason) an amount equal to the average annual amount of all bonuses paid to Employee with respect to the prior two (2) calendar years, pro-rated based on the number of complete or partial months of Employee's employment during the calendar year in which his employment terminates payable in a lump sum, subject to Section 16(b), on the sixtieth (60th) day following the Date of Termination, but shall not be entitled to further compensation.

(b) If Employee's employment is terminated by Matador for a reason other than as described in Section 14(a) or (c), or is terminated by Employee for Good Reason pursuant to Section 12(g), Matador shall (i) pay to Employee all Accrued Obligations as required under applicable wage payment laws and in accordance with Matador's customary payroll practices, and (ii) subject to Employee's compliance with Sections 8 and 9, pay to Employee severance pay in an amount equal to one and one-half (1.5) times his then-current Base Salary as of the Date of Termination, plus one and one-half (1.5) times an amount equal to the average annual amount of all bonuses paid to Employee with respect to the prior two (2) calendar years, in a lump sum, (A) on the date which immediately follows six (6) months from the Date of Termination or, if earlier, (B) within thirty (30) days of Employee's death, with the exact date of payment after Employee's death to be determined by Matador. Employee shall have no obligation to seek other employment, and any income so earned shall not reduce the foregoing amounts.

(c) If in contemplation of or following a Change in Control pursuant to Section 12(i), Employee's employment is terminated by Matador without Just Cause or is terminated by Employee with or without Good Reason, Matador shall (i) pay to Employee all Accrued Obligations as required under applicable wage payment laws and in accordance with Matador's customary payroll practices, and (ii) subject to Employee's compliance with Sections 8 and 9, pay to Employee severance pay in an amount equal three (3) times the then-current Base Salary as of the Date of Termination, plus three (3) times an amount equal to the average annual amount of all bonuses paid to Employee with respect to the prior two (2) calendar years, in a lump sum, (A) on the date which immediately follows six (6) months from the Date of Termination or, if earlier, (B) within thirty (30) days of Employee's death, with the exact date of payment after Employee's death to be determined by Matador. Immediately prior to such termination of employment, as contemplated in the prior sentence, all unvested equity incentive awards held by Employee shall vest, and the forfeiture provisions with respect to any such awards that are subject to forfeiture will terminate. Employee shall have no obligation to seek other employment and any income so earned shall not reduce the foregoing amounts.

(d) Except with respect to any Accrued Obligations, which shall be paid in accordance with Section 14, as a condition to receiving any other payment under Section 14, and to the extent that Employee is then living and not prevented from executing a release of claims due to any disability, Employee shall execute (and not revoke) a release of claims substantially in the form attached hereto (which release shall be provided to Employee within five (5) business days following the Date of Termination and must be returned to Matador (and not revoked) within forty-five (45) days following the Date of Termination). If Employee fails or otherwise refuses to execute and not revoke a release of claims within forty-five (45) days following the Date of Termination, and in all events prior to the date on which such other payment is to be first paid to him, Employee shall not be entitled to any such other payment, except as required by applicable wage payment laws, until Employee executes and does not revoke for forty-five (45) days, a release of claims.

15. Timing of Payments with Respect to Termination. In the event that, without the express or implied consent of Employee, Matador fails to make, either intentionally or unintentionally, any payment required pursuant to Section 14 at the time such payment is so required, and in addition to any other remedies that might be available to Employee under this Agreement or applicable law, including compliance with the requirements of Section 409A of the Code regarding disputed payments and refusals to pay, Matador and Employee agree that the unpaid amount of any such required payment shall increase by five percent (5%) per month for each month, or portion thereof, during which such payment is not made. Matador and Employee agree that any such increase is not interest, but is for purposes of compensating Employee for certain costs and expenses anticipated to be incurred by Employee in the event that any such payment is not made when required, the actual amounts of which are difficult to estimate. Notwithstanding the foregoing, in the event that any such amount is held to be interest, Employee shall not be entitled to charge, receive or collect, nor shall amounts received hereunder be credited so that Employee shall be paid, as interest a sum greater than interest at the Maximum Rate (as defined below). It is the intention of Matador and Employee that this Agreement shall comply with applicable law. If Employee is deemed to have charged or received anything of value which is deemed to be interest under applicable law, and if such interest is deemed to exceed the maximum lawful amount, any amount which exceeds interest at the Maximum Rate shall be applied to other amounts that might be owed to Employee by

Matador or its affiliates, whether under this Agreement or otherwise, and if there are no such other amounts owed to Employee by Matador or its affiliates, any remaining excess shall be paid to Matador. In determining whether any such deemed interest exceeds interest at the Maximum Rate, the total amount of interest shall be spread, prorated and amortized throughout the entire time during which such payment is due, until payment in full. The term "Maximum Rate" means the maximum nonusurious rate of interest per annum permitted by whichever of applicable United States federal law or Texas law permits the higher interest rate, including to the extent permitted by applicable law, any amendments thereof hereafter or any new law hereafter coming into effect to the extent a higher Maximum Rate is permitted thereby.

16. Other Termination Provisions.

(a) Separation from Service. Notwithstanding anything to the contrary in this Agreement, with respect to any amounts payable to Employee under this Agreement that are treated as "non-qualified deferred compensation" subject to Section 409A of the Code in connection with a termination of Employee's employment, in no event shall a termination of employment occur under this Agreement unless such termination constitutes a Separation from Service. "Separation from Service" shall mean Employee's "separation from service" with Matador as such term is defined in Treasury Regulation Section 1.409A-1(h) and any successor provision thereto.

(b) Section 409A Compliance. Notwithstanding anything contained in this Agreement to the contrary, to the maximum extent permitted by applicable law, amounts payable to Employee pursuant to Section 14 shall be made in reliance upon Treasury Regulation Section 1.409A-1(b)(9) (Separation Pay Plans) or Treasury Regulation Section 1.409A-1(b)(4) (Short-Term Deferrals). However, to the extent any such payments are treated as non-qualified deferred compensation subject to Section 409A of the Code, then if Employee is deemed at the time of his Separation from Service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, then to the extent delayed commencement of any portion of the benefits to which Employee is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of Employee's termination benefits shall not be provided to Employee prior to the earlier of (i) the expiration of the six-month period measured from the date of Employee's Separation from Service or (ii) the date of Employee's death. Upon the earlier of such dates, all payments deferred pursuant to this Section 16(b) shall be paid in a lump sum to Employee. The determination of whether Employee is a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code as of the time of his Separation from Service shall made by Matador in accordance with the terms of Section 409A of the Code and applicable guidance thereunder (including without limitation Treasury Regulation Section 1.409A-1(i) and any successor provision thereto).

(c) Section 280G Treatment.

(i) (A) In the event it is determined that any payment, distribution or benefits of any type by Matador to or for the benefit of Employee, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "Change in Control Payments"), constitute "parachute payments" within the meaning of Section 280G(b)(2) of the Code, Matador will provide Employee with a computation of (1) the maximum amount of the Change in Control Payments that could be made, without the imposition of the excise tax imposed by Section 4999 of the Code (said maximum amount being referred to as the "Capped Amount"); (2) the value of the Change in Control Payments that could be made pursuant to the terms of this Agreement (all said payments, distributions and benefits being referred to as the "Uncapped Amount"); (iii) the dollar amount of the excise tax (if any) including any interest or penalties with respect to such excise tax which Employee would become obligated to pay pursuant to Section 4999 of the Code as a result of receipt of the Uncapped Amount (the "Excise Tax Amount"); and (iv) the net value of the Uncapped Amount after reduction by the Excise Tax Amount and the estimated income taxes payable by Employee on the difference between the Uncapped Amount and the Capped Amount, assuming that Employee is paying the highest marginal tax rate for state, local and federal income taxes (the "Net Uncapped Amount").

(B) If the Capped Amount is greater than the Net Uncapped Amount, Employee shall be entitled to receive or commence to receive payments equal to the Capped Amount; or if the Net Uncapped Amount is greater than the Capped Amount, Employee shall be entitled to receive or commence to receive payments equal to the Uncapped Amount. If Employee receives the Uncapped Amount, then Employee shall be solely responsible for the payment of all income and excise taxes due from Employee and attributable to such Uncapped Amount, with no right of additional payment from Matador as reimbursement for any taxes.

(ii) All determinations required to be made under Section 16(c)(i)(A) shall be made in writing by the independent accounting firm agreed to by Matador and Employee on the date of the Change in Control (the "Accounting Firm"), whose determination shall be conclusive and binding upon Employee and Matador for all purposes. For purposes of making the calculations required by Section 16(c)(i)(A), the Accounting Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. Matador and Employee shall furnish to the Accounting Firm such information and documents as it reasonably may request in order to make determinations under Section 16(c)(i)(A). If the Accounting Firm determines that

no Excise Tax Amount is payable by Employee, it shall furnish Employee with an opinion that he has substantial authority not to report any excise tax pursuant to Section 4999 of the Code on his federal income tax return. Matador shall bear all costs the Accounting Firm may reasonably incur in connection with any calculations contemplated by Section 16(c)(i)(A).

(iii) (A) If the computations and valuations required to be provided by Matador to Employee pursuant to Section 16(c)(i)(A) are on audit challenged by the Internal Revenue Service as having been performed in a manner inconsistent with the requirements of Sections 280G and 4999 of the Code or if Section 409A of the Code is determined to apply to all or any part of the payments to which Employee or his survivors may be entitled under this Agreement and as a result of such audit or determination, (1) the amount of cash and the benefits provided for in Section 16(c)(i) remaining to Employee after completion of such audit or determination is less than (2) the amount of cash and the benefits which were paid or provided to Employee on the basis of the calculations provided for in Section 16(c)(i)(A) (the difference between (1) and (2) being referred to as the "Shortfall Amount"), then Employee shall be entitled to receive an additional payment (an "Indemnification Payment") in an amount such that, after payment by Employee of all taxes (including additional excise taxes under said Section 4999 of the Code and any interest and penalties imposed with respect to any taxes) imposed upon the Indemnification Payment and all reasonable attorneys' and accountants' fees incurred by Employee in connection with such audit or determination, Employee retains an amount of the Indemnification Payment equal to the Shortfall Amount. Matador shall pay the Indemnification Payment to Employee in a lump sum cash payment within thirty (30) days of the completion of such audit or determination.

(B) If the computations and valuations required to be provided by Matador to Employee pursuant to Section 16(c)(i)(A) are on audit challenged by the Internal Revenue Service as having been performed in a manner inconsistent with the requirements of Sections 280G and 4999 of the Code and as a result of such audit or determination, (1) the amount of cash and the benefits which were paid or provided to Employee on the basis of the calculations provided for in Section 16(c)(i)(A) is greater than (2) the amount of cash and the benefits provided for in Section 16(c)(i) payable to Employee after completion of such audit or determination (the difference between (1) and (2) being referred to as the "Excess Amount"), then Employee shall repay to Matador the Excess Amount in a lump sum cash payment within thirty (30) days of the completion of such audit or determination.

(C) Notwithstanding the foregoing provisions of this Section 16(c)(iii), (1) any payment made to or on behalf of Employee

which relates to taxes imposed on Employee shall be made not later than the end of the calendar year next following the calendar year in which such taxes are remitted by or on behalf of Employee, and (2) any payment made to or on behalf of Employee which relates to reimbursement of expenses incurred due to a tax audit or litigation addressing the existence or amount of a tax liability shall be made by the end of the calendar year following the calendar year in which the taxes that are the subject of the audit or litigation are remitted to the taxing authority, or where as a result of such audit or litigation no taxes are remitted, the end of the calendar year following the calendar year in which the audit is completed or there is a final and non-appealable settlement or other resolution of the litigation, whichever is the last event to occur.

(d) Termination by Employee Other than for Good Reason. If at any time Employee terminates his employment other than for Good Reason, Employee shall have no further obligation to Matador other than the provisions of Sections 8, 9, 14(d), 16(c)(iii)(B) and 21.

17. In-Kind Benefits and Reimbursements. Notwithstanding any thing to the contrary in this Agreement, in-kind benefits and reimbursements provided under this Agreement during any tax year of Employee shall not affect in-kind benefits or reimbursements to be provided in any other tax year of Employee and are not subject to liquidation or exchange for another benefit. Notwithstanding any thing to the contrary in this Agreement, reimbursement requests must be timely submitted by Employee and, if timely submitted, reimbursement payments shall be made to Employee as soon as administratively practicable following such submission, but in no event later than the last day of Employee's taxable year following the taxable year in which the expense was incurred. In no event shall Employee be entitled to any reimbursement payments after the last day of Employee's taxable year following the taxable year in which the expense was incurred. This paragraph shall only apply to in-kind benefits and reimbursements that would result in taxable compensation income to Employee.

18. Section 409A; Separate Payments. This Agreement is intended to be written, administered, interpreted and construed in a manner such that no payment or benefits provided under the Agreement become subject to (a) the gross income inclusion set forth within Code Section 409A(a)(1)(A) or (b) the interest and additional tax set forth within Code Section 409A(a)(1)(B) (together, referred to herein as the "Section 409A Penalties"), including, where appropriate, the construction of defined terms to have meanings that would not cause the imposition of Section 409A Penalties. In no event shall Matador be required to provide a tax gross-up payment to Employee or otherwise reimburse Employee with respect to Section 409A Penalties. For purposes of Section 409A of the Code (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), each payment that Employee may be eligible to receive under this Agreement shall be treated as a separate and distinct payment.

19. Indemnification. Matador shall indemnify Employee to the extent permitted pursuant to the Certificate of Formation of Matador, the Bylaws of Matador and any

indemnification agreement between Matador and Employee that may be in effect from time to time during the Term, the terms of which are incorporated herein by reference.

20. Resignation Upon Termination. In the event of termination of Employee's employment for any reason, Employee hereby shall be deemed upon such termination to have immediately resigned from all positions held in Matador, including without limitations any position as a director, officer, agent, trustee or consultant of Matador or any affiliate of Matador and shall execute all documents reasonably necessary to further effectuate or document such resignation from such positions.

21. Cooperation. During and after Employee's employment with Matador, Employee shall cooperate fully with Matador in the defense or prosecution of all claims or actions now in existence or which may be brought in the future against or on behalf of Matador or its affiliates. Employee's full cooperation in connection with such claims or actions shall include, but shall not be limited to, being available to meet with counsel to Matador and/or its affiliates to prepare for discovery, trial or alternative dispute resolution proceedings, and to act as a witness on behalf of Matador and its affiliates. During and after Employee's employment, Employee shall cooperate with Matador and its affiliates in connection with any investigation or review by any federal, state or local regulatory authority. In addition, during and after Employee's employment with Matador, Employee shall assist Matador in all reasonably requested transition efforts in connection with Employee's separation from Matador or the transfer of duties or responsibilities from Employee, including but not limited to execution and delivery of all documents that Matador reasonably requests to be signed by Employee. Matador shall (a) pay Employee an amount equal to his Base Salary in effect immediately prior to his termination of employment, but in any case not to exceed $1,500 per day, pro rated based on the number of days (and further pro rated for any partial day) that Employee is required to perform the foregoing obligations, and (b) reimburse Employee for any reasonable out-of-pocket expenses incurred by Employee in connection therewith.

22. Waiver. A party's failure to insist on compliance or enforcement of any provision of this Agreement, shall not affect the validity or enforceability or constitute a waiver of future enforcement of that provision or of any other provision of this Agreement by that party or any other party.

23. Governing Law; Venue; Arbitration. This Agreement shall in all respects be subject to, and governed by, the laws of the State of Texas.

(a) Injunctive Relief. Matador and Employee agree and consent to the personal jurisdiction of the state and local courts of Dallas County, Texas and/or the United States District Court for the Northern District of Texas in the event that Matador or Employee seeks injunctive relief with respect to any provision hereof, and that those courts, and only those courts, shall have jurisdiction with respect thereto. Matador and Employee also agree that those courts are convenient forums for the parties and for any potential witnesses and that process issued out of any such court or in accordance with the rules of practice of that court may be served by mail or other forms of substituted service to Matador at the address of its principal executive offices and to Employee at his last known address as reflected in Matador's records.

(b) All Other Disputes. In the event of any dispute, claim, question or disagreement relating to this Agreement, other than one for which Matador or Employee seeks injunctive relief, the parties shall use their best efforts to settle the dispute, claim, question or disagreement. To this effect, they shall consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to both parties. If such a dispute cannot be settled through negotiation, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association (the "AAA") under its Commercial Mediation Rules before resorting to arbitration or some other dispute resolution procedure. If the parties do not reach such solution through negotiation or mediation within a period of sixty (60) days after a claim is first made by a party, then, upon notice by either party to the other, all disputes, claims, questions or disagreements shall be finally settled by arbitration administered by the AAA in accordance with the provisions of its Commercial Arbitration Rules. The arbitrator shall be selected by agreement of the parties or, if they do not agree on an arbitrator within thirty (30) days after either party has notified the other of his or its desire to have the question settled by arbitration, then the arbitrator shall be selected pursuant to the procedures of the AAA, with such arbitration taking place in Dallas, Texas. The determination reached in such arbitration shall be final and binding on all parties. Enforcement of the determination by such arbitrator may be sought in any court of competent jurisdiction.

24. Substantially Prevailing Party. The substantially prevailing party in any legal proceeding, including mediation and arbitration, based upon this Agreement shall be entitled to reasonable attorneys' fees and costs, in addition to any other damages and relief allowed by law, from the substantially non-prevailing party; provided, however, that the maximum amount of fees and costs of all parties for which Employee shall be liable shall be $100,000.

25. Severability. The invalidity or unenforceability of any provision in the Agreement shall not in any way affect the validity or enforceability of any other provision and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had never been in the Agreement.

26. Notice. Any and all notices required or permitted herein shall be deemed delivered if delivered personally or if mailed by registered or certified mail to Matador at its principal place of business and to Employee at the address hereinafter set forth following Employee's signature, or at such other address or addresses as either party may hereafter designate in writing to the other.

27. Assignment. This Agreement, together with any amendments hereto, shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, assigns, heirs and personal representatives, except that the rights and benefits of either of the parties under this Agreement may not be assigned without the prior written consent of the other party.

28. Amendments. This Agreement may be amended at any time by mutual consent of the parties hereto, with any such amendment to be invalid unless in writing, signed by Matador and Employee.

29. Entire Agreement. This Agreement, along with Matador’s employee handbook, as it may be amended from time to time, to the extent it does not specifically conflict with any provision of this Agreement, contains the entire agreement and understanding by and between Employee and Matador with respect to the employment of Employee, and no representations, promises, agreements, or understandings, written or oral, relating to the employment of Employee by Matador not contained herein shall be of any force or effect.

30. Burden and Benefit. This Agreement shall be binding upon, and shall inure to the benefit of, Matador and Employee, and their respective heirs, personal and legal representatives, successors, and assigns.

31. References to Gender and Number Terms. In construing this Agreement, feminine or number pronouns shall be substituted for those masculine in form and vice versa, and plural terms shall be substituted for singular and singular for plural in any place where the context so requires.

32. Headings. The various headings in this Agreement are inserted for convenience only and are not part of the Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, Matador and Employee have duly executed this Agreement to be effective as of the Effective Date.

MATADOR RESOURCES COMPANY

By: /s/ Joseph Wm. Foran
Joseph Wm. Foran
Chairman of Board and Chief Executive Officer

Address for Notice:

One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, TX 75240
Attention: Board of Directors

EMPLOYEE:

/s/ David E. Lancaster
David E. Lancaster, individually

Address for Notice:

____
____
____

(FORM) SEPARATION AGREEMENT AND RELEASE

This Separation Agreement and Release (this "Agreement") is entered into by Matador Resources Company, a Texas corporation ("Matador" or the "Company"), and ___________ ("Employee") as of ___________ (the "Agreement Date"). Matador and Employee are referred to as the "Parties." This Agreement cancels and supersedes all prior agreements relating to Employee's employment with Matador except as provided in this Agreement.

WHEREAS, Matador and Employee entered into an Employment Agreement as of August ___, 2011 (the "Employment Agreement"). This Agreement is entered into by and between Employee and Matador pursuant to the Employment Agreement;

WHEREAS, because of Employee's employment as an employee of Matador, Employee has obtained intimate and unique knowledge of all aspects of Matador's business operations, current and future plans, financial plans and other confidential and proprietary information;

WHEREAS, Employee's employment with Matador and all other positions, if any, held by Employee in Matador or any of its subsidiaries or affiliates, including officer positions, terminated effective as of [**DATE**] (the "Separation Date"); and

WHEREAS, except as otherwise provided herein, the Parties desire to finally, fully and completely resolve all disputes that now or may exist between them, including, but not limited to those concerning the Employment Agreement (except for the post-termination obligations contained in the Employment Agreement), Employee's job performance and activities while employed by Matador and Employee's hiring, employment and separation from Matador, and all disputes over benefits and compensation connected with such employment;

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. End of Employee's Employment. Employee's employment with Matador terminated on the Separation Date.

2. Certain Payments and Benefits.

(a) Accrued Obligations. In accordance with Matador's customary payroll practices, Matador shall pay Employee for all unpaid salary, unreimbursed business expenses, and any accrued but unused vacation through the Separation Date ("Accrued Obligations").

(b) Separation Payments. Subject to Employee's consent to and fulfillment of Employee's obligations in this Agreement and, if applicable pursuant to the Section 14(b) or (c) of the Employment Agreement, Employee's post-termination obligations in Sections 8 and 9 of the Employment Agreement, and provided that Employee does not revoke this Agreement pursuant to Section 12 hereof, Matador shall pay Employee the amount of $[**AMOUNT**], minus normal payroll withholdings and taxes ("Separation Payment"), payable as provided in the Employment Agreement. The Separation Payment will not be treated as compensation under Matador's 401(k) Plan or any other retirement plan.

(c) Waiver of Additional Compensation or Benefits. Other than the

compensation and payments provided for in this Agreement and the post-termination benefits provided for in the Employment Agreement, Employee shall not be entitled to any additional compensation, benefits, payments or grants under any agreement, benefit plan, severance plan or bonus or incentive program established by Matador or any of Matador's affiliates, other than any vested retirement plan benefits, any vested equity grants or COBRA continuation coverage benefits. **[TO BE MODIFIED, IF APPLICABLE, FOR OTHER BENEFITS.]** Employee agrees that the release in Section 3 covers any claims Employee might have regarding Employee's compensation, bonuses, stock options or grants and any other benefits Employee may or may not have received during Employee's employment with Matador.

3. General Release and Waiver. In consideration of the payments and other consideration provided for in this Agreement, that being good and valuable consideration, the receipt, adequacy and sufficiency of which are acknowledged by Employee, Employee, on Employee's own behalf and on behalf of Employee's agents, administrators, representatives, executors, successors, heirs, devisees and assigns (collectively, the "Releasing Parties") hereby fully releases, remises, acquits and forever discharges Matador and all of its affiliates, and each of their respective past, present and future officers, directors, shareholders, equity holders, members, partners, agents, employees, consultants, independent contractors, attorneys, advisers, successors and assigns (collectively, the "Released Parties"), jointly and severally, from any and all claims, rights, demands, debts, obligations, losses, causes of action, suits, controversies, setoffs, affirmative defenses, counterclaims, third party actions, damages, penalties, costs, expenses, attorneys' fees, liabilities and indemnities of any kind or nature whatsoever (collectively, the "Claims"), whether known or unknown, suspected or unsuspected, accrued or unaccrued, whether at law, equity, administrative, statutory or otherwise, and whether for injunctive relief, back pay, fringe benefits, reinstatement, reemployment, or compensatory, punitive or any other kind of damages, which any of the Releasing Parties ever have had in the past or presently have against the Released Parties, and each of them, arising from or relating to Employee's employment with Matador or its affiliates or the termination of that employment or any circumstances related thereto, or (except as otherwise provided below) any other matter, cause or thing whatsoever, including without limitation all claims arising under or relating to employment, employment contracts, employee benefits or purported employment discrimination or violations of civil rights of whatever kind or nature, including without limitation all claims arising under the Age Discrimination in Employment Act ("ADEA"), the Americans with Disabilities Act, as amended, the Family and Medical Leave Act of 1993, the Equal Pay Act of 1963, the Rehabilitation Act of 1973, Title VII of the United States Civil Rights Act of 1964, 42 U.S.C. § 1981, the Fair Labor Standards Act, the Employee Retirement Income Security Act, the Civil Rights Act of 1991, the Civil Rights Acts of 1866 and/or 1871, the Sarbanes-Oxley Act, the Genetic Information Nondiscrimination Act, the Lily Ledbetter Act, the Texas Commission on Human Rights Act, the Texas Payday Law, the Texas Labor Code or any other applicable federal, state or local employment statute, law or ordinance, including, without limitation, any disability claims under any such laws, claims for wrongful discharge, claims arising under state law, contract claims including breach of express or implied contract, alleged tortious conduct, claims relating to alleged fraud, breach of fiduciary duty or reliance, breach of implied covenant of good faith and fair dealing, and any other claims arising under state or federal law, as well as any expenses, costs or attorneys' fees. Employee further agrees that Employee will not file or permit to be filed on Employee's behalf any such claim. Notwithstanding the preceding sentence or any other provision of this Agreement, this release is not intended to interfere with

Employee’s right to file a charge with the Equal Employment Opportunity Commission (the “EEOC”), or other comparable agency, in connection with any claim Employee believes Employee may have against Matador or its affiliates. However, by executing this Agreement, Employee hereby waives the right to recover in any proceeding Employee may bring before the EEOC or any state human rights commission or in any proceeding brought by the EEOC or any state human rights commission on Employee’s behalf. This release shall not apply to any of Matador’s obligations under this Agreement or post-termination obligations under the Employment Agreement, any vested retirement plan benefits, any vested equity grants or COBRA continuation coverage benefits. **[TO BE MODIFIED, IF APPLICABLE, FOR OTHER SURVIVING ARRANGEMENTS.]** Employee acknowledges that certain of the payments and benefits provided for in Section 2 of this Agreement constitute good and valuable consideration for the release contained in this Section 3.

4. Return of Matador Property. Within 7 days of the Agreement Date, Employee shall, to the extent not previously returned or delivered: (a) return all equipment, records, files, programs or other materials and property in Employee’s possession which belongs to Matador or any of its affiliates, including, without limitation, all computers, printers, laptops, personal data assistants, cell phones, credit cards, keys and access cards; and (b) deliver all original and copies of Confidential Information (as defined in the Employment Agreement) in Employee’s possession and notes, materials, records, plans, technical data or other documents, files or programs (whether stored in paper form, computer form, digital form, electronically or otherwise) in Employee’s possession that contain Confidential Information. By signing this Agreement, Employee represents and warrants that Employee has not retained and has or will timely return and deliver all the items described or referenced in subsections (a) or (b) above; and, that should Employee later discover additional items described or referenced in subsections (a) or (b) above, Employee will promptly notify Matador and return/deliver such items to Matador.

5. Non-Disparagement. Employee agrees that Employee will not, directly or indirectly, disclose, communicate, or publish any disparaging information concerning Matador or the Released Parties, or cause others to disclose, communicate, or publish any disparaging information concerning the same. Matador, on its own behalf and on behalf of its officers and directors, agrees that they will not, directly or indirectly, disclose, communicate or publish any disparaging information concerning Employee, or cause others to disclose, communicate, or publish any disparaging information concerning Employee. Notwithstanding the foregoing, the provisions of this Section shall not apply with respect to any charge filed by Employee with the EEOC or other comparable agency or in connection with any proceeding with respect to any claim not released by this Agreement.

6. Not An Admission of Wrongdoing. This Agreement shall not in any way be construed as an admission by either Party of any acts of wrongdoing, violation of any statute, law or legal or contractual right.

7. Voluntary Execution of the Agreement. Employee and Matador represent and agree that they have had an opportunity to review all aspects of this Agreement, and that they fully understand all the provisions of the Agreement and are voluntarily entering into this Agreement. Employee further represents that Employee has not transferred or assigned to any person or entity any claim involving Matador or any portion thereof or interest therein.

8. Ongoing Obligations. Employee reaffirms and understands Employee's ongoing obligations in the Employment Agreement, including Sections 8, 9, 10, 11 and 21.

9. Binding Effect. This Agreement shall be binding upon Matador and upon Employee and Employee's heirs, administrators, representatives, executors, successors and assigns and Matador's representatives, successors and assigns. In the event of Employee's death, this Agreement shall operate in favor of Employee's estate and all payments, obligations and consideration will continue to be performed in favor of Employee's estate.

10. Severability. Should any provision of this Agreement be declared or determined to be illegal or invalid by any government agency or court of competent jurisdiction, the validity of the remaining parts, terms or provisions of this Agreement shall not be affected and such provisions shall remain in full force and effect.

11. Entire Agreement. Except for the post-termination obligations in the Employment Agreement, any vested retirement plan benefits, any equity grant agreements and COBRA continuation coverage benefits **[TO BE MODIFIED, IF APPLICABLE, FOR OTHER SURVIVING ARRANGEMENTS.]**, this Agreement sets forth the entire agreement between the Parties, and fully supersedes any and all prior agreements, understandings, or representations between the Parties pertaining to Employee's employment with Matador, the subject matter of this Agreement or any other term or condition of the employment relationship between Matador and Employee. Employee represents and acknowledges that in executing this Agreement, Employee does not rely, and has not relied, upon any representation(s) by Matador or its agents except as expressly contained in this Agreement or the Employment Agreement. Employee and Matador agree that they have each used their own judgment in entering into this Agreement.

12. Knowing and Voluntary Waiver. Employee, by Employee's free and voluntary act of signing below, (i) acknowledges that Employee has been given a period of twenty-one (21) days to consider whether to agree to the terms contained herein, (ii) acknowledges that Employee has been advised to consult with an attorney prior to executing this Agreement, (iii) acknowledges that Employee understands that this Agreement specifically releases and waives all rights and claims Employee may have under the ADEA, prior to the date on which Employee signs this Agreement, and (iv) agrees to all of the terms of this Agreement and intends to be legally bound thereby. The Parties acknowledge and agree that each Party has reviewed and negotiated the terms and provisions of this Agreement and has contributed to its preparation (with advice of counsel). Accordingly, the rule of construction to the effect that ambiguities are

resolved against the drafting party shall not be employed in the interpretation of this Agreement. Rather, the terms of this Agreement shall be construed fairly as to both Parties and not in favor of or against either Party, regardless of which Party generally was responsible for the preparation of this Agreement.

This Agreement will become effective, enforceable and irrevocable on the eighth day after the date on which it is executed by Employee (the "Effective Date"). During the seven-day period prior to the Effective Date, Employee may revoke Employee's agreement to accept the terms hereof by giving notice to Matador of Employee's intention to revoke. If Employee exercises Employee's right to revoke hereunder, Employee shall not be entitled, except as required by applicable wage payment laws, including but not limited to the Accrued Obligations, to any payment hereunder until Employee executes and does not revoke a comparable release of claims, and to the extent such payments or benefits have already been made, Employee agrees that Employee will immediately reimburse Matador for the amounts of such payments and benefits to which he is not entitled.

13. Notices. All notices and other communications hereunder will be in writing. Any notice or other communication hereunder shall be deemed duly given if it is delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth:

If to Employee:

[EMPLOYEE]
[EMPLOYEE ADDRESS]

If to Matador:

Matador Resources Company
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, TX 75240
Attention: Board of Directors

Any Party may change the address to which notices and other communications are to be delivered by giving the other Party notice.

14. Governing Law; Venue; Arbitration. This section of the Agreement shall be governed by Section 23 of the Employment Agreement.

15. Counterparts. This Agreement may be executed in counterparts, each of which when executed and delivered (which deliveries may be by facsimile or other electronic method of delivery) shall be deemed an original and all of which together shall constitute one and the same instrument.

16. No Assignment of Claims. Employee represents and agrees that Employee has not transferred or assigned, to any person or entity, any claim involving Matador, or any portion thereof or interest therein.

17. No Waiver. This Agreement may not be waived, modified, amended, supplemented, canceled or discharged, except by written agreement of the Parties. Failure to exercise and/or delay in exercising any right, power or privilege in this Agreement shall not operate as a waiver. No waiver of any breach of any provision shall be deemed to be a waiver of any preceding or succeeding breach of the same or any other provision, nor shall any waiver be implied from any course of dealing between or among the Parties.

I ACKNOWLEDGE THAT I HAVE CAREFULLY READ THE FOREGOING AGREEMENT, THAT I UNDERSTAND ALL OF ITS TERMS AND THAT I AM RELEASING CLAIMS AND THAT I AM ENTERING INTO IT VOLUNTARILY.

AGREED TO BY:

______________________________ Date __________________________
[EMPLOYEE]

STATE OF TEXAS

COUNTY OF ____________

Before me, a Notary Public, on this day personally appeared ____________, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledges to me that he has executed this Agreement on behalf of himself and his heirs, for the purposes and consideration therein expressed.

Given under my hand and seal of office this _____ day of _________, _____.

____
Notary Public in and for the State of Texas

(PERSONALIZED SEAL)

MATADOR RESOURCES COMPANY

By: ______________________________
Title: ______________________________

Date: ______________________________

STATE OF TEXAS

COUNTY OF ____________________

Before me, a Notary Public, on this day personally appeared ____________, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of ______________, and that he has executed the same on behalf of said corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office this ____ day of ______, ____.

____
Notary Public in and for the State of Texas

(PERSONALIZED SEAL)

Exhibit 10.5

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered into on August 9, 2011, to be effective as of the Effective Date (as defined below) by and between Matador Resources Company, a Texas corporation ("Matador"), acting through its Board of Directors (the "Board"), and Matthew Hairford ("Employee"). For purposes of this Agreement, the "Effective Date" shall mean the date of filing with the United States Securities and Exchange Commission of Matador's first registration statement following the date hereof with respect to an underwritten public offering of its equity securities, or such other date as the Board and Employee may agree.

WHEREAS, Matador and Employee desire to enter into this Agreement to set forth the terms and conditions of Employee's employment with Matador;

NOW, THEREFORE, the parties hereto, in consideration of the mutual covenants and promises hereinafter contained, do hereby agree as follows:

1. Employment. Matador hereby agrees to employ Employee in the capacity of Executive Vice President-Operations, or in such other position or positions of the same or greater stature as the Board may direct or desire, to the extent reasonably acceptable to Employee, and Employee hereby accepts such employment, on the terms and subject to the conditions set forth herein.

2. Duties. Employee's principal duties and responsibilities shall be to (a) manage, generally, all of Matador's operations, subject to the supervision of the Chairman of the Board, the Chief Executive Officer and the Chief Operating Officer, (b) such other duties and responsibilities as may be more fully described in Matador's Bylaws for his position, and (c) such other duties consistent with his position that are reasonably assigned to Employee from time to time by the Board or the foregoing supervisors. Employee agrees to perform such services and duties and hold such offices as may be reasonably assigned to him from time to time by the Board or the foregoing supervisors, consistent with his position, and to devote substantially his full time, energies and best efforts to the performance thereof to the exclusion of all other business activities, except reasonable and normal work for his personal affairs and estate and any other activities to which Matador may consent, and except for services to charitable, civic and/or professional organizations, to the extent such service does not materially and adversely impact Employee's service to Matador.

3. Term. Employee's employment shall be under the terms and conditions of this Agreement and shall expire at the end of eighteen (18) months from the Effective Date (the "Term"), subject to earlier termination as provided herein; provided, however, that the Term shall be extended automatically at the end of each month by one additional month unless by such date Matador or Employee gives written notice to the other that the Term shall not be further extended. Such notice must indicate that it shall have the effect of preventing any further extension of the Term.

4. Salary and Other Compensation. As compensation for the services to be rendered by Employee to Matador pursuant to this Agreement, Employee shall be paid the following compensation and other benefits:

(a) Base Salary. Employee shall receive an annualized salary of $275,000 per year, payable in installments in accordance with Matador's then standard payroll practices, or such higher compensation as may be established by Matador from time to time ("Base Salary"); provided, however, that until the earlier of (i) the consummation of Matador's first underwritten public offering of its equity securities following the date hereof or (ii) immediately prior to a Change of Control (as defined below), the Base Salary shall continue to be the annualized salary of Employee as of the date hereof. Should Employee become "Partially Disabled," which for purposes hereof means the inability because of any physical or emotional illness lasting no more than 90 days to perform his assigned duties under this Agreement for no less than 20 hours per week (and including any period of short term total absence due to illness or injury, including recovery from surgery, but in no event lasting more than the 90-day period of Partial Disability), and if Employee, during any period of Partial Disability, receives any periodic payments representing lost compensation under any health and accident policy or under any salary continuation insurance policy, the premiums for which have been paid by Matador, the amount of Base Salary that Employee would be entitled to receive from Matador during the period of Partial Disability shall be decreased by the amounts of such payments. Notwithstanding the foregoing, should Employee become Totally Disabled, as defined in Section 12(b), during a period of Partial Disability, the provisions in Sections 12 and 14 with respect to Total Disability shall control.

(b) Annual Incentive Compensation. Employee shall be entitled to participate in the annual incentive plan for management maintained by Matador at a level to provide Employee with annual incentive compensation commensurate with Employee's position and responsibilities, as determined by, and based on such performance objectives as established by the Nominating, Compensation and Planning Committee of the Board (the "NCP Committee") and the Board, in their sole discretion.

(c) Long-Term Incentive Compensation. Employee shall be entitled to participate in Matador's 2011 Long-Term Incentive Plan, or such other equity incentive plan as may exist in the future, with awards under any such plan to be determined by the NCP Committee or the Board, in their discretion.

(d) Employee Benefit Plans. Employee shall be eligible to participate, to the extent he may be eligible pursuant to the terms of any such plan, in any profit sharing, retirement, insurance or other employee benefit plan maintained by Matador for the benefit of officers and senior management of Matador, at the officer/senior management level.

5. Life Insurance. Matador, in its discretion, may apply for and procure in its own name and for its own benefit, life insurance on the life of Employee in any amount or amounts

considered advisable by Matador, and Employee shall submit to any medical or other examination and execute and deliver any application or other instrument in writing, reasonably necessary to effectuate such insurance.

6. Expenses. Matador shall pay, or reimburse Employee, for the reasonable and necessary business expenses of Employee, to the extent incurred in accordance with all applicable expense reimbursement policies of Matador.

7. Vacations and Leave. Employee shall be entitled to four (4) weeks paid vacation per year, to be accrued and used in accordance with Matador's vacation policy in effect from time to time.

8. Non-Disclosure of Confidential Information. Matador shall provide Employee Confidential Information, which Employee may use in the performance of his job duties with Matador. "Confidential Information," whether electronic, oral or in written form, includes without limitation: all geological and geophysical reports and related data such as maps, charts, logs, seismographs, seismic records and other reports and related data, calculations, summaries, memoranda and opinions relating to the foregoing, production records, electric logs, core data, pressure data, lease files, well files and records, land files, abstracts, title opinions, title or curative matters, contract files, notes, records, drawings, manuals, correspondence, financial and accounting information, customer lists, statistical data and compilations, patents, copyrights, trademarks, trade names, inventions, formulae, methods, processes, agreements, contracts, manuals or any documents relating to the business of Matador and information or data regarding Matador's systems, operations, business, finances, prospects, properties or prospective properties; provided, however, that Confidential Information shall not include any information that is or becomes publicly available, or is otherwise generally known in Matador's industry, other than as a result of any disclosure by Employee that is inconsistent with his duties pursuant to this Agreement. As a material inducement to Matador to enter into this Agreement and to pay to Employee the compensation stated in Section 4, Employee covenants and agrees that he shall not, at any time during or following the term of his employment, directly or indirectly divulge or disclose for any purpose whatsoever, other than as may be required by law, any Confidential Information that has been obtained by, or disclosed to, him as a result of his employment by Matador, or use such Confidential Information for any reason other than to perform his duties pursuant to this Agreement.

9. Non-Competition and Non-Solicitation Agreement.

(a) Employee acknowledges and agrees that the Confidential Information Matador shall provide Employee will enable Employee to injure Matador if Employee should compete with Matador. Therefore, Employee hereby agrees that during Employee's employment, and (i) if Matador terminates Employee's employment for Total Disability, or if Employee terminates his employment for Good Reason, then for a period of six (6) months thereafter, or (ii) if Matador terminates Employee's employment for Just Cause, Employee terminates his employment during the Term other than for Good Reason or Employee is entitled to severance pay pursuant to Section 14(b) or Section 14(c) (other than if Employee terminates his employment for Good Reason), then for a period of twelve (12) months thereafter (the period specified in clause (i) or (ii), as

applicable, being referred to herein as the "Restricted Period"), Employee shall not, without Matador's prior written consent (which consent, in the event Employee terminates his employment other than for Good Reason, may not be unreasonably withheld, but in each other situation described in clauses (i) and (ii) above, may be withheld in its sole discretion), directly or indirectly: (a) invest in (other than investments in publicly-owned companies which constitute not more than 1% of the voting securities of any such company) a Competing Business with Significant Assets in the Restricted Area (each as defined below), or (b) participate in a Competing Business as a manager, employee, director, officer, consultant, independent contractor, or other capacity or otherwise provide, directly or indirectly, services or assistance to a Competing Business in a position that involves input into or direction of the Competing Business's decisions within the Restricted Area. "Competing Business" means any person or entity engaged in oil and natural gas exploration, development, production and acquisition activities. "Significant Assets" means oil and natural gas reserves with an aggregate fair market value of $25 million or more. "Restricted Area" means a one-mile radius of any oil and natural gas reserves held by Matador as of the end of Employee's employment, plus any county or parish where Matador, together with its subsidiaries, has Significant Assets as of the end of Employee's employment.

(b) During the Restricted Period, Employee agrees on his own behalf and on behalf of his affiliates that, without the prior written consent of the Board, the Chairman of the Board or the Chief Executive Officer, they shall not, directly or indirectly, (i) solicit for employment or a contracting relationship, or employ or retain any person who is or has been, within six months prior to such time, employed by or engaged as an individual independent contractor to Matador or its affiliates, or (ii) induce or attempt to induce any such person to leave his or her employment or independent contractor relationship with Matador or its affiliates; provided, however, that the restrictions set forth in this Section 9(b) shall not apply to Employee with respect to any person with whom Employee had a material business relationship prior to Employee's employment with Matador. Matador agrees that the foregoing restriction is not intended to apply generally to companies providing services to Matador, such as rig and oilfield service providers, or lenders.

10. Reasonableness of Restrictions

(a) Employee has carefully read and considered the provisions of Sections 8 and 9, and, having done so, agrees that the restrictions set forth in those Sections are fair and reasonable and are reasonably required for the protection of the interests of Matador and its parent or subsidiary corporations, officers, directors, and shareholders.

(b) In the event that, notwithstanding the foregoing, any of the provisions of Sections 8 or 9 shall be held to be invalid or unenforceable, the remaining provisions thereof shall nevertheless continue to be valid and enforceable as though the invalid or unenforceable parts had not been included therein. In the event that any provision of Sections 8 or 9 shall be declared by a court of competent jurisdiction to exceed the maximum restrictiveness such court deems reasonable and enforceable, the time period, the areas of restriction and/or related aspects deemed reasonable and enforceable by the court shall become and thereafter be the maximum restriction in such regard, and the restriction shall remain enforceable to the fullest extent deemed reasonable by such court.

(c) Sections 8 and 9 shall survive the termination of this Agreement. If Employee is found by a court of competent jurisdiction or arbitrator to have materially violated any of the restrictions contained in Section 9, the restrictive period will be suspended and will not run in favor of Employee during such period that Employee shall have been found to be in material violation thereof.

11. Remedies for Breach of Employee’s Covenants of Non-Disclosure, Non-Competition and Non-Solicitation. In the event of a breach or threatened breach of any of the covenants in Sections 8 or 9, then Matador shall be entitled to seek a temporary restraining order and injunctive relief restraining Employee from the commission of any breach.

12. Termination. Employment of Employee under this Agreement may be terminated:

(a) By Employee’s death.

(b) If Employee is Totally Disabled. For the purposes of this Agreement, Employee is totally disabled if he is “Totally Disabled” as defined in and for the period necessary to qualify for benefits under any disability income insurance policy and any replacement policy or policies covering Employee and Employee has been declared to be Totally Disabled by the insurer.

(c) By mutual agreement of Employee and Matador.

(d) By the dissolution and liquidation of Matador (other than as part of a reorganization, merger, consolidation or sale of all or substantially all of the assets of Matador whereby the business of Matador is continued).

(e) By Matador for Just Cause. This Agreement and Employee’s employment with Matador may be terminated for Just Cause at any time in accordance with Section 13. For purposes of this Agreement, “Just Cause” shall mean only the following: (i) Employee’s continued and material failure to perform the duties of his employment consistent with Employee’s position, except as a result of being Partially Disabled (during any period of Partial Disability) or Totally Disabled, (ii) Employee’s failure to perform his material obligations under this Agreement, except as a result of being Partially Disabled (during any period of Partial Disability) or Totally Disabled, or a material breach by the Employee of Matador’s written policies concerning discrimination, harassment or securities trading, (iii) Employee’s refusal or failure to follow lawful directives of the Board and his supervisors, except as a result of being Partially Disabled (during any period of Partial Disability) or Totally Disabled, (iv) Employee’s commission of an act of fraud, theft, or embezzlement, (v) Employee’s indictment for or conviction of a felony or other crime involving moral turpitude, or (vi) Employee’s intentional breach of fiduciary duty; provided, however, that Employee shall have thirty (30) days after written notice from the Board (or NCP Committee) to remedy any actions alleged under subsections (i), (ii) or (iii) in the manner reasonably specified by the Board (or NCP Committee). For the avoidance of doubt, the parties acknowledge and agree that a termination by Matador for Just Cause shall have priority over the other provisions of this Section 12, and Matador shall have the right, to the extent raised by Matador within twelve (12) months following Employee’s termination, to “claw back” any benefits paid to Employee based on a termination pursuant to any other provision of this Section 12, in the event that Matador subsequently discovers the existence of facts or circumstances that would have been grounds for Employee’s termination for Just Cause; provided, however, that the foregoing shall not modify in any way Employee’s rights to dispute any termination for Just Cause, or to have any such dispute resolved by mediation or arbitration, as provided herein.

(f) At the end of the Term.

(g) By Employee for Good Reason. This Agreement and Employee’s employment with Matador may be terminated at any time, at the election of Employee, for Good Reason in accordance with Section 13, and such termination for Good Reason shall be treated as an involuntary separation from service within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and the Treasury Regulations promulgated thereunder. As used in this Agreement, “Good Reason” shall mean (i) the assignment to Employee of duties inconsistent with the title of Executive Vice President-Operations or his then-current office, or a material diminution in Employee’s then current authority, duties or responsibilities; (ii) a diminution of Employee’s then current Base Salary or other action or inaction that constitutes a material breach of this Agreement by Matador; or (iii) the relocation of Matador’s principal executive offices to a location more than thirty (30) miles from Matador’s current principal executive offices or the transfer of Employee to a place other than Matador’s principal executive offices (excepting required travel on Matador’s business). Within thirty (30) days from the date Employee knows of the actions constituting Good Reason as defined in this Section 12(g), Employee shall give Matador written notice thereof, and provide Matador with a reasonable period of time, in no event exceeding thirty (30) days, after receipt of such notice to remedy the alleged actions constituting Good Reason; provided, however, that Matador shall not be entitled to notice of, and the opportunity to remedy, the recurrence of any alleged actions (or substantially similar actions) constituting Good Reason in the event that Employee has previously provided notice of such prior alleged actions (or substantially similar actions) to Matador and provided Matador an opportunity to cure such prior actions (or substantially similar actions). In the event Matador does not cure the alleged actions, if Employee does not terminate this Agreement and his employment within sixty (60) days following the last day of Matador’s cure period, Employee shall not be entitled to terminate his employment for Good Reason based upon the occurrence of such actions; provided, however, that any recurrence of such actions (or substantially similar actions) may constitute Good Reason. Any corrective measures undertaken by Matador are solely within its discretion and do not concede or indicate agreement that the actions described in Employee’s written notice constitute Good Reason within the meaning of this Section 12(g).

(h) By Employee other than for Good Reason. This Agreement and Employee’s employment with Matador may be terminated at any time, at the election of Employee, other than for Good Reason.

(i) Change in Control. In the event of a Change in Control and Employee is terminated by Matador without Just Cause, or Employee terminates his employment with or without Good Reason, within 30 days prior to or twelve (12) months following the Change in Control. As used in this Section 12(i) and Section 14, the term “Change in Control” shall mean a change in control event for purposes of Section 409A of the Code, as defined in Treasury Regulation Section 1.409A-3(i)(5) and any successor provision thereto, which currently is the following:

> (i) A change in ownership of Matador occurs on the date that any Person other than (1) Matador or any subsidiaries, (2) a trustee or other fiduciary holding securities under an employee benefit plan of Matador or any of its Affiliates, (3) an underwriter temporarily holding stock pursuant to an offering of such stock, or (4) a corporation owned, directly or indirectly, by the shareholders of Matador in substantially the same proportions as their ownership of Matador’s stock, acquires ownership of Matador’s stock that, together with stock held by such Person, constitutes more than 50% of the total fair market value or total voting power of Matador’s stock. However, if any Person is considered to own already more than 50% of the total fair market value or total voting power of Matador’s stock, the acquisition of additional stock by the same Person is not considered to be a Change in Control. In addition, if any Person has effective control of Matador through ownership of 30% or more of the total voting power of Matador’s stock, as described in Section 12(i), subsection (ii), below, the acquisition of additional control of Matador by the same Person is not considered to cause a Change in Control pursuant to this Section 12(i), subsection (i);
>
> (ii) Even though Matador may not have undergone a change in ownership under Section 12(i), subsection (i), above, a change in the effective control of Matador occurs on either of the following dates:
>
> > a) the date that any Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) ownership of Matador’s stock possessing 30% or more of the total voting power of Matador’s stock. However, if any Person owns 30% or

more of the total voting power of Matador’s stock, the acquisition of additional control of Matador by the same Person is not considered to cause a Change in Control pursuant to this Section 12(i), subsection (ii), clause a); or

b) the date during any 12-month period when a majority of members of the Board is replaced by directors whose appointment or election is not endorsed by a majority of the Board before the date of appointment or election; provided, however, that any such director shall not be considered to be endorsed by the Board if his or her initial assumption of office occurs as a result of an actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) A change in the ownership of a substantial portion of Matador’s assets occurs on the date that a Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) assets of Matador, that have a total gross fair market value equal to at least 40% of the total gross fair market value of all of Matador’s assets immediately before such acquisition or acquisitions. However, there is no Change in Control where there is such a transfer to an entity that is controlled by the shareholders of Matador immediately after the transfer, through a transfer to a) a shareholder of Matador (immediately before the asset transfer) in exchange for or with respect to Matador’s stock; b) an entity, at least 50% of the total value or voting power of the stock of which is owned, directly or indirectly, by Matador; c) a Person that owns, directly or indirectly, at least 50% of the total value or voting power of Matador’s outstanding stock; or d) an entity, at least 50% of the total value or voting power of the stock of which is owned by a Person that owns, directly or indirectly, at least 50% of the total value or voting power of Matador’s outstanding stock.

(iv) For the purposes of this definition of Change in Control only:

“Person” shall have the meaning given in Section 7701(a)(1) of the Code. Person shall include more than one Person acting as a group as defined in the Final Treasury Regulations issued under Section 409A of the Code.

(v) As noted, the definition of Change in Control as set forth in this Section 12(i) shall be interpreted in accordance with the Treasury Regulations under Section 409A of the Code, it being the intent of the parties that this Section 12(i) shall be in compliance with the requirements of said Code Section and said Regulations.

Notwithstanding the definition of Change in Control as set forth in this Section 12(i), no Change in Control shall be deemed to have occurred as a result of the sale of any equity securities by Matador in any registered public offering.

13. Notice of Termination/Date of Termination. Termination of Employee’s employment by Matador for Just Cause or by Employee for Good Reason or other than for Good Reason shall be accompanied by written notice of the reason for such termination. Such notice shall indicate a specific termination provision in this Agreement which is relied upon, describe the basis for such termination, if any, and the Date of Termination. If Employee’s employment is terminated by Employee other than for Good Reason, the Date of Termination shall be not less than thirty (30) days following such written notice. As used in this Agreement, “Date of Termination” shall mean a “Separation from Service” as defined in Section 16 hereof.

14. Payments With Respect to Termination; Vesting of Equity Incentive Awards. Payments to Employee upon termination shall be limited to the following:

(a) If Employee’s employment is terminated by Matador upon death pursuant to Section 12(a), Total Disability pursuant to Section 12(b), mutual agreement pursuant to Section 12(c), dissolution and liquidation pursuant to Section 12(d), for Just Cause pursuant to Section 12(e), at the end of the Term pursuant to Section 12(f), or by Employee other than for Good Reason pursuant to Section 12(h), Employee shall be entitled to all arrearages of Base Salary, accrued but unused vacation and expenses as of the Date of Termination (the “Accrued Obligations”) payable in accordance with Matador’s customary payroll practices, plus (unless Employee’s employment is terminated by Matador for Just Cause or by Employee other than for Good Reason) an amount equal to the average annual amount of all bonuses paid to Employee with respect to the prior two (2) calendar years, pro-rated based on the number of complete or partial months of Employee’s employment during the calendar year in which his employment terminates payable in a lump sum, subject to Section 16(b), on the sixtieth (60th) day following the Date of Termination, but shall not be entitled to further compensation.

(b) If Employee’s employment is terminated by Matador for a reason other than as described in Section 14(a) or (c), or is terminated by Employee for Good Reason pursuant to Section 12(g), Matador shall (i) pay to Employee all Accrued Obligations as required under applicable wage payment laws and in accordance with Matador’s customary payroll practices, and (ii) subject to Employee’s compliance with Sections 8 and 9, pay to Employee severance pay in an amount equal to one and one-half (1.5) times his then-current Base Salary as of the Date of Termination, plus one and one-half (1.5) times an amount equal to the average annual amount of all bonuses paid to Employee with respect to the prior two (2) calendar years, in a lump sum, (A) on the date which immediately follows six (6) months from the Date of Termination or, if earlier, (B) within thirty (30) days of Employee’s death, with the exact date of payment after Employee’s death to be determined by Matador. Employee shall have no obligation to seek other employment, and any income so earned shall not reduce the foregoing amounts.

(c) If in contemplation of or following a Change in Control pursuant to Section 12(i), Employee's employment is terminated by Matador without Just Cause or is terminated by Employee with or without Good Reason, Matador shall (i) pay to Employee all Accrued Obligations as required under applicable wage payment laws and in accordance with Matador's customary payroll practices, and (ii) subject to Employee's compliance with Sections 8 and 9, pay to Employee severance pay in an amount equal three (3) times the then-current Base Salary as of the Date of Termination, plus three (3) times an amount equal to the average annual amount of all bonuses paid to Employee with respect to the prior two (2) calendar years, in a lump sum, (A) on the date which immediately follows six (6) months from the Date of Termination or, if earlier, (B) within thirty (30) days of Employee's death, with the exact date of payment after Employee's death to be determined by Matador. Immediately prior to such termination of employment, as contemplated in the prior sentence, all unvested equity incentive awards held by Employee shall vest, and the forfeiture provisions with respect to any such awards that are subject to forfeiture will terminate. Employee shall have no obligation to seek other employment and any income so earned shall not reduce the foregoing amounts.

(d) Except with respect to any Accrued Obligations, which shall be paid in accordance with Section 14, as a condition to receiving any other payment under Section 14, and to the extent that Employee is then living and not prevented from executing a release of claims due to any disability, Employee shall execute (and not revoke) a release of claims substantially in the form attached hereto (which release shall be provided to Employee within five (5) business days following the Date of Termination and must be returned to Matador (and not revoked) within forty-five (45) days following the Date of Termination). If Employee fails or otherwise refuses to execute and not revoke a release of claims within forty-five (45) days following the Date of Termination, and in all events prior to the date on which such other payment is to be first paid to him, Employee shall not be entitled to any such other payment, except as required by applicable wage payment laws, until Employee executes and does not revoke for forty-five (45) days, a release of claims.

15. Timing of Payments with Respect to Termination. In the event that, without the express or implied consent of Employee, Matador fails to make, either intentionally or unintentionally, any payment required pursuant to Section 14 at the time such payment is so required, and in addition to any other remedies that might be available to Employee under this Agreement or applicable law, including compliance with the requirements of Section 409A of the Code regarding disputed payments and refusals to pay, Matador and Employee agree that the unpaid amount of any such required payment shall increase by five percent (5%) per month for each month, or portion thereof, during which such payment is not made. Matador and Employee agree that any such increase is not interest, but is for purposes of compensating Employee for certain costs and expenses anticipated to be incurred by Employee in the event that any such payment is not made when required, the actual amounts of which are difficult to estimate. Notwithstanding the foregoing, in the event that any such amount is held to be interest, Employee shall not be entitled to charge, receive or collect, nor shall amounts received hereunder be credited so that Employee shall be paid, as interest a sum greater than interest at the Maximum Rate (as defined below). It is the intention of Matador and Employee that this

Agreement shall comply with applicable law. If Employee is deemed to have charged or received anything of value which is deemed to be interest under applicable law, and if such interest is deemed to exceed the maximum lawful amount, any amount which exceeds interest at the Maximum Rate shall be applied to other amounts that might be owed to Employee by Matador or its affiliates, whether under this Agreement or otherwise, and if there are no such other amounts owed to Employee by Matador or its affiliates, any remaining excess shall be paid to Matador. In determining whether any such deemed interest exceeds interest at the Maximum Rate, the total amount of interest shall be spread, prorated and amortized throughout the entire time during which such payment is due, until payment in full. The term "Maximum Rate" means the maximum nonusurious rate of interest per annum permitted by whichever of applicable United States federal law or Texas law permits the higher interest rate, including to the extent permitted by applicable law, any amendments thereof hereafter or any new law hereafter coming into effect to the extent a higher Maximum Rate is permitted thereby.

16. Other Termination Provisions.

(a) Separation from Service. Notwithstanding anything to the contrary in this Agreement, with respect to any amounts payable to Employee under this Agreement that are treated as "non-qualified deferred compensation" subject to Section 409A of the Code in connection with a termination of Employee's employment, in no event shall a termination of employment occur under this Agreement unless such termination constitutes a Separation from Service. "Separation from Service" shall mean Employee's "separation from service" with Matador as such term is defined in Treasury Regulation Section 1.409A-1(h) and any successor provision thereto.

(b) Section 409A Compliance. Notwithstanding anything contained in this Agreement to the contrary, to the maximum extent permitted by applicable law, amounts payable to Employee pursuant to Section 14 shall be made in reliance upon Treasury Regulation Section 1.409A-1(b)(9) (Separation Pay Plans) or Treasury Regulation Section 1.409A-1(b)(4) (Short-Term Deferrals). However, to the extent any such payments are treated as non-qualified deferred compensation subject to Section 409A of the Code, then if Employee is deemed at the time of his Separation from Service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, then to the extent delayed commencement of any portion of the benefits to which Employee is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of Employee's termination benefits shall not be provided to Employee prior to the earlier of (i) the expiration of the six-month period measured from the date of Employee's Separation from Service or (ii) the date of Employee's death. Upon the earlier of such dates, all payments deferred pursuant to this Section 16(b) shall be paid in a lump sum to Employee. The determination of whether Employee is a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code as of the time of his Separation from Service shall made by Matador in accordance with the terms of Section 409A of the Code and applicable guidance thereunder (including without limitation Treasury Regulation Section 1.409A-1(i) and any successor provision thereto).

(c) Section 280G Treatment.

(i) (A) In the event it is determined that any payment, distribution or benefits of any type by Matador to or for the benefit of Employee, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "Change in Control Payments"), constitute "parachute payments" within the meaning of Section 280G(b)(2) of the Code, Matador will provide Employee with a computation of (1) the maximum amount of the Change in Control Payments that could be made, without the imposition of the excise tax imposed by Section 4999 of the Code (said maximum amount being referred to as the "Capped Amount"); (2) the value of the Change in Control Payments that could be made pursuant to the terms of this Agreement (all said payments, distributions and benefits being referred to as the "Uncapped Amount"); (iii) the dollar amount of the excise tax (if any) including any interest or penalties with respect to such excise tax which Employee would become obligated to pay pursuant to Section 4999 of the Code as a result of receipt of the Uncapped Amount (the "Excise Tax Amount"); and (iv) the net value of the Uncapped Amount after reduction by the Excise Tax Amount and the estimated income taxes payable by Employee on the difference between the Uncapped Amount and the Capped Amount, assuming that Employee is paying the highest marginal tax rate for state, local and federal income taxes (the "Net Uncapped Amount").

(B) If the Capped Amount is greater than the Net Uncapped Amount, Employee shall be entitled to receive or commence to receive payments equal to the Capped Amount; or if the Net Uncapped Amount is greater than the Capped Amount, Employee shall be entitled to receive or commence to receive payments equal to the Uncapped Amount. If Employee receives the Uncapped Amount, then Employee shall be solely responsible for the payment of all income and excise taxes due from Employee and attributable to such Uncapped Amount, with no right of additional payment from Matador as reimbursement for any taxes.

(ii) All determinations required to be made under Section 16(c)(i)(A) shall be made in writing by the independent accounting firm agreed to by Matador and Employee on the date of the Change in Control (the "Accounting Firm"), whose determination shall be conclusive and binding upon Employee and Matador for all purposes. For purposes of making the calculations required by Section 16(c)(i)(A), the Accounting Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. Matador and Employee shall furnish to the Accounting Firm such information and documents as it reasonably may request in order to make determinations under Section 16(c)(i)(A). If the Accounting Firm determines that

no Excise Tax Amount is payable by Employee, it shall furnish Employee with an opinion that he has substantial authority not to report any excise tax pursuant to Section 4999 of the Code on his federal income tax return. Matador shall bear all costs the Accounting Firm may reasonably incur in connection with any calculations contemplated by Section 16(c)(i)(A).

(iii) (A) If the computations and valuations required to be provided by Matador to Employee pursuant to Section 16(c)(i)(A) are on audit challenged by the Internal Revenue Service as having been performed in a manner inconsistent with the requirements of Sections 280G and 4999 of the Code or if Section 409A of the Code is determined to apply to all or any part of the payments to which Employee or his survivors may be entitled under this Agreement and as a result of such audit or determination, (1) the amount of cash and the benefits provided for in Section 16(c)(i) remaining to Employee after completion of such audit or determination is less than (2) the amount of cash and the benefits which were paid or provided to Employee on the basis of the calculations provided for in Section 16(c)(i)(A) (the difference between (1) and (2) being referred to as the "Shortfall Amount"), then Employee shall be entitled to receive an additional payment (an "Indemnification Payment") in an amount such that, after payment by Employee of all taxes (including additional excise taxes under said Section 4999 of the Code and any interest and penalties imposed with respect to any taxes) imposed upon the Indemnification Payment and all reasonable attorneys' and accountants' fees incurred by Employee in connection with such audit or determination, Employee retains an amount of the Indemnification Payment equal to the Shortfall Amount. Matador shall pay the Indemnification Payment to Employee in a lump sum cash payment within thirty (30) days of the completion of such audit or determination.

(B) If the computations and valuations required to be provided by Matador to Employee pursuant to Section 16(c)(i)(A) are on audit challenged by the Internal Revenue Service as having been performed in a manner inconsistent with the requirements of Sections 280G and 4999 of the Code and as a result of such audit or determination, (1) the amount of cash and the benefits which were paid or provided to Employee on the basis of the calculations provided for in Section 16(c)(i)(A) is greater than (2) the amount of cash and the benefits provided for in Section 16(c)(i) payable to Employee after completion of such audit or determination (the difference between (1) and (2) being referred to as the "Excess Amount"), then Employee shall repay to Matador the Excess Amount in a lump sum cash payment within thirty (30) days of the completion of such audit or determination.

(C) Notwithstanding the foregoing provisions of this Section 16(c)(iii), (1) any payment made to or on behalf of Employee

which relates to taxes imposed on Employee shall be made not later than the end of the calendar year next following the calendar year in which such taxes are remitted by or on behalf of Employee, and (2) any payment made to or on behalf of Employee which relates to reimbursement of expenses incurred due to a tax audit or litigation addressing the existence or amount of a tax liability shall be made by the end of the calendar year following the calendar year in which the taxes that are the subject of the audit or litigation are remitted to the taxing authority, or where as a result of such audit or litigation no taxes are remitted, the end of the calendar year following the calendar year in which the audit is completed or there is a final and non-appealable settlement or other resolution of the litigation, whichever is the last event to occur.

(d) Termination by Employee Other than for Good Reason. If at any time Employee terminates his employment other than for Good Reason, Employee shall have no further obligation to Matador other than the provisions of Sections 8, 9, 14(d), 16(c)(iii)(B) and 21.

17. In-Kind Benefits and Reimbursements. Notwithstanding any thing to the contrary in this Agreement, in-kind benefits and reimbursements provided under this Agreement during any tax year of Employee shall not affect in-kind benefits or reimbursements to be provided in any other tax year of Employee and are not subject to liquidation or exchange for another benefit. Notwithstanding any thing to the contrary in this Agreement, reimbursement requests must be timely submitted by Employee and, if timely submitted, reimbursement payments shall be made to Employee as soon as administratively practicable following such submission, but in no event later than the last day of Employee’s taxable year following the taxable year in which the expense was incurred. In no event shall Employee be entitled to any reimbursement payments after the last day of Employee’s taxable year following the taxable year in which the expense was incurred. This paragraph shall only apply to in-kind benefits and reimbursements that would result in taxable compensation income to Employee.

18. Section 409A; Separate Payments. This Agreement is intended to be written, administered, interpreted and construed in a manner such that no payment or benefits provided under the Agreement become subject to (a) the gross income inclusion set forth within Code Section 409A(a)(1)(A) or (b) the interest and additional tax set forth within Code Section 409A(a)(1)(B) (together, referred to herein as the “Section 409A Penalties”), including, where appropriate, the construction of defined terms to have meanings that would not cause the imposition of Section 409A Penalties. In no event shall Matador be required to provide a tax gross-up payment to Employee or otherwise reimburse Employee with respect to Section 409A Penalties. For purposes of Section 409A of the Code (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), each payment that Employee may be eligible to receive under this Agreement shall be treated as a separate and distinct payment.

19. Indemnification. Matador shall indemnify Employee to the extent permitted pursuant to the Certificate of Formation of Matador, the Bylaws of Matador and any indemnification agreement between Matador and Employee that may be in effect from time to time during the Term, the terms of which are incorporated herein by reference.

20. Resignation Upon Termination. In the event of termination of Employee’s employment for any reason, Employee hereby shall be deemed upon such termination to have immediately resigned from all positions held in Matador, including without limitations any position as a director, officer, agent, trustee or consultant of Matador or any affiliate of Matador and shall execute all documents reasonably necessary to further effectuate or document such resignation from such positions.

21. Cooperation. During and after Employee’s employment with Matador, Employee shall cooperate fully with Matador in the defense or prosecution of all claims or actions now in existence or which may be brought in the future against or on behalf of Matador or its affiliates. Employee’s full cooperation in connection with such claims or actions shall include, but shall not be limited to, being available to meet with counsel to Matador and/or its affiliates to prepare for discovery, trial or alternative dispute resolution proceedings, and to act as a witness on behalf of Matador and its affiliates. During and after Employee’s employment, Employee shall cooperate with Matador and its affiliates in connection with any investigation or review by any federal, state or local regulatory authority. In addition, during and after Employee’s employment with Matador, Employee shall assist Matador in all reasonably requested transition efforts in connection with Employee’s separation from Matador or the transfer of duties or responsibilities from Employee, including but not limited to execution and delivery of all documents that Matador reasonably requests to be signed by Employee. Matador shall (a) pay Employee an amount equal to his Base Salary in effect immediately prior to his termination of employment, but in any case not to exceed $1,500 per day, pro rated based on the number of days (and further pro rated for any partial day) that Employee is required to perform the foregoing obligations, and (b) reimburse Employee for any reasonable out-of-pocket expenses incurred by Employee in connection therewith.

22. Waiver. A party’s failure to insist on compliance or enforcement of any provision of this Agreement, shall not affect the validity or enforceability or constitute a waiver of future enforcement of that provision or of any other provision of this Agreement by that party or any other party.

23. Governing Law; Venue; Arbitration. This Agreement shall in all respects be subject to, and governed by, the laws of the State of Texas.

(a) Injunctive Relief. Matador and Employee agree and consent to the personal jurisdiction of the state and local courts of Dallas County, Texas and/or the United States District Court for the Northern District of Texas in the event that Matador or Employee seeks injunctive relief with respect to any provision hereof, and that those courts, and only those courts, shall have jurisdiction with respect thereto. Matador and Employee also agree that those courts are convenient forums for the parties and for any potential witnesses and that process issued out of any such court or in accordance with the rules of practice of that court may be served by mail or other forms of substituted service to Matador at the address of its principal executive offices and to Employee at his last known address as reflected in Matador’s records.

(b) All Other Disputes. In the event of any dispute, claim, question or disagreement relating to this Agreement, other than one for which Matador or Employee seeks injunctive relief, the parties shall use their best efforts to settle the dispute, claim, question or disagreement. To this effect, they shall consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to both parties. If such a dispute cannot be settled through negotiation, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association (the "AAA") under its Commercial Mediation Rules before resorting to arbitration or some other dispute resolution procedure. If the parties do not reach such solution through negotiation or mediation within a period of sixty (60) days after a claim is first made by a party, then, upon notice by either party to the other, all disputes, claims, questions or disagreements shall be finally settled by arbitration administered by the AAA in accordance with the provisions of its Commercial Arbitration Rules. The arbitrator shall be selected by agreement of the parties or, if they do not agree on an arbitrator within thirty (30) days after either party has notified the other of his or its desire to have the question settled by arbitration, then the arbitrator shall be selected pursuant to the procedures of the AAA, with such arbitration taking place in Dallas, Texas. The determination reached in such arbitration shall be final and binding on all parties. Enforcement of the determination by such arbitrator may be sought in any court of competent jurisdiction.

24. Substantially Prevailing Party. The substantially prevailing party in any legal proceeding, including mediation and arbitration, based upon this Agreement shall be entitled to reasonable attorneys' fees and costs, in addition to any other damages and relief allowed by law, from the substantially non-prevailing party; provided, however, that the maximum amount of fees and costs of all parties for which Employee shall be liable shall be $100,000.

25. Severability. The invalidity or unenforceability of any provision in the Agreement shall not in any way affect the validity or enforceability of any other provision and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had never been in the Agreement.

26. Notice. Any and all notices required or permitted herein shall be deemed delivered if delivered personally or if mailed by registered or certified mail to Matador at its principal place of business and to Employee at the address hereinafter set forth following Employee's signature, or at such other address or addresses as either party may hereafter designate in writing to the other.

27. Assignment. This Agreement, together with any amendments hereto, shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, assigns, heirs and personal representatives, except that the rights and benefits of either of the parties under this Agreement may not be assigned without the prior written consent of the other party.

28. Amendments. This Agreement may be amended at any time by mutual consent of the parties hereto, with any such amendment to be invalid unless in writing, signed by Matador and Employee.

29. Entire Agreement. This Agreement, along with Matador's employee handbook, as it may be amended from time to time, to the extent it does not specifically conflict with any provision of this Agreement, contains the entire agreement and understanding by and between

Employee and Matador with respect to the employment of Employee, and no representations, promises, agreements, or understandings, written or oral, relating to the employment of Employee by Matador not contained herein shall be of any force or effect.

30. Burden and Benefit. This Agreement shall be binding upon, and shall inure to the benefit of, Matador and Employee, and their respective heirs, personal and legal representatives, successors, and assigns.

31. References to Gender and Number Terms. In construing this Agreement, feminine or number pronouns shall be substituted for those masculine in form and vice versa, and plural terms shall be substituted for singular and singular for plural in any place where the context so requires.

32. Headings. The various headings in this Agreement are inserted for convenience only and are not part of the Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, Matador and Employee have duly executed this Agreement to be effective as of the Effective Date.

MATADOR RESOURCES COMPANY

By: /s/ Joseph Wm. Foran
Joseph Wm. Foran
Chairman of Board and Chief Executive Officer

Address for Notice:

One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, TX 75240
Attention: Board of Directors

EMPLOYEE:

/s/ Matthew Hairford
Matthew Hairford, individually

Address for Notice:

____
____
____

Signature Page

(FORM) SEPARATION AGREEMENT AND RELEASE

This Separation Agreement and Release (this "Agreement") is entered into by Matador Resources Company, a Texas corporation ("Matador" or the "Company"), and ____________ ("Employee") as of ____________ _______ (the "Agreement Date"). Matador and Employee are referred to as the "Parties." This Agreement cancels and supersedes all prior agreements relating to Employee's employment with Matador except as provided in this Agreement.

WHEREAS, Matador and Employee entered into an Employment Agreement as of August ______, 2011 (the "Employment Agreement"). This Agreement is entered into by and between Employee and Matador pursuant to the Employment Agreement;

WHEREAS, because of Employee's employment as an employee of Matador, Employee has obtained intimate and unique knowledge of all aspects of Matador's business operations, current and future plans, financial plans and other confidential and proprietary information;

WHEREAS, Employee's employment with Matador and all other positions, if any, held by Employee in Matador or any of its subsidiaries or affiliates, including officer positions, terminated effective as of [**DATE**] (the "Separation Date"); and

WHEREAS, except as otherwise provided herein, the Parties desire to finally, fully and completely resolve all disputes that now or may exist between them, including, but not limited to those concerning the Employment Agreement (except for the post-termination obligations contained in the Employment Agreement), Employee's job performance and activities while employed by Matador and Employee's hiring, employment and separation from Matador, and all disputes over benefits and compensation connected with such employment;

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. End of Employee's Employment. Employee's employment with Matador terminated on the Separation Date.

2. Certain Payments and Benefits.

(a) Accrued Obligations. In accordance with Matador's customary payroll practices, Matador shall pay Employee for all unpaid salary, unreimbursed business expenses, and any accrued but unused vacation through the Separation Date ("Accrued Obligations").

(b) Separation Payments. Subject to Employee's consent to and fulfillment of Employee's obligations in this Agreement and, if applicable pursuant to the Section 14(b) or (c) of the Employment Agreement, Employee's post-termination obligations in Sections 8 and 9 of the Employment Agreement, and provided that Employee does not revoke this Agreement pursuant to Section 12 hereof, Matador shall pay Employee the amount of $[**AMOUNT**], minus normal payroll withholdings and taxes ("Separation Payment"), payable as provided in the Employment Agreement. The Separation Payment will not be treated as compensation under Matador's 401(k) Plan or any other retirement plan.

(c) Waiver of Additional Compensation or Benefits. Other than the

compensation and payments provided for in this Agreement and the post-termination benefits provided for in the Employment Agreement, Employee shall not be entitled to any additional compensation, benefits, payments or grants under any agreement, benefit plan, severance plan or bonus or incentive program established by Matador or any of Matador's affiliates, other than any vested retirement plan benefits, any vested equity grants or COBRA continuation coverage benefits. **[TO BE MODIFIED, IF APPLICABLE, FOR OTHER BENEFITS.]** Employee agrees that the release in Section 3 covers any claims Employee might have regarding Employee's compensation, bonuses, stock options or grants and any other benefits Employee may or may not have received during Employee's employment with Matador.

3. General Release and Waiver. In consideration of the payments and other consideration provided for in this Agreement, that being good and valuable consideration, the receipt, adequacy and sufficiency of which are acknowledged by Employee, Employee, on Employee's own behalf and on behalf of Employee's agents, administrators, representatives, executors, successors, heirs, devisees and assigns (collectively, the "Releasing Parties") hereby fully releases, remises, acquits and forever discharges Matador and all of its affiliates, and each of their respective past, present and future officers, directors, shareholders, equity holders, members, partners, agents, employees, consultants, independent contractors, attorneys, advisers, successors and assigns (collectively, the "Released Parties"), jointly and severally, from any and all claims, rights, demands, debts, obligations, losses, causes of action, suits, controversies, setoffs, affirmative defenses, counterclaims, third party actions, damages, penalties, costs, expenses, attorneys' fees, liabilities and indemnities of any kind or nature whatsoever (collectively, the "Claims"), whether known or unknown, suspected or unsuspected, accrued or unaccrued, whether at law, equity, administrative, statutory or otherwise, and whether for injunctive relief, back pay, fringe benefits, reinstatement, reemployment, or compensatory, punitive or any other kind of damages, which any of the Releasing Parties ever have had in the past or presently have against the Released Parties, and each of them, arising from or relating to Employee's employment with Matador or its affiliates or the termination of that employment or any circumstances related thereto, or (except as otherwise provided below) any other matter, cause or thing whatsoever, including without limitation all claims arising under or relating to employment, employment contracts, employee benefits or purported employment discrimination or violations of civil rights of whatever kind or nature, including without limitation all claims arising under the Age Discrimination in Employment Act ("ADEA"), the Americans with Disabilities Act, as amended, the Family and Medical Leave Act of 1993, the Equal Pay Act of 1963, the Rehabilitation Act of 1973, Title VII of the United States Civil Rights Act of 1964, 42 U.S.C. § 1981, the Fair Labor Standards Act, the Employee Retirement Income Security Act, the Civil Rights Act of 1991, the Civil Rights Acts of 1866 and/or 1871, the Sarbanes-Oxley Act, the Genetic Information Nondiscrimination Act, the Lily Ledbetter Act, the Texas Commission on Human Rights Act, the Texas Payday Law, the Texas Labor Code or any other applicable federal, state or local employment statute, law or ordinance, including, without limitation, any disability claims under any such laws, claims for wrongful discharge, claims arising under state law, contract claims including breach of express or implied contract, alleged tortious conduct, claims relating to alleged fraud, breach of fiduciary duty or reliance, breach of implied covenant of good faith and fair dealing, and any other claims arising under state or federal law, as well as any expenses, costs or attorneys' fees. Employee further agrees that Employee will not file or permit to be filed on Employee's behalf any such claim. Notwithstanding the preceding sentence or any other provision of this Agreement, this release is not intended to interfere with

Employee's right to file a charge with the Equal Employment Opportunity Commission (the "EEOC"), or other comparable agency, in connection with any claim Employee believes Employee may have against Matador or its affiliates. However, by executing this Agreement, Employee hereby waives the right to recover in any proceeding Employee may bring before the EEOC or any state human rights commission or in any proceeding brought by the EEOC or any state human rights commission on Employee's behalf. This release shall not apply to any of Matador's obligations under this Agreement or post-termination obligations under the Employment Agreement, any vested retirement plan benefits, any vested equity grants or COBRA continuation coverage benefits. **[TO BE MODIFIED, IF APPLICABLE, FOR OTHER SURVIVING ARRANGEMENTS.]** Employee acknowledges that certain of the payments and benefits provided for in Section 2 of this Agreement constitute good and valuable consideration for the release contained in this Section 3.

4. Return of Matador Property. Within 7 days of the Agreement Date, Employee shall, to the extent not previously returned or delivered: (a) return all equipment, records, files, programs or other materials and property in Employee's possession which belongs to Matador or any of its affiliates, including, without limitation, all computers, printers, laptops, personal data assistants, cell phones, credit cards, keys and access cards; and (b) deliver all original and copies of Confidential Information (as defined in the Employment Agreement) in Employee's possession and notes, materials, records, plans, technical data or other documents, files or programs (whether stored in paper form, computer form, digital form, electronically or otherwise) in Employee's possession that contain Confidential Information. By signing this Agreement, Employee represents and warrants that Employee has not retained and has or will timely return and deliver all the items described or referenced in subsections (a) or (b) above; and, that should Employee later discover additional items described or referenced in subsections (a) or (b) above, Employee will promptly notify Matador and return/deliver such items to Matador.

5. Non-Disparagement. Employee agrees that Employee will not, directly or indirectly, disclose, communicate, or publish any disparaging information concerning Matador or the Released Parties, or cause others to disclose, communicate, or publish any disparaging information concerning the same. Matador, on its own behalf and on behalf of its officers and directors, agrees that they will not, directly or indirectly, disclose, communicate or publish any disparaging information concerning Employee, or cause others to disclose, communicate, or publish any disparaging information concerning Employee. Notwithstanding the foregoing, the provisions of this Section shall not apply with respect to any charge filed by Employee with the EEOC or other comparable agency or in connection with any proceeding with respect to any claim not released by this Agreement.

6. Not An Admission of Wrongdoing. This Agreement shall not in any way be construed as an admission by either Party of any acts of wrongdoing, violation of any statute, law or legal or contractual right.

7. Voluntary Execution of the Agreement. Employee and Matador represent and agree that they have had an opportunity to review all aspects of this Agreement, and that they fully understand all the provisions of the Agreement and are voluntarily entering into this Agreement. Employee further represents that Employee has not transferred or assigned to any person or entity any claim involving Matador or any portion thereof or interest therein.

8. Ongoing Obligations. Employee reaffirms and understands Employee's ongoing obligations in the Employment Agreement, including Sections 8, 9, 10, 11 and 21.

9. Binding Effect. This Agreement shall be binding upon Matador and upon Employee and Employee's heirs, administrators, representatives, executors, successors and assigns and Matador's representatives, successors and assigns. In the event of Employee's death, this Agreement shall operate in favor of Employee's estate and all payments, obligations and consideration will continue to be performed in favor of Employee's estate.

10. Severability. Should any provision of this Agreement be declared or determined to be illegal or invalid by any government agency or court of competent jurisdiction, the validity of the remaining parts, terms or provisions of this Agreement shall not be affected and such provisions shall remain in full force and effect.

11. Entire Agreement. Except for the post-termination obligations in the Employment Agreement, any vested retirement plan benefits, any equity grant agreements and COBRA continuation coverage benefits **[TO BE MODIFIED, IF APPLICABLE, FOR OTHER SURVIVING ARRANGEMENTS.]**, this Agreement sets forth the entire agreement between the Parties, and fully supersedes any and all prior agreements, understandings, or representations between the Parties pertaining to Employee's employment with Matador, the subject matter of this Agreement or any other term or condition of the employment relationship between Matador and Employee. Employee represents and acknowledges that in executing this Agreement, Employee does not rely, and has not relied, upon any representation(s) by Matador or its agents except as expressly contained in this Agreement or the Employment Agreement. Employee and Matador agree that they have each used their own judgment in entering into this Agreement.

12. Knowing and Voluntary Waiver. Employee, by Employee's free and voluntary act of signing below, (i) acknowledges that Employee has been given a period of twenty-one (21) days to consider whether to agree to the terms contained herein, (ii) acknowledges that Employee has been advised to consult with an attorney prior to executing this Agreement, (iii) acknowledges that Employee understands that this Agreement specifically releases and waives all rights and claims Employee may have under the ADEA, prior to the date on which Employee signs this Agreement, and (iv) agrees to all of the terms of this Agreement and intends to be legally bound thereby. The Parties acknowledge and agree that each Party has reviewed and negotiated the terms and provisions of this Agreement and has contributed to its preparation (with advice of counsel). Accordingly, the rule of construction to the effect that ambiguities are

resolved against the drafting party shall not be employed in the interpretation of this Agreement. Rather, the terms of this Agreement shall be construed fairly as to both Parties and not in favor of or against either Party, regardless of which Party generally was responsible for the preparation of this Agreement.

This Agreement will become effective, enforceable and irrevocable on the eighth day after the date on which it is executed by Employee (the "Effective Date"). During the seven-day period prior to the Effective Date, Employee may revoke Employee's agreement to accept the terms hereof by giving notice to Matador of Employee's intention to revoke. If Employee exercises Employee's right to revoke hereunder, Employee shall not be entitled, except as required by applicable wage payment laws, including but not limited to the Accrued Obligations, to any payment hereunder until Employee executes and does not revoke a comparable release of claims, and to the extent such payments or benefits have already been made, Employee agrees that Employee will immediately reimburse Matador for the amounts of such payments and benefits to which he is not entitled.

13. Notices. All notices and other communications hereunder will be in writing. Any notice or other communication hereunder shall be deemed duly given if it is delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth:

If to Employee:

[EMPLOYEE]
[EMPLOYEE ADDRESS]

If to Matador:

Matador Resources Company
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, TX 75240
Attention: Board of Directors

Any Party may change the address to which notices and other communications are to be delivered by giving the other Party notice.

14. Governing Law; Venue; Arbitration. This section of the Agreement shall be governed by Section 23 of the Employment Agreement.

15. Counterparts. This Agreement may be executed in counterparts, each of which when executed and delivered (which deliveries may be by facsimile or other electronic method of delivery) shall be deemed an original and all of which together shall constitute one and the same instrument.

16. No Assignment of Claims. Employee represents and agrees that Employee has not transferred or assigned, to any person or entity, any claim involving Matador, or any portion thereof or interest therein.

17. No Waiver. This Agreement may not be waived, modified, amended, supplemented, canceled or discharged, except by written agreement of the Parties. Failure to exercise and/or delay in exercising any right, power or privilege in this Agreement shall not operate as a waiver. No waiver of any breach of any provision shall be deemed to be a waiver of any preceding or succeeding breach of the same or any other provision, nor shall any waiver be implied from any course of dealing between or among the Parties.

I ACKNOWLEDGE THAT I HAVE CAREFULLY READ THE FOREGOING AGREEMENT, THAT I UNDERSTAND ALL OF ITS TERMS AND THAT I AM RELEASING CLAIMS AND THAT I AM ENTERING INTO IT VOLUNTARILY.

AGREED TO BY:

______________________________ Date ______________________________
[EMPLOYEE]

STATE OF TEXAS

COUNTY OF ____________________

Before me, a Notary Public, on this day personally appeared ____________, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledges to me that he has executed this Agreement on behalf of himself and his heirs, for the purposes and consideration therein expressed.

Given under my hand and seal of office this _____ day of _________, _____.

____
Notary Public in and for the State of Texas

(PERSONALIZED SEAL)

MATADOR RESOURCES COMPANY

By: ____
Title: ____

Date: ____

STATE OF TEXAS

COUNTY OF ________________________

Before me, a Notary Public, on this day personally appeared _______________, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of __________________, and that he has executed the same on behalf of said corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office this _____ day of ________, _____.

____
Notary Public in and for the State of Texas

(PERSONALIZED SEAL)

Exhibit 10.6

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered into on August 9, 2011, to be effective as of the Effective Date (as defined below) by and between Matador Resources Company, a Texas corporation ("Matador"), acting through its Board of Directors (the "Board"), and Bradley M. Robinson ("Employee"). For purposes of this Agreement, the "Effective Date" shall mean the date of filing with the United States Securities and Exchange Commission of Matador's first registration statement following the date hereof with respect to an underwritten public offering of its equity securities, or such other date as the Board and Employee may agree.

WHEREAS, Matador and Employee desire to enter into this Agreement to set forth the terms and conditions of Employee's employment with Matador;

NOW, THEREFORE, the parties hereto, in consideration of the mutual covenants and promises hereinafter contained, do hereby agree as follows:

1. Employment. Matador hereby agrees to employ Employee in the capacity of Vice President-Reservoir Engineering, or in such other position or positions of the same or greater stature as the Board may direct or desire, to the extent reasonably acceptable to Employee, and Employee hereby accepts such employment, on the terms and subject to the conditions set forth herein.

2. Duties. Employee's principal duties and responsibilities shall be to (a) manage, generally, all of Matador's reservoir engineering function, subject to the supervision of the Chairman of the Board, Chief Executive Officer, any Executive Vice President and Chief Financial Officer, as may be designated by the Chief Executive Officer, (b) such other duties and responsibilities as may be more fully described in Matador's Bylaws for his position, and (c) such other duties consistent with his position that are reasonably assigned to Employee from time to time by the Board or the foregoing supervisors. Employee agrees to perform such services and duties and hold such offices as may be reasonably assigned to him from time to time by the Board or the foregoing supervisors, consistent with his position, and to devote substantially his full time, energies and best efforts to the performance thereof to the exclusion of all other business activities, except reasonable and normal work for his personal affairs and estate and any other activities to which Matador may consent, and except for services to charitable, civic and/or professional organizations, to the extent such service does not materially and adversely impact Employee's service to Matador.

3. Term. Employee's employment shall be under the terms and conditions of this Agreement and shall expire at the end of twelve (12) months from the Effective Date (the "Term"), subject to earlier termination as provided herein; provided, however, that the Term shall be extended automatically at the end of each month by one additional month unless by such date Matador or Employee gives written notice to the other that the Term shall not be further extended. Such notice must indicate that it shall have the effect of preventing any further extension of the Term.

4. Salary and Other Compensation. As compensation for the services to be rendered by Employee to Matador pursuant to this Agreement, Employee shall be paid the following compensation and other benefits:

(a) Base Salary. Employee shall receive an annualized salary of $225,000 per year, payable in installments in accordance with Matador’s then standard payroll practices, or such higher compensation as may be established by Matador from time to time (“Base Salary”); provided, however, that until the earlier of (i) the consummation of Matador’s first underwritten public offering of its equity securities following the date hereof or (ii) immediately prior to a Change of Control (as defined below), the Base Salary shall continue to be the annualized salary of Employee as of the date hereof. Should Employee become “Partially Disabled,” which for purposes hereof means the inability because of any physical or emotional illness lasting no more than 90 days to perform his assigned duties under this Agreement for no less than 20 hours per week (and including any period of short term total absence due to illness or injury, including recovery from surgery, but in no event lasting more than the 90-day period of Partial Disability), and if Employee, during any period of Partial Disability, receives any periodic payments representing lost compensation under any health and accident policy or under any salary continuation insurance policy, the premiums for which have been paid by Matador, the amount of Base Salary that Employee would be entitled to receive from Matador during the period of Partial Disability shall be decreased by the amounts of such payments. Notwithstanding the foregoing, should Employee become Totally Disabled, as defined in Section 12(b), during a period of Partial Disability, the provisions in Sections 12 and 14 with respect to Total Disability shall control.

(b) Annual Incentive Compensation. Employee shall be entitled to participate in the annual incentive plan for management maintained by Matador at a level to provide Employee with annual incentive compensation commensurate with Employee’s position and responsibilities, as determined by, and based on such performance objectives as established by the Nominating, Compensation and Planning Committee of the Board (the “NCP Committee”) and the Board, in their sole discretion.

(c) Long-Term Incentive Compensation. Employee shall be entitled to participate in Matador’s 2011 Long-Term Incentive Plan, or such other equity incentive plan as may exist in the future, with awards under any such plan to be determined by the NCP Committee or the Board, in their discretion.

(d) Employee Benefit Plans. Employee shall be eligible to participate, to the extent he may be eligible pursuant to the terms of any such plan, in any profit sharing, retirement, insurance or other employee benefit plan maintained by Matador for the benefit of officers and senior management of Matador, at the officer/senior management level.

5. Life Insurance. Matador, in its discretion, may apply for and procure in its own name and for its own benefit, life insurance on the life of Employee in any amount or amounts

considered advisable by Matador, and Employee shall submit to any medical or other examination and execute and deliver any application or other instrument in writing, reasonably necessary to effectuate such insurance.

6. Expenses. Matador shall pay, or reimburse Employee, for the reasonable and necessary business expenses of Employee, to the extent incurred in accordance with all applicable expense reimbursement policies of Matador.

7. Vacations and Leave. Employee shall be entitled to four (4) weeks paid vacation per year, to be accrued and used in accordance with Matador's vacation policy in effect from time to time.

8. Non-Disclosure of Confidential Information. Matador shall provide Employee Confidential Information, which Employee may use in the performance of his job duties with Matador. "Confidential Information," whether electronic, oral or in written form, includes without limitation: all geological and geophysical reports and related data such as maps, charts, logs, seismographs, seismic records and other reports and related data, calculations, summaries, memoranda and opinions relating to the foregoing, production records, electric logs, core data, pressure data, lease files, well files and records, land files, abstracts, title opinions, title or curative matters, contract files, notes, records, drawings, manuals, correspondence, financial and accounting information, customer lists, statistical data and compilations, patents, copyrights, trademarks, trade names, inventions, formulae, methods, processes, agreements, contracts, manuals or any documents relating to the business of Matador and information or data regarding Matador's systems, operations, business, finances, prospects, properties or prospective properties; provided, however, that Confidential Information shall not include any information that is or becomes publicly available, or is otherwise generally known in Matador's industry, other than as a result of any disclosure by Employee that is inconsistent with his duties pursuant to this Agreement. As a material inducement to Matador to enter into this Agreement and to pay to Employee the compensation stated in Section 4, Employee covenants and agrees that he shall not, at any time during or following the term of his employment, directly or indirectly divulge or disclose for any purpose whatsoever, other than as may be required by law, any Confidential Information that has been obtained by, or disclosed to, him as a result of his employment by Matador, or use such Confidential Information for any reason other than to perform his duties pursuant to this Agreement.

9. Non-Competition and Non-Solicitation Agreement.

(a) Employee acknowledges and agrees that the Confidential Information Matador shall provide Employee will enable Employee to injure Matador if Employee should compete with Matador. Therefore, Employee hereby agrees that during Employee's employment, and (i) if Matador terminates Employee's employment for Total Disability, or if Employee terminates his employment for Good Reason, then for a period of six (6) months thereafter, or (ii) if Matador terminates Employee's employment for Just Cause, Employee terminates his employment during the Term other than for Good Reason or Employee is entitled to severance pay pursuant to Section 14(b) or Section 14(c) (other than if Employee terminates his employment for Good Reason), then for a period of twelve (12) months thereafter (the period specified in clause (i) or (ii), as

applicable, being referred to herein as the "Restricted Period"), Employee shall not, without Matador's prior written consent (which consent, in the event Employee terminates his employment other than for Good Reason, may not be unreasonably withheld, but in each other situation described in clauses (i) and (ii) above, may be withheld in its sole discretion), directly or indirectly: (a) invest in (other than investments in publicly-owned companies which constitute not more than 1% of the voting securities of any such company) a Competing Business with Significant Assets in the Restricted Area (each as defined below), or (b) participate in a Competing Business as a manager, employee, director, officer, consultant, independent contractor, or other capacity or otherwise provide, directly or indirectly, services or assistance to a Competing Business in a position that involves input into or direction of the Competing Business's decisions within the Restricted Area. "Competing Business" means any person or entity engaged in oil and natural gas exploration, development, production and acquisition activities. "Significant Assets" means oil and natural gas reserves with an aggregate fair market value of $25 million or more. "Restricted Area" means a one-mile radius of any oil and natural gas reserves held by Matador as of the end of Employee's employment, plus any county or parish where Matador, together with its subsidiaries, has Significant Assets as of the end of Employee's employment.

(b) During the Restricted Period, Employee agrees on his own behalf and on behalf of his affiliates that, without the prior written consent of the Board, the Chairman of the Board or the Chief Executive Officer, they shall not, directly or indirectly, (i) solicit for employment or a contracting relationship, or employ or retain any person who is or has been, within six months prior to such time, employed by or engaged as an individual independent contractor to Matador or its affiliates, or (ii) induce or attempt to induce any such person to leave his or her employment or independent contractor relationship with Matador or its affiliates. Matador agrees that the foregoing restriction is not intended to apply generally to companies providing services to Matador, such as rig and oilfield service providers, or lenders.

10. Reasonableness of Restrictions

(a) Employee has carefully read and considered the provisions of Sections 8 and 9, and, having done so, agrees that the restrictions set forth in those Sections are fair and reasonable and are reasonably required for the protection of the interests of Matador and its parent or subsidiary corporations, officers, directors, and shareholders.

(b) In the event that, notwithstanding the foregoing, any of the provisions of Sections 8 or 9 shall be held to be invalid or unenforceable, the remaining provisions thereof shall nevertheless continue to be valid and enforceable as though the invalid or unenforceable parts had not been included therein. In the event that any provision of Sections 8 or 9 shall be declared by a court of competent jurisdiction to exceed the maximum restrictiveness such court deems reasonable and enforceable, the time period, the areas of restriction and/or related aspects deemed reasonable and enforceable by the court shall become and thereafter be the maximum restriction in such regard, and the restriction shall remain enforceable to the fullest extent deemed reasonable by such court.

(c) Sections 8 and 9 shall survive the termination of this Agreement. If Employee is found by a court of competent jurisdiction or arbitrator to have materially violated any of the restrictions contained in Section 9, the restrictive period will be suspended and will not run in favor of Employee during such period that Employee shall have been found to be in material violation thereof.

11. Remedies for Breach of Employee’s Covenants of Non-Disclosure, Non-Competition and Non-Solicitation. In the event of a breach or threatened breach of any of the covenants in Sections 8 or 9, then Matador shall be entitled to seek a temporary restraining order and injunctive relief restraining Employee from the commission of any breach.

12. Termination. Employment of Employee under this Agreement may be terminated:

(a) By Employee’s death.

(b) If Employee is Totally Disabled. For the purposes of this Agreement, Employee is totally disabled if he is “Totally Disabled” as defined in and for the period necessary to qualify for benefits under any disability income insurance policy and any replacement policy or policies covering Employee and Employee has been declared to be Totally Disabled by the insurer.

(c) By mutual agreement of Employee and Matador.

(d) By the dissolution and liquidation of Matador (other than as part of a reorganization, merger, consolidation or sale of all or substantially all of the assets of Matador whereby the business of Matador is continued).

(e) By Matador for Just Cause. This Agreement and Employee’s employment with Matador may be terminated for Just Cause at any time in accordance with Section 13. For purposes of this Agreement, “Just Cause” shall mean only the following: (i) Employee’s continued and material failure to perform the duties of his employment consistent with Employee’s position, except as a result of being Partially Disabled (during any period of Partial Disability) or Totally Disabled, (ii) Employee’s failure to perform his material obligations under this Agreement, except as a result of being Partially Disabled (during any period of Partial Disability) or Totally Disabled, or a material breach by the Employee of Matador’s written policies concerning discrimination, harassment or securities trading, (iii) Employee’s refusal or failure to follow lawful directives of the Board and his supervisors, except as a result of being Partially Disabled (during any period of Partial Disability) or Totally Disabled, (iv) Employee’s commission of an act of fraud, theft, or embezzlement, (v) Employee’s indictment for or conviction of a felony or other crime involving moral turpitude, or (vi) Employee’s intentional breach of fiduciary duty; provided, however, that Employee shall have thirty (30) days after written notice from the Board (or NCP Committee) to remedy any actions alleged under subsections (i), (ii) or (iii) in the manner reasonably specified by the Board (or NCP Committee). For the avoidance of doubt, the parties acknowledge and agree that a termination by Matador for Just Cause shall have priority over the other provisions of this Section 12, and Matador shall have the right, to the extent raised by Matador within twelve (12) months following Employee's termination, to "claw back" any benefits paid to Employee based on a termination pursuant to any other provision of this Section 12, in the event that Matador subsequently discovers the existence of facts or circumstances that would have been grounds for Employee's termination for Just Cause; provided, however, that the foregoing shall not modify in any way Employee's rights to dispute any termination for Just Cause, or to have any such dispute resolved by mediation or arbitration, as provided herein.

(f) At the end of the Term.

(g) By Employee for Good Reason. This Agreement and Employee's employment with Matador may be terminated at any time, at the election of Employee, for Good Reason in accordance with Section 13, and such termination for Good Reason shall be treated as an involuntary separation from service within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the Treasury Regulations promulgated thereunder. As used in this Agreement, "Good Reason" shall mean (i) the assignment to Employee of duties inconsistent with the title of Vice President-Reservoir Engineering or his then-current office, or a material diminution in Employee's then current authority, duties or responsibilities; (ii) a diminution of Employee's then current Base Salary or other action or inaction that constitutes a material breach of this Agreement by Matador; or (iii) the relocation of Matador's principal executive offices to a location more than thirty (30) miles from Matador's current principal executive offices or the transfer of Employee to a place other than Matador's principal executive offices (excepting required travel on Matador's business). Within thirty (30) days from the date Employee knows of the actions constituting Good Reason as defined in this Section 12(g), Employee shall give Matador written notice thereof, and provide Matador with a reasonable period of time, in no event exceeding thirty (30) days, after receipt of such notice to remedy the alleged actions constituting Good Reason; provided, however, that Matador shall not be entitled to notice of, and the opportunity to remedy, the recurrence of any alleged actions (or substantially similar actions) constituting Good Reason in the event that Employee has previously provided notice of such prior alleged actions (or substantially similar actions) to Matador and provided Matador an opportunity to cure such prior actions (or substantially similar actions). In the event Matador does not cure the alleged actions, if Employee does not terminate this Agreement and his employment within sixty (60) days following the last day of Matador's cure period, Employee shall not be entitled to terminate his employment for Good Reason based upon the occurrence of such actions; provided, however, that any recurrence of such actions (or substantially similar actions) may constitute Good Reason. Any corrective measures undertaken by Matador are solely within its discretion and do not concede or indicate agreement that the actions described in Employee's written notice constitute Good Reason within the meaning of this Section 12(g).

(h) By Employee other than for Good Reason. This Agreement and Employee's employment with Matador may be terminated at any time, at the election of Employee, other than for Good Reason.

(i) Change in Control. In the event of a Change in Control and Employee is terminated by Matador without Just Cause, or Employee terminates his employment with or without Good Reason, within 30 days prior to or twelve (12) months following the Change in Control. As used in this Section 12(i) and Section 14, the term "Change in Control" shall mean a change in control event for purposes of Section 409A of the Code, as defined in Treasury Regulation Section 1.409A-3(i)(5) and any successor provision thereto, which currently is the following:

(i) A change in ownership of Matador occurs on the date that any Person other than (1) Matador or any subsidiaries, (2) a trustee or other fiduciary holding securities under an employee benefit plan of Matador or any of its Affiliates, (3) an underwriter temporarily holding stock pursuant to an offering of such stock, or (4) a corporation owned, directly or indirectly, by the shareholders of Matador in substantially the same proportions as their ownership of Matador's stock, acquires ownership of Matador's stock that, together with stock held by such Person, constitutes more than 50% of the total fair market value or total voting power of Matador's stock. However, if any Person is considered to own already more than 50% of the total fair market value or total voting power of Matador's stock, the acquisition of additional stock by the same Person is not considered to be a Change in Control. In addition, if any Person has effective control of Matador through ownership of 30% or more of the total voting power of Matador's stock, as described in Section 12(i), subsection (ii), below, the acquisition of additional control of Matador by the same Person is not considered to cause a Change in Control pursuant to this Section 12(i), subsection (i);

(ii) Even though Matador may not have undergone a change in ownership under Section 12(i), subsection (i), above, a change in the effective control of Matador occurs on either of the following dates:

a) the date that any Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) ownership of Matador's stock possessing 30% or more of the total voting power of Matador's stock. However, if any Person owns 30% or more of the total voting power of Matador's stock, the acquisition of additional control of Matador by the same Person is not considered to cause a Change in Control pursuant to this Section 12(i), subsection (ii), clause a); or

b) the date during any 12-month period when a majority of members of the Board is replaced by directors whose appointment or election is not endorsed by a majority of the Board before the date of appointment or election; provided, however, that any such director shall not be considered to be endorsed by the Board if his or her initial assumption of office occurs as a result of an actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) A change in the ownership of a substantial portion of Matador’s assets occurs on the date that a Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) assets of Matador, that have a total gross fair market value equal to at least 40% of the total gross fair market value of all of Matador’s assets immediately before such acquisition or acquisitions. However, there is no Change in Control where there is such a transfer to an entity that is controlled by the shareholders of Matador immediately after the transfer, through a transfer to a) a shareholder of Matador (immediately before the asset transfer) in exchange for or with respect to Matador’s stock; b) an entity, at least 50% of the total value or voting power of the stock of which is owned, directly or indirectly, by Matador; c) a Person that owns, directly or indirectly, at least 50% of the total value or voting power of Matador’s outstanding stock; or d) an entity, at least 50% of the total value or voting power of the stock of which is owned by a Person that owns, directly or indirectly, at least 50% of the total value or voting power of Matador’s outstanding stock.

(iv) For the purposes of this definition of Change in Control only:

“Person” shall have the meaning given in Section 7701(a)(1) of the Code. Person shall include more than one Person acting as a group as defined in the Final Treasury Regulations issued under Section 409A of the Code.

(v) As noted, the definition of Change in Control as set forth in this Section 12(i) shall be interpreted in accordance with the Treasury Regulations under Section 409A of the Code, it being the intent of the parties that this Section 12(i) shall be in compliance with the requirements of said Code Section and said Regulations. Notwithstanding the definition of Change in Control as set forth in this Section 12(i), no Change in Control shall be deemed to have occurred as a result of the sale of any equity securities by Matador in any registered public offering.

13. Notice of Termination/Date of Termination. Termination of Employee’s employment by Matador for Just Cause or by Employee for Good Reason or other than for Good Reason shall be accompanied by written notice of the reason for such termination. Such notice shall indicate a specific termination provision in this Agreement which is relied upon, describe the basis for such termination, if any, and the Date of Termination. If Employee’s employment is terminated by Employee other than for Good Reason, the Date of Termination shall be not less than thirty (30) days following such written notice. As used in this Agreement, “Date of Termination” shall mean a “Separation from Service” as defined in Section 16 hereof.

14. Payments With Respect to Termination; Vesting of Equity Incentive Awards. Payments to Employee upon termination shall be limited to the following:

(a) If Employee’s employment is terminated by Matador upon death pursuant to Section 12(a), Total Disability pursuant to Section 12(b), mutual agreement pursuant to Section 12(c), dissolution and liquidation pursuant to Section 12(d), for Just Cause pursuant to Section 12(e), at the end of the Term pursuant to Section 12(f), or by Employee other than for Good Reason pursuant to Section 12(h), Employee shall be entitled to all arrearages of Base Salary, accrued but unused vacation and expenses as of the Date of Termination (the “Accrued Obligations”) payable in accordance with Matador’s customary payroll practices, plus (unless Employee’s employment is terminated by Matador for Just Cause or by Employee other than for Good Reason) an amount equal to the average annual amount of all bonuses paid to Employee with respect to the prior two (2) calendar years, pro-rated based on the number of complete or partial months of Employee’s employment during the calendar year in which his employment terminates payable in a lump sum, subject to Section 16(b), on the sixtieth (60th) day following the Date of Termination, but shall not be entitled to further compensation.

(b) If Employee’s employment is terminated by Matador for a reason other than as described in Section 14(a) or (c), or is terminated by Employee for Good Reason pursuant to Section 12(g), Matador shall (i) pay to Employee all Accrued Obligations as required under applicable wage payment laws and in accordance with Matador’s customary payroll practices, and (ii) subject to Employee’s compliance with Sections 8 and 9, pay to Employee severance pay in an amount equal to one (1) times his then-current Base Salary as of the Date of Termination, plus one (1) times an amount equal to the average annual amount of all bonuses paid to Employee with respect to the prior two (2) calendar years, in a lump sum, (A) on the date which immediately follows six (6) months from the Date of Termination or, if earlier, (B) within thirty (30) days of Employee’s death, with the exact date of payment after Employee’s death to be determined by Matador. Employee shall have no obligation to seek other employment, and any income so earned shall not reduce the foregoing amounts.

(c) If in contemplation of or following a Change in Control pursuant to Section 12(i), Employee’s employment is terminated by Matador without Just Cause or is terminated by Employee with or without Good Reason, Matador shall (i) pay to Employee all Accrued Obligations as required under applicable wage payment laws and in accordance with Matador’s customary payroll practices, and (ii) subject to Employee’s compliance with Sections 8 and 9, pay to Employee severance pay in an amount equal two (2) times the then-current Base Salary as of the Date of Termination, plus two (2) times an amount equal to the average annual amount of all bonuses paid to Employee with respect to the prior two (2) calendar years, in a lump sum, (A) on the date which immediately follows six (6) months from the Date of Termination or, if earlier, (B) within thirty (30) days of Employee’s death, with the exact date of payment after Employee’s death to be determined by Matador. Immediately prior to such termination of employment, as contemplated in the prior sentence, all unvested equity incentive awards held by Employee shall vest, and the forfeiture provisions with respect to any such awards that are subject to forfeiture will terminate. Employee shall have no obligation to seek other employment and any income so earned shall not reduce the foregoing amounts.

(d) Except with respect to any Accrued Obligations, which shall be paid in accordance with Section 14, as a condition to receiving any other payment under Section 14, and to the extent that Employee is then living and not prevented from executing a release of claims due to any disability, Employee shall execute (and not revoke) a release of claims substantially in the form attached hereto (which release shall be provided to Employee within five (5) business days following the Date of Termination and must be returned to Matador (and not revoked) within forty-five (45) days following the Date of Termination). If Employee fails or otherwise refuses to execute and not revoke a release of claims within forty-five (45) days following the Date of Termination, and in all events prior to the date on which such other payment is to be first paid to him, Employee shall not be entitled to any such other payment, except as required by applicable wage payment laws, until Employee executes and does not revoke for forty-five (45) days, a release of claims.

15. Timing of Payments with Respect to Termination. In the event that, without the express or implied consent of Employee, Matador fails to make, either intentionally or unintentionally, any payment required pursuant to Section 14 at the time such payment is so required, and in addition to any other remedies that might be available to Employee under this Agreement or applicable law, including compliance with the requirements of Section 409A of the Code regarding disputed payments and refusals to pay, Matador and Employee agree that the unpaid amount of any such required payment shall increase by five percent (5%) per month for each month, or portion thereof, during which such payment is not made. Matador and Employee agree that any such increase is not interest, but is for purposes of compensating Employee for certain costs and expenses anticipated to be incurred by Employee in the event that any such payment is not made when required, the actual amounts of which are difficult to estimate. Notwithstanding the foregoing, in the event that any such amount is held to be interest, Employee shall not be entitled to charge, receive or collect, nor shall amounts received hereunder be credited so that Employee shall be paid, as interest a sum greater than interest at the Maximum Rate (as defined below). It is the intention of Matador and Employee that this Agreement shall comply with applicable law. If Employee is deemed to have charged or received anything of value which is deemed to be interest under applicable law, and if such interest is deemed to exceed the maximum lawful amount, any amount which exceeds interest at the Maximum Rate shall be applied to other amounts that might be owed to Employee by

Matador or its affiliates, whether under this Agreement or otherwise, and if there are no such other amounts owed to Employee by Matador or its affiliates, any remaining excess shall be paid to Matador. In determining whether any such deemed interest exceeds interest at the Maximum Rate, the total amount of interest shall be spread, prorated and amortized throughout the entire time during which such payment is due, until payment in full. The term "Maximum Rate" means the maximum nonusurious rate of interest per annum permitted by whichever of applicable United States federal law or Texas law permits the higher interest rate, including to the extent permitted by applicable law, any amendments thereof hereafter or any new law hereafter coming into effect to the extent a higher Maximum Rate is permitted thereby.

16. Other Termination Provisions.

(a) Separation from Service. Notwithstanding anything to the contrary in this Agreement, with respect to any amounts payable to Employee under this Agreement that are treated as "non-qualified deferred compensation" subject to Section 409A of the Code in connection with a termination of Employee's employment, in no event shall a termination of employment occur under this Agreement unless such termination constitutes a Separation from Service. "Separation from Service" shall mean Employee's "separation from service" with Matador as such term is defined in Treasury Regulation Section 1.409A-1(h) and any successor provision thereto.

(b) Section 409A Compliance. Notwithstanding anything contained in this Agreement to the contrary, to the maximum extent permitted by applicable law, amounts payable to Employee pursuant to Section 14 shall be made in reliance upon Treasury Regulation Section 1.409A-1(b)(9) (Separation Pay Plans) or Treasury Regulation Section 1.409A-1(b)(4) (Short-Term Deferrals). However, to the extent any such payments are treated as non-qualified deferred compensation subject to Section 409A of the Code, then if Employee is deemed at the time of his Separation from Service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, then to the extent delayed commencement of any portion of the benefits to which Employee is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of Employee's termination benefits shall not be provided to Employee prior to the earlier of (i) the expiration of the six-month period measured from the date of Employee's Separation from Service or (ii) the date of Employee's death. Upon the earlier of such dates, all payments deferred pursuant to this Section 16(b) shall be paid in a lump sum to Employee. The determination of whether Employee is a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code as of the time of his Separation from Service shall made by Matador in accordance with the terms of Section 409A of the Code and applicable guidance thereunder (including without limitation Treasury Regulation Section 1.409A-1(i) and any successor provision thereto).

(c) Section 280G Treatment.

(i) (A) In the event it is determined that any payment, distribution or benefits of any type by Matador to or for the benefit of Employee, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "Change in Control Payments"), constitute "parachute payments" within the meaning of Section 280G(b)(2) of the Code, Matador will provide Employee with a computation of (1) the maximum amount of the Change in Control Payments that could be made, without the imposition of the excise tax imposed by Section 4999 of the Code (said maximum amount being referred to as the "Capped Amount"); (2) the value of the Change in Control Payments that could be made pursuant to the terms of this Agreement (all said payments, distributions and benefits being referred to as the "Uncapped Amount"); (iii) the dollar amount of the excise tax (if any) including any interest or penalties with respect to such excise tax which Employee would become obligated to pay pursuant to Section 4999 of the Code as a result of receipt of the Uncapped Amount (the "Excise Tax Amount"); and (iv) the net value of the Uncapped Amount after reduction by the Excise Tax Amount and the estimated income taxes payable by Employee on the difference between the Uncapped Amount and the Capped Amount, assuming that Employee is paying the highest marginal tax rate for state, local and federal income taxes (the "Net Uncapped Amount").

(B) If the Capped Amount is greater than the Net Uncapped Amount, Employee shall be entitled to receive or commence to receive payments equal to the Capped Amount; or if the Net Uncapped Amount is greater than the Capped Amount, Employee shall be entitled to receive or commence to receive payments equal to the Uncapped Amount. If Employee receives the Uncapped Amount, then Employee shall be solely responsible for the payment of all income and excise taxes due from Employee and attributable to such Uncapped Amount, with no right of additional payment from Matador as reimbursement for any taxes.

(ii) All determinations required to be made under Section 16(c)(i)(A) shall be made in writing by the independent accounting firm agreed to by Matador and Employee on the date of the Change in Control (the "Accounting Firm"), whose determination shall be conclusive and binding upon Employee and Matador for all purposes. For purposes of making the calculations required by Section 16(c)(i)(A), the Accounting Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. Matador and Employee shall furnish to the Accounting Firm such information and documents as it reasonably may request in order to make determinations under Section 16(c)(i)(A). If the Accounting Firm determines that

no Excise Tax Amount is payable by Employee, it shall furnish Employee with an opinion that he has substantial authority not to report any excise tax pursuant to Section 4999 of the Code on his federal income tax return. Matador shall bear all costs the Accounting Firm may reasonably incur in connection with any calculations contemplated by Section 16(c)(i)(A).

(iii) (A) If the computations and valuations required to be provided by Matador to Employee pursuant to Section 16(c)(i)(A) are on audit challenged by the Internal Revenue Service as having been performed in a manner inconsistent with the requirements of Sections 280G and 4999 of the Code or if Section 409A of the Code is determined to apply to all or any part of the payments to which Employee or his survivors may be entitled under this Agreement and as a result of such audit or determination, (1) the amount of cash and the benefits provided for in Section 16(c)(i) remaining to Employee after completion of such audit or determination is less than (2) the amount of cash and the benefits which were paid or provided to Employee on the basis of the calculations provided for in Section 16(c)(i)(A) (the difference between (1) and (2) being referred to as the "Shortfall Amount"), then Employee shall be entitled to receive an additional payment (an "Indemnification Payment") in an amount such that, after payment by Employee of all taxes (including additional excise taxes under said Section 4999 of the Code and any interest and penalties imposed with respect to any taxes) imposed upon the Indemnification Payment and all reasonable attorneys' and accountants' fees incurred by Employee in connection with such audit or determination, Employee retains an amount of the Indemnification Payment equal to the Shortfall Amount. Matador shall pay the Indemnification Payment to Employee in a lump sum cash payment within thirty (30) days of the completion of such audit or determination.

(B) If the computations and valuations required to be provided by Matador to Employee pursuant to Section 16(c)(i)(A) are on audit challenged by the Internal Revenue Service as having been performed in a manner inconsistent with the requirements of Sections 280G and 4999 of the Code and as a result of such audit or determination, (1) the amount of cash and the benefits which were paid or provided to Employee on the basis of the calculations provided for in Section 16(c)(i)(A) is greater than (2) the amount of cash and the benefits provided for in Section 16(c)(i) payable to Employee after completion of such audit or determination (the difference between (1) and (2) being referred to as the "Excess Amount"), then Employee shall repay to Matador the Excess Amount in a lump sum cash payment within thirty (30) days of the completion of such audit or determination.

(C) Notwithstanding the foregoing provisions of this Section 16(c)(iii), (1) any payment made to or on behalf of Employee

which relates to taxes imposed on Employee shall be made not later than the end of the calendar year next following the calendar year in which such taxes are remitted by or on behalf of Employee, and (2) any payment made to or on behalf of Employee which relates to reimbursement of expenses incurred due to a tax audit or litigation addressing the existence or amount of a tax liability shall be made by the end of the calendar year following the calendar year in which the taxes that are the subject of the audit or litigation are remitted to the taxing authority, or where as a result of such audit or litigation no taxes are remitted, the end of the calendar year following the calendar year in which the audit is completed or there is a final and non-appealable settlement or other resolution of the litigation, whichever is the last event to occur.

(d) Termination by Employee Other than for Good Reason. If at any time Employee terminates his employment other than for Good Reason, Employee shall have no further obligation to Matador other than the provisions of Sections 8, 9, 14(d), 16(c)(iii)(B) and 21.

17. In-Kind Benefits and Reimbursements. Notwithstanding any thing to the contrary in this Agreement, in-kind benefits and reimbursements provided under this Agreement during any tax year of Employee shall not affect in-kind benefits or reimbursements to be provided in any other tax year of Employee and are not subject to liquidation or exchange for another benefit. Notwithstanding any thing to the contrary in this Agreement, reimbursement requests must be timely submitted by Employee and, if timely submitted, reimbursement payments shall be made to Employee as soon as administratively practicable following such submission, but in no event later than the last day of Employee's taxable year following the taxable year in which the expense was incurred. In no event shall Employee be entitled to any reimbursement payments after the last day of Employee's taxable year following the taxable year in which the expense was incurred. This paragraph shall only apply to in-kind benefits and reimbursements that would result in taxable compensation income to Employee.

18. Section 409A; Separate Payments. This Agreement is intended to be written, administered, interpreted and construed in a manner such that no payment or benefits provided under the Agreement become subject to (a) the gross income inclusion set forth within Code Section 409A(a)(1)(A) or (b) the interest and additional tax set forth within Code Section 409A(a)(1)(B) (together, referred to herein as the "Section 409A Penalties"), including, where appropriate, the construction of defined terms to have meanings that would not cause the imposition of Section 409A Penalties. In no event shall Matador be required to provide a tax gross-up payment to Employee or otherwise reimburse Employee with respect to Section 409A Penalties. For purposes of Section 409A of the Code (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), each payment that Employee may be eligible to receive under this Agreement shall be treated as a separate and distinct payment.

19. Indemnification. Matador shall indemnify Employee to the extent permitted pursuant to the Certificate of Formation of Matador, the Bylaws of Matador and any indemnification agreement between Matador and Employee that may be in effect from time to time during the Term, the terms of which are incorporated herein by reference.

20. Resignation Upon Termination. In the event of termination of Employee’s employment for any reason, Employee hereby shall be deemed upon such termination to have immediately resigned from all positions held in Matador, including without limitations any position as a director, officer, agent, trustee or consultant of Matador or any affiliate of Matador and shall execute all documents reasonably necessary to further effectuate or document such resignation from such positions.

21. Cooperation. During and after Employee’s employment with Matador, Employee shall cooperate fully with Matador in the defense or prosecution of all claims or actions now in existence or which may be brought in the future against or on behalf of Matador or its affiliates. Employee’s full cooperation in connection with such claims or actions shall include, but shall not be limited to, being available to meet with counsel to Matador and/or its affiliates to prepare for discovery, trial or alternative dispute resolution proceedings, and to act as a witness on behalf of Matador and its affiliates. During and after Employee’s employment, Employee shall cooperate with Matador and its affiliates in connection with any investigation or review by any federal, state or local regulatory authority. In addition, during and after Employee’s employment with Matador, Employee shall assist Matador in all reasonably requested transition efforts in connection with Employee’s separation from Matador or the transfer of duties or responsibilities from Employee, including but not limited to execution and delivery of all documents that Matador reasonably requests to be signed by Employee. Matador shall (a) pay Employee an amount equal to his Base Salary in effect immediately prior to his termination of employment, but in any case not to exceed $1,500 per day, pro rated based on the number of days (and further pro rated for any partial day) that Employee is required to perform the foregoing obligations, and (b) reimburse Employee for any reasonable out-of-pocket expenses incurred by Employee in connection therewith.

22. Waiver. A party’s failure to insist on compliance or enforcement of any provision of this Agreement, shall not affect the validity or enforceability or constitute a waiver of future enforcement of that provision or of any other provision of this Agreement by that party or any other party.

23. Governing Law; Venue; Arbitration. This Agreement shall in all respects be subject to, and governed by, the laws of the State of Texas.

(a) Injunctive Relief. Matador and Employee agree and consent to the personal jurisdiction of the state and local courts of Dallas County, Texas and/or the United States District Court for the Northern District of Texas in the event that Matador or Employee seeks injunctive relief with respect to any provision hereof, and that those courts, and only those courts, shall have jurisdiction with respect thereto. Matador and Employee also agree that those courts are convenient forums for the parties and for any potential witnesses and that process issued out of any such court or in accordance with the rules of practice of that court may be served by mail or other forms of substituted service to Matador at the address of its principal executive offices and to Employee at his last known address as reflected in Matador’s records.

(b) All Other Disputes. In the event of any dispute, claim, question or disagreement relating to this Agreement, other than one for which Matador or Employee seeks injunctive relief, the parties shall use their best efforts to settle the dispute, claim, question or disagreement. To this effect, they shall consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to both parties. If such a dispute cannot be settled through negotiation, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association (the "AAA") under its Commercial Mediation Rules before resorting to arbitration or some other dispute resolution procedure. If the parties do not reach such solution through negotiation or mediation within a period of sixty (60) days after a claim is first made by a party, then, upon notice by either party to the other, all disputes, claims, questions or disagreements shall be finally settled by arbitration administered by the AAA in accordance with the provisions of its Commercial Arbitration Rules. The arbitrator shall be selected by agreement of the parties or, if they do not agree on an arbitrator within thirty (30) days after either party has notified the other of his or its desire to have the question settled by arbitration, then the arbitrator shall be selected pursuant to the procedures of the AAA, with such arbitration taking place in Dallas, Texas. The determination reached in such arbitration shall be final and binding on all parties. Enforcement of the determination by such arbitrator may be sought in any court of competent jurisdiction.

24. Substantially Prevailing Party. The substantially prevailing party in any legal proceeding, including mediation and arbitration, based upon this Agreement shall be entitled to reasonable attorneys' fees and costs, in addition to any other damages and relief allowed by law, from the substantially non-prevailing party; provided, however, that the maximum amount of fees and costs of all parties for which Employee shall be liable shall be $100,000.

25. Severability. The invalidity or unenforceability of any provision in the Agreement shall not in any way affect the validity or enforceability of any other provision and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had never been in the Agreement.

26. Notice. Any and all notices required or permitted herein shall be deemed delivered if delivered personally or if mailed by registered or certified mail to Matador at its principal place of business and to Employee at the address hereinafter set forth following Employee's signature, or at such other address or addresses as either party may hereafter designate in writing to the other.

27. Assignment. This Agreement, together with any amendments hereto, shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, assigns, heirs and personal representatives, except that the rights and benefits of either of the parties under this Agreement may not be assigned without the prior written consent of the other party.

28. Amendments. This Agreement may be amended at any time by mutual consent of the parties hereto, with any such amendment to be invalid unless in writing, signed by Matador and Employee.

29. Entire Agreement. This Agreement, along with Matador's employee handbook, as it may be amended from time to time, to the extent it does not specifically conflict with any provision of this Agreement, contains the entire agreement and understanding by and between

Employee and Matador with respect to the employment of Employee, and no representations, promises, agreements, or understandings, written or oral, relating to the employment of Employee by Matador not contained herein shall be of any force or effect.

30. Burden and Benefit. This Agreement shall be binding upon, and shall inure to the benefit of, Matador and Employee, and their respective heirs, personal and legal representatives, successors, and assigns.

31. References to Gender and Number Terms. In construing this Agreement, feminine or number pronouns shall be substituted for those masculine in form and vice versa, and plural terms shall be substituted for singular and singular for plural in any place where the context so requires.

32. Headings. The various headings in this Agreement are inserted for convenience only and are not part of the Agreement.

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IN WITNESS WHEREOF, Matador and Employee have duly executed this Agreement to be effective as of the Effective Date.

MATADOR RESOURCES COMPANY

By: /s/ Joseph Wm. Foran
Joseph Wm. Foran
Chairman of Board and Chief Executive Officer

Address for Notice:

One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, TX 75240
Attention: Board of Directors

EMPLOYEE:

/s/ Bradley M. Robinson
Bradley M. Robinson, individually

Address for Notice:

____
____
____

(FORM) SEPARATION AGREEMENT AND RELEASE

This Separation Agreement and Release (this "Agreement") is entered into by Matador Resources Company, a Texas corporation ("Matador" or the "Company"), and _______________("Employee") as of _______________(the "Agreement Date"). Matador and Employee are referred to as the "Parties." This Agreement cancels and supersedes all prior agreements relating to Employee's employment with Matador except as provided in this Agreement.

WHEREAS, Matador and Employee entered into an Employment Agreement as of August ______, 2011 (the "Employment Agreement"). This Agreement is entered into by and between Employee and Matador pursuant to the Employment Agreement;

WHEREAS, because of Employee's employment as an employee of Matador, Employee has obtained intimate and unique knowledge of all aspects of Matador's business operations, current and future plans, financial plans and other confidential and proprietary information;

WHEREAS, Employee's employment with Matador and all other positions, if any, held by Employee in Matador or any of its subsidiaries or affiliates, including officer positions, terminated effective as of [**DATE**] (the "Separation Date"); and

WHEREAS, except as otherwise provided herein, the Parties desire to finally, fully and completely resolve all disputes that now or may exist between them, including, but not limited to those concerning the Employment Agreement (except for the post-termination obligations contained in the Employment Agreement), Employee's job performance and activities while employed by Matador and Employee's hiring, employment and separation from Matador, and all disputes over benefits and compensation connected with such employment;

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. End of Employee's Employment. Employee's employment with Matador terminated on the Separation Date.

2. Certain Payments and Benefits.

(a) Accrued Obligations. In accordance with Matador's customary payroll practices, Matador shall pay Employee for all unpaid salary, unreimbursed business expenses, and any accrued but unused vacation through the Separation Date ("Accrued Obligations").

(b) Separation Payments. Subject to Employee's consent to and fulfillment of Employee's obligations in this Agreement and, if applicable pursuant to the Section 14(b) or (c) of the Employment Agreement, Employee's post-termination obligations in Sections 8 and 9 of the Employment Agreement, and provided that Employee does not revoke this Agreement pursuant to Section 12 hereof, Matador shall pay Employee the amount of $[**AMOUNT**], minus normal payroll withholdings and taxes ("Separation Payment"), payable as provided in the Employment Agreement. The Separation Payment will not be treated as compensation under Matador's 401(k) Plan or any other retirement plan.

(c) Waiver of Additional Compensation or Benefits. Other than the

compensation and payments provided for in this Agreement and the post-termination benefits provided for in the Employment Agreement, Employee shall not be entitled to any additional compensation, benefits, payments or grants under any agreement, benefit plan, severance plan or bonus or incentive program established by Matador or any of Matador's affiliates, other than any vested retirement plan benefits, any vested equity grants or COBRA continuation coverage benefits. **[TO BE MODIFIED, IF APPLICABLE, FOR OTHER BENEFITS.]** Employee agrees that the release in Section 3 covers any claims Employee might have regarding Employee's compensation, bonuses, stock options or grants and any other benefits Employee may or may not have received during Employee's employment with Matador.

3. General Release and Waiver. In consideration of the payments and other consideration provided for in this Agreement, that being good and valuable consideration, the receipt, adequacy and sufficiency of which are acknowledged by Employee, Employee, on Employee's own behalf and on behalf of Employee's agents, administrators, representatives, executors, successors, heirs, devisees and assigns (collectively, the "Releasing Parties") hereby fully releases, remises, acquits and forever discharges Matador and all of its affiliates, and each of their respective past, present and future officers, directors, shareholders, equity holders, members, partners, agents, employees, consultants, independent contractors, attorneys, advisers, successors and assigns (collectively, the "Released Parties"), jointly and severally, from any and all claims, rights, demands, debts, obligations, losses, causes of action, suits, controversies, setoffs, affirmative defenses, counterclaims, third party actions, damages, penalties, costs, expenses, attorneys' fees, liabilities and indemnities of any kind or nature whatsoever (collectively, the "Claims"), whether known or unknown, suspected or unsuspected, accrued or unaccrued, whether at law, equity, administrative, statutory or otherwise, and whether for injunctive relief, back pay, fringe benefits, reinstatement, reemployment, or compensatory, punitive or any other kind of damages, which any of the Releasing Parties ever have had in the past or presently have against the Released Parties, and each of them, arising from or relating to Employee's employment with Matador or its affiliates or the termination of that employment or any circumstances related thereto, or (except as otherwise provided below) any other matter, cause or thing whatsoever, including without limitation all claims arising under or relating to employment, employment contracts, employee benefits or purported employment discrimination or violations of civil rights of whatever kind or nature, including without limitation all claims arising under the Age Discrimination in Employment Act ("ADEA"), the Americans with Disabilities Act, as amended, the Family and Medical Leave Act of 1993, the Equal Pay Act of 1963, the Rehabilitation Act of 1973, Title VII of the United States Civil Rights Act of 1964, 42 U.S.C. § 1981, the Fair Labor Standards Act, the Employee Retirement Income Security Act, the Civil Rights Act of 1991, the Civil Rights Acts of 1866 and/or 1871, the Sarbanes-Oxley Act, the Genetic Information Nondiscrimination Act, the Lily Ledbetter Act, the Texas Commission on Human Rights Act, the Texas Payday Law, the Texas Labor Code or any other applicable federal, state or local employment statute, law or ordinance, including, without limitation, any disability claims under any such laws, claims for wrongful discharge, claims arising under state law, contract claims including breach of express or implied contract, alleged tortious conduct, claims relating to alleged fraud, breach of fiduciary duty or reliance, breach of implied covenant of good faith and fair dealing, and any other claims arising under state or federal law, as well as any expenses, costs or attorneys' fees. Employee further agrees that Employee will not file or permit to be filed on Employee's behalf any such claim. Notwithstanding the preceding sentence or any other provision of this Agreement, this release is not intended to interfere with

Employee’s right to file a charge with the Equal Employment Opportunity Commission (the “EEOC”), or other comparable agency, in connection with any claim Employee believes Employee may have against Matador or its affiliates. However, by executing this Agreement, Employee hereby waives the right to recover in any proceeding Employee may bring before the EEOC or any state human rights commission or in any proceeding brought by the EEOC or any state human rights commission on Employee’s behalf. This release shall not apply to any of Matador’s obligations under this Agreement or post-termination obligations under the Employment Agreement, any vested retirement plan benefits, any vested equity grants or COBRA continuation coverage benefits. **[TO BE MODIFIED, IF APPLICABLE, FOR OTHER SURVIVING ARRANGEMENTS.]** Employee acknowledges that certain of the payments and benefits provided for in Section 2 of this Agreement constitute good and valuable consideration for the release contained in this Section 3.

4. Return of Matador Property. Within 7 days of the Agreement Date, Employee shall, to the extent not previously returned or delivered: (a) return all equipment, records, files, programs or other materials and property in Employee’s possession which belongs to Matador or any of its affiliates, including, without limitation, all computers, printers, laptops, personal data assistants, cell phones, credit cards, keys and access cards; and (b) deliver all original and copies of Confidential Information (as defined in the Employment Agreement) in Employee’s possession and notes, materials, records, plans, technical data or other documents, files or programs (whether stored in paper form, computer form, digital form, electronically or otherwise) in Employee’s possession that contain Confidential Information. By signing this Agreement, Employee represents and warrants that Employee has not retained and has or will timely return and deliver all the items described or referenced in subsections (a) or (b) above; and, that should Employee later discover additional items described or referenced in subsections (a) or (b) above, Employee will promptly notify Matador and return/deliver such items to Matador.

5. Non-Disparagement. Employee agrees that Employee will not, directly or indirectly, disclose, communicate, or publish any disparaging information concerning Matador or the Released Parties, or cause others to disclose, communicate, or publish any disparaging information concerning the same. Matador, on its own behalf and on behalf of its officers and directors, agrees that they will not, directly or indirectly, disclose, communicate or publish any disparaging information concerning Employee, or cause others to disclose, communicate, or publish any disparaging information concerning Employee. Notwithstanding the foregoing, the provisions of this Section shall not apply with respect to any charge filed by Employee with the EEOC or other comparable agency or in connection with any proceeding with respect to any claim not released by this Agreement.

6. Not An Admission of Wrongdoing. This Agreement shall not in any way be construed as an admission by either Party of any acts of wrongdoing, violation of any statute, law or legal or contractual right.

7. Voluntary Execution of the Agreement. Employee and Matador represent and agree that they have had an opportunity to review all aspects of this Agreement, and that they fully understand all the provisions of the Agreement and are voluntarily entering into this Agreement. Employee further represents that Employee has not transferred or assigned to any person or entity any claim involving Matador or any portion thereof or interest therein.

8. Ongoing Obligations. Employee reaffirms and understands Employee's ongoing obligations in the Employment Agreement, including Sections 8, 9, 10, 11 and 21.

9. Binding Effect. This Agreement shall be binding upon Matador and upon Employee and Employee's heirs, administrators, representatives, executors, successors and assigns and Matador's representatives, successors and assigns. In the event of Employee's death, this Agreement shall operate in favor of Employee's estate and all payments, obligations and consideration will continue to be performed in favor of Employee's estate.

10. Severability. Should any provision of this Agreement be declared or determined to be illegal or invalid by any government agency or court of competent jurisdiction, the validity of the remaining parts, terms or provisions of this Agreement shall not be affected and such provisions shall remain in full force and effect.

11. Entire Agreement. Except for the post-termination obligations in the Employment Agreement, any vested retirement plan benefits, any equity grant agreements and COBRA continuation coverage benefits **[TO BE MODIFIED, IF APPLICABLE, FOR OTHER SURVIVING ARRANGEMENTS.]**, this Agreement sets forth the entire agreement between the Parties, and fully supersedes any and all prior agreements, understandings, or representations between the Parties pertaining to Employee's employment with Matador, the subject matter of this Agreement or any other term or condition of the employment relationship between Matador and Employee. Employee represents and acknowledges that in executing this Agreement, Employee does not rely, and has not relied, upon any representation(s) by Matador or its agents except as expressly contained in this Agreement or the Employment Agreement. Employee and Matador agree that they have each used their own judgment in entering into this Agreement.

12. Knowing and Voluntary Waiver. Employee, by Employee's free and voluntary act of signing below, (i) acknowledges that Employee has been given a period of twenty-one (21) days to consider whether to agree to the terms contained herein, (ii) acknowledges that Employee has been advised to consult with an attorney prior to executing this Agreement, (iii) acknowledges that Employee understands that this Agreement specifically releases and waives all rights and claims Employee may have under the ADEA, prior to the date on which Employee signs this Agreement, and (iv) agrees to all of the terms of this Agreement and intends to be legally bound thereby. The Parties acknowledge and agree that each Party has reviewed and negotiated the terms and provisions of this Agreement and has contributed to its preparation (with advice of counsel). Accordingly, the rule of construction to the effect that ambiguities are

resolved against the drafting party shall not be employed in the interpretation of this Agreement. Rather, the terms of this Agreement shall be construed fairly as to both Parties and not in favor of or against either Party, regardless of which Party generally was responsible for the preparation of this Agreement.

This Agreement will become effective, enforceable and irrevocable on the eighth day after the date on which it is executed by Employee (the "Effective Date"). During the seven-day period prior to the Effective Date, Employee may revoke Employee's agreement to accept the terms hereof by giving notice to Matador of Employee's intention to revoke. If Employee exercises Employee's right to revoke hereunder, Employee shall not be entitled, except as required by applicable wage payment laws, including but not limited to the Accrued Obligations, to any payment hereunder until Employee executes and does not revoke a comparable release of claims, and to the extent such payments or benefits have already been made, Employee agrees that Employee will immediately reimburse Matador for the amounts of such payments and benefits to which he is not entitled.

13. Notices. All notices and other communications hereunder will be in writing. Any notice or other communication hereunder shall be deemed duly given if it is delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth:

If to Employee:

[EMPLOYEE]
[EMPLOYEE ADDRESS]

If to Matador:

Matador Resources Company
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, TX 75240
Attention: Board of Directors

Any Party may change the address to which notices and other communications are to be delivered by giving the other Party notice.

14. Governing Law; Venue; Arbitration. This section of the Agreement shall be governed by Section 23 of the Employment Agreement.

15. Counterparts. This Agreement may be executed in counterparts, each of which when executed and delivered (which deliveries may be by facsimile or other electronic method of delivery) shall be deemed an original and all of which together shall constitute one and the same instrument.

16. No Assignment of Claims. Employee represents and agrees that Employee has not transferred or assigned, to any person or entity, any claim involving Matador, or any portion thereof or interest therein.

17. No Waiver. This Agreement may not be waived, modified, amended, supplemented, canceled or discharged, except by written agreement of the Parties. Failure to exercise and/or delay in exercising any right, power or privilege in this Agreement shall not operate as a waiver. No waiver of any breach of any provision shall be deemed to be a waiver of any preceding or succeeding breach of the same or any other provision, nor shall any waiver be implied from any course of dealing between or among the Parties.

I ACKNOWLEDGE THAT I HAVE CAREFULLY READ THE FOREGOING AGREEMENT, THAT I UNDERSTAND ALL OF ITS TERMS AND THAT I AM RELEASING CLAIMS AND THAT I AM ENTERING INTO IT VOLUNTARILY.

AGREED TO BY:

______________________________ Date ______________________________

[EMPLOYEE]

STATE OF TEXAS

COUNTY OF ___________

Before me, a Notary Public, on this day personally appeared ______________, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledges to me that he has executed this Agreement on behalf of himself and his heirs, for the purposes and consideration therein expressed.

Given under my hand and seal of office this ____ day of ___________, ____.

____

Notary Public in and for the State of Texas

(PERSONALIZED SEAL)

MATADOR RESOURCES COMPANY

By: ______________________________
Title: ______________________________

Date: ______________________________

STATE OF TEXAS

COUNTY OF ________________________

Before me, a Notary Public, on this day personally appeared__________________, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of ________________, and that he has executed the same on behalf of said corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office this ____ day of __________, ____.

____
Notary Public in and for the State of Texas

(PERSONALIZED SEAL)

Exhibit 10.7

INDEPENDENT CONTRACTOR AGREEMENT

THIS INDEPENDENT CONTRACTOR AGREEMENT (this "Agreement") is entered into on August 9, 2011, to be effective as of the Effective Date (as defined below), by and among Matador Resources Company, a Texas corporation ("Matador"), acting through its Board of Directors (the "Board"), David F. Nicklin ("Nicklin") and David F. Nicklin International Consulting, Inc., a California corporation ("Contractor"). For purposes of this Agreement, the "Effective Date" shall mean the date of filing with the United States Securities and Exchange Commission of Matador's first registration statement following the date hereof with respect to an underwritten public offering of its equity securities, or such other date as the Board, Contractor and Nicklin may agree.

WHEREAS, Matador, Nicklin and Contractor desire to enter into this Agreement to set forth the terms and conditions of Nicklin's and Contractor's engagement with Matador; and

WHEREAS, Matador acknowledges that Nicklin, through Contractor or otherwise, provides, and during the Term (as defined below) is expected to continue to provide, consulting services to others.

NOW, THEREFORE, the parties hereto, in consideration of the mutual covenants and promises hereinafter contained, do hereby agree as follows:

1. Nicklin Engagement. Matador hereby agrees to engage Nicklin in the capacity of Executive Director of Exploration, or in such other position of the same or greater stature as the Board, the Chairman of the Board, the Chief Executive Officer or the Chief Operating Officer of Matador may direct or desire, to the extent reasonably acceptable to Nicklin, and Nicklin hereby accepts such engagement, on the terms and subject to the conditions set forth herein. No other employee or contractor of Matador shall have such title or hold an equal position with Matador during the Term.

2. Duties. Nicklin's principal duties, authority and responsibilities shall be to manage Matador's exploration function, subject to the supervision of the Chairman of the Board, Chief Executive Officer and Chief Operating Officer of Matador, and such other duties consistent with his position that are reasonably assigned to Nicklin from time to time by the Board or the foregoing supervisors. Nicklin agrees to perform such services and duties and hold such offices as may be reasonably assigned to him from time to time by the Board or the foregoing supervisors, consistent with his position, and to devote his reasonable commercial efforts to the performance thereof. It is understood that Nicklin and Contractor have and will continue to have other outside business endeavors, which endeavors shall not violate Nicklin's and/or Contractor's duties and responsibilities hereunder, provided that Nicklin discloses such endeavors, in advance, to Matador, and Matador determines, in its reasonable discretion, that such endeavors will not conflict with Nicklin's and Contractor's duties and responsibilities hereunder or create an actual or potential conflict of interest. Nicklin and Contractor agree not to engage in any such endeavors that are not approved by Matador, such approval not to be unreasonably withheld or delayed, pursuant to its Code of Ethics. Consistent with the foregoing,

(a) Contractor and Nicklin may represent, perform services for, or be employed by such additional persons or companies as Contractor and Nicklin may desire, to the extent Matador determines that doing so will not conflict with Nicklin's and Contractor's duties and responsibilities hereunder or create an actual or potential conflict of interest, as set forth above, (b) Contractor and Nicklin may represent, perform services for, or be employed by Salt Creek Petroleum LLC and its affiliates ("Salt Creek") generally consistent with the services previously provided by them to Salt Creek, to the extent previously disclosed to Matador, and (c) Contractor may own directly or indirectly up to 5% of a publicly held company, or limited partnership interests or other passive investment interests in private companies, subject to Matador's prior written consent if any such company is involved in any Competing Business (as defined below); provided, however, that Contractor may, in addition, own more than 5% of Salt Creek. Nicklin and Contractor shall provide notice to Matador in advance of each calendar month with respect to Nicklin's outside business commitments during such month, which schedule shall accommodate Matador's reasonable requests. Nicklin and Contractor, jointly and severally, represent and warrant that Salt Creek has been advised of, and has consented to, Nicklin's and Contractor's services to Matador as contemplated by this Agreement.

3. Term. Nicklin's and Contractor's engagement shall be under the terms and conditions of this Agreement and shall expire at the end of thirty-six (36) months from the Effective Date (the "Term"), subject to earlier termination as provided herein.

4. Compensation. As compensation for the services to be rendered by Nicklin, through Contractor, to Matador pursuant to this Agreement, Contractor shall be paid the following compensation:

(a) Daily Rate. Contractor shall receive a daily rate of $1,750 per full business day worked by Contractor for Matador during the Term, payable in accordance with Matador's then standard practices, which rate shall be pro rated for any partial business day worked for Matador (the "Daily Rate"); provided, however, that until the earlier of (i) the consummation of Matador's first underwritten public offering of its equity securities following the date hereof or (ii) immediately prior to a Change of Control (as defined below), the Daily Rate shall continue to be the daily rate of compensation payable to Contractor as of the date hereof.

(b) Bonuses.

(i) If Contractor's engagement pursuant to this Agreement continues until the third anniversary of the Effective Date, then Matador shall pay to Contractor a bonus equal to the number of days worked by Contractor during the Term, multiplied by $250, which bonus shall be payable not later than thirty days following such third anniversary.

(ii) Contractor shall also be entitled to receive an annual bonus in an amount to be determined in the discretion of the Board. Notwithstanding the foregoing, to the extent that the Board determines in its reasonable discretion that Contractor has fulfilled Contractor's duties and responsibilities hereunder in a reasonably satisfactory manner, then the amount of such bonus for 2011 shall be not less than $50,000. Any such bonus that becomes payable to Contractor shall be paid between January 1 and March 15, 2012.

(iii) Contractor shall be entitled to receive a bonus in an amount to be determined in the reasonable discretion of the Board if Contractor is able to identify, and assist Matador in retaining, Nicklin's successor, which bonus shall be payable not later than thirty (30) days following Matador retaining such successor.

(c) Long-Term Incentive Compensation. Subject to satisfying any applicable eligibility requirement, Contractor shall be entitled to participate in Matador's 2011 Long-Term Incentive Plan, and such other equity incentive plan(s) as may exist in the future (the "Incentive Plans"), with awards under any such plan to be determined by the Nominating, Compensation and Planning Committee of the Board (the "NCP Committee") or the Board, in their discretion.

5. Expenses. Matador shall pay, or reimburse Nicklin and Contractor, for the reasonable and necessary business expenses of Nicklin and Contractor, to the extent incurred in accordance with all applicable expense reimbursement policies of Matador.

6. Non-Disclosure of Confidential Information. Matador shall provide Nicklin Confidential Information, which Nicklin may use in the performance of his job duties with Matador. "Confidential Information," whether electronic, oral or in written form, includes without limitation: all geological and geophysical reports and related data such as maps, charts, logs, seismographs, seismic records and other reports and related data, calculations, summaries, memoranda and opinions relating to the foregoing, production records, electric logs, core data, pressure data, lease files, well files and records, land files, abstracts, title opinions, title or curative matters, contract files, notes, records, drawings, manuals, correspondence, financial and accounting information, customer lists, statistical data and compilations, patents, copyrights, trademarks, trade names, inventions, formulae, methods, processes, agreements, contracts, manuals or any documents relating to the business of Matador and information or data regarding Matador's systems, operations, business, finances, prospects, properties or prospective properties; provided, however, that Confidential Information shall not include (a) any information that is or becomes publicly available, or (b) is otherwise generally known in Matador's industry, other than as a result of any disclosure by Nicklin that is inconsistent with his duties pursuant to this Agreement. As a material inducement to Matador to enter into this Agreement and to pay to Contractor the compensation stated in Section 4, Nicklin covenants and agrees that he shall not, at any time during or following the term of his engagement, directly or indirectly divulge or disclose for any purpose whatsoever, other than as may be required by law, any Confidential Information that has been obtained by, or disclosed to, him as a result of his engagement by Matador, or use such Confidential Information for any reason other than to perform his duties pursuant to this Agreement.

7. Non-Competition and Non-Solicitation Agreement.

(a) Nicklin acknowledges and agrees that the Confidential Information Matador shall provide Nicklin will enable Nicklin to injure Matador if

Nicklin should compete with Matador. Therefore, Nicklin hereby agrees that during Nicklin's engagement, and (i) if Matador terminates Nicklin's engagement for Total Disability or for Just Cause, or if Nicklin terminates his engagement for Good Reason or other than for Good Reason, or (ii) if Nicklin is entitled to severance pay pursuant to Section 12(b) or Section 12(c), then for a period of twelve (12) months thereafter (the "Restricted Period"), Nicklin shall not, without Matador's prior written consent, directly or indirectly (except as otherwise provided in Section 2): (a) invest in (other than investments in publicly-owned companies which constitute not more than 5% of the voting securities of any such company) a Competing Business with Significant Assets in the Restricted Area (each as defined below), or (b) participate in a Competing Business as a manager, employee, director, officer, consultant, independent contractor, or other capacity or otherwise provide, directly or indirectly, services or assistance to a Competing Business in a position that involves input into or direction of the Competing Business's decisions within the Restricted Area. "Competing Business" means any person or entity engaged in oil and natural gas exploration, development, production and acquisition activities. "Significant Assets" means oil and natural gas reserves with an aggregate fair market value of $25 million or more. "Restricted Area" means a one-mile radius of any oil and natural gas reserves held by Matador as of the end of Nicklin's engagement, plus any county or parish where Matador, together with its subsidiaries, has Significant Assets as of the end of Nicklin's engagement; provided, however, that the Restricted Area shall not include a one-mile radius of any oil and natural gas reserves held by Salt Creek as of the date hereof, to the extent previously disclosed to Matador, and any new oil and gas reserves that may be approved by Matador subsequent to the date hereof.

(b) During the Restricted Period, Nicklin agrees on his own behalf and on behalf of his affiliates that, without the prior written consent of the Board or the Chief Executive Officer, they shall not, directly or indirectly, (i) solicit for employment or a contracting relationship, or employ or retain any person who is or has been, within six months prior to such time, employed by or engaged as an individual independent contractor to Matador or its affiliates, or (ii) induce or attempt to induce any such person to leave his or her employment or independent contractor relationship with Matador or its affiliates, without the prior written consent of the Board or the Chief Executive Officer. Matador agrees that the foregoing restriction is not intended to apply generally to companies providing services to Matador, such as rig and oilfield service providers, or lenders.

8. Reasonableness of Restrictions

(a) Nicklin has carefully read and considered the provisions of Sections 6 and 7, and, having done so, agrees that the restrictions set forth in those Sections are fair and reasonable and are reasonably required for the protection of the interests of Matador and its parent or subsidiary corporations, officers, directors, and shareholders.

(b) In the event that, notwithstanding the foregoing, any of the provisions of Sections 6 or 7 shall be held to be invalid or unenforceable, the remaining provisions thereof shall nevertheless continue to be valid and enforceable as though the invalid or unenforceable parts had not been included therein. In the event that any provision of Sections 6 or 7 shall be declared by a court of competent jurisdiction to exceed the maximum restrictiveness such court deems reasonable and enforceable, the time period, the areas of restriction and/or related aspects deemed reasonable and enforceable by the court shall become and thereafter be the maximum restriction in such regard, and the restriction shall remain enforceable to the fullest extent deemed reasonable by such court.

(c) Sections 6 and 7 shall survive the termination of this Agreement. If Nicklin is found by a court of competent jurisdiction or arbitrator to have materially violated any of the restrictions contained in Section 7, the restrictive period will be suspended and will not run in favor of Nicklin during such period that Nicklin shall have been found to be in material violation thereof.

(d) Nicklin and Contractor agree that the provisions of Sections 6, 7 and 8 shall apply in all respects equally to Nicklin and Contractor, as though every reference to Nicklin or Contractor also included a reference to the other.

9. Remedies for Breach of Nicklin’s Covenants of Non-Disclosure, Non-Competition and Non-Solicitation. In the event of a breach or threatened breach of any of the covenants in Sections 6 or 7, then Matador shall be entitled to seek a temporary restraining order and injunctive relief restraining Nicklin and/or Contractor from the commission of any breach.

10. Termination. Engagement of Nicklin under this Agreement may be terminated:

(a) By Nicklin’s death.

(b) If Nicklin is Totally Disabled. For the purposes of this Agreement, Nicklin is totally disabled if he is “Totally Disabled” as defined in and for the period necessary to qualify for benefits under any disability income insurance policy and any replacement policy or policies covering Nicklin and Nicklin has been declared to be Totally Disabled by the insurer.

(c) By mutual agreement of Nicklin and/or Contractor and Matador.

(d) By the dissolution and liquidation of Matador (other than as part of a reorganization, merger, consolidation or sale of all or substantially all of the assets of Matador whereby the business of Matador is continued).

(e) By Matador for Just Cause. This Agreement and Nicklin’s engagement with Matador may be terminated for Just Cause at any time in accordance with Section 11. For purposes of this Agreement, “Just Cause” shall mean only the following: (i) Nicklin’s continued and material failure to perform the duties of his engagement consistent with Nicklin’s position, except as a result of being partially disabled (during any period of partial disability) or Totally Disabled, (ii) Nicklin’s failure to perform his material obligations under this Agreement, except as a result of being partially disabled (during any period of partial disability) or

Totally Disabled, or a material breach Nicklin of Matador's written policies concerning discrimination, harassment or securities trading, (iii) Nicklin's refusal or failure to follow lawful directives of the Board, except as a result of being partially disabled (during any period of partial disability) or Totally Disabled, (iv) Nicklin's commission of an act of fraud, theft, or embezzlement, (v) Nicklin's indictment for or conviction of a felony or other crime involving moral turpitude, or (vi) Nicklin's intentional breach of fiduciary duty; provided, however, that Nicklin shall have thirty (30) days after written notice from the Board (or NCP Committee) to remedy any actions alleged under subsections (i), (ii) or (iii) in the manner reasonably specified by the Board (or NCP Committee). For the avoidance of doubt, the parties acknowledge and agree that a termination by Matador for Just Cause shall have priority over the other provisions of this Section 10, and Matador shall have the right, to the extent raised by Matador within twelve (12) months following Nicklin's termination, to "claw back" any benefits paid to Nicklin based on a termination pursuant to any other provision of this Section 10, in the event that Matador subsequently discovers the existence of facts or circumstances that would have been grounds for Nicklin's termination for Just Cause; provided, however, that the foregoing shall not modify in any way Nicklin's rights to dispute any termination for Just Cause, or to have any such dispute resolved by mediation or arbitration, as provided herein.

(f) At the end of the Term.

(g) By Nicklin for Good Reason. This Agreement and Nicklin's engagement with Matador may be terminated at any time, at the election of Nicklin, for Good Reason in accordance with Section 13, and such termination for Good Reason shall be treated as an involuntary separation from service within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the Treasury Regulations promulgated thereunder. As used in this Agreement, "Good Reason" shall mean (i) the assignment to Nicklin of duties inconsistent with the title of Executive Director of Exploration or his then-current office, or a material diminution in Nicklin's then current authority, duties or responsibilities; (ii) a diminution of Contractor's then current Daily Rate or other action or inaction that constitutes a material breach of this Agreement by Matador; or (iii) the relocation of Matador's principal executive offices to a location more than thirty (30) miles from Matador's current principal executive offices or the transfer of Nicklin to a place other than Matador's principal executive offices (excepting required travel on Matador's business). Within thirty (30) days from the date Nicklin knows of the actions constituting Good Reason as defined in this Section 10(g), Nicklin shall give Matador written notice thereof, and provide Matador with a reasonable period of time, in no event exceeding thirty (30) days, after receipt of such notice to remedy the alleged actions constituting Good Reason; provided, however, that Matador shall not be entitled to notice of, and the opportunity to remedy, the recurrence of any alleged actions (or substantially similar actions) constituting Good Reason in the event that Nicklin has previously provided notice of such prior alleged actions (or substantially similar actions) to Matador and provided Matador an opportunity to cure such prior actions (or substantially similar actions). In the event Matador does not cure the alleged actions, if Nicklin does not terminate this Agreement and his engagement within sixty (60) days following the last day of Matador's cure period, Nicklin shall not be entitled to terminate his engagement for Good Reason based upon the occurrence of such actions; provided, however, that any recurrence of such actions (or substantially similar actions) may constitute Good Reason. Any corrective measures undertaken by Matador are solely within its discretion and do not concede or indicate agreement that the actions described in Nicklin's written notice constitute Good Reason within the meaning of this Section 10(g).

(h) By Nicklin other than for Good Reason. This Agreement and Nicklin's and Contractor's engagement with Matador may be terminated at any time, at the election of Nicklin, other than for Good Reason.

(i) In Contemplation or Following a Change in Control. Nicklin's engagement hereunder will be deemed to be terminated in contemplation of or following a Change in Control (i) in the event of a Change in Control and Nicklin is terminated by Matador without Just Cause, or (ii) if Nicklin terminates his engagement with or without Good Reason, within 30 days prior to or within twelve (12) months following a Change in Control. As used in this Section 10(i) and Section 12, the term "Change in Control" shall mean a change in control event for purposes of Section 409A of the Code, as defined in Treasury Regulation Section 1.409A-3(i)(5) and any successor provision thereto, which currently is the following:

(i) A change in ownership of Matador occurs on the date that any Person other than (1) Matador or any subsidiaries, (2) a trustee or other fiduciary holding securities under an employee benefit plan of Matador or any of its Affiliates, (3) an underwriter temporarily holding stock pursuant to an offering of such stock, or (4) a corporation owned, directly or indirectly, by the shareholders of Matador in substantially the same proportions as their ownership of Matador's stock, acquires ownership of Matador's stock that, together with stock held by such Person, constitutes more than 50% of the total fair market value or total voting power of Matador's stock. However, if any Person is considered to own already more than 50% of the total fair market value or total voting power of Matador's stock, the acquisition of additional stock by the same Person is not considered to be a Change in Control. In addition, if any Person has effective control of Matador through ownership of 30% or more of the total voting power of Matador's stock, as described in Section 10(i), subsection (ii), below, the acquisition of additional control of Matador by the same Person is not considered to cause a Change in Control pursuant to this Section 10(i), subsection (i);

(ii) Even though Matador may not have undergone a change in ownership under Section 10(i), subsection (i), above, a change in the effective control of Matador occurs on either of the following dates:

a) the date that any Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) ownership of Matador’s stock possessing 30% or more of the total voting power of Matador’s stock. However, if any Person owns 30% or more of the total voting power of Matador’s stock, the acquisition of additional control of Matador by the same Person is not considered to cause a Change in Control pursuant to this Section 10(i), subsection (ii), clause a); or

b) the date during any 12-month period when a majority of members of the Board is replaced by directors whose appointment or election is not endorsed by a majority of the Board before the date of appointment or election; provided, however, that any such director shall not be considered to be endorsed by the Board if his or her initial assumption of office occurs as a result of an actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) A change in the ownership of a substantial portion of Matador’s assets occurs on the date that a Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) assets of Matador, that have a total gross fair market value equal to at least 40% of the total gross fair market value of all of Matador’s assets immediately before such acquisition or acquisitions. However, there is no Change in Control where there is such a transfer to an entity that is controlled by the shareholders of Matador immediately after the transfer, through a transfer to a) a shareholder of Matador (immediately before the asset transfer) in exchange for or with respect to Matador’s stock; b) an entity, at least 50% of the total value or voting power of the stock of which is owned, directly or indirectly, by Matador; c) a Person that owns, directly or indirectly, at least 50% of the total value or voting power of Matador’s outstanding stock; or d) an entity, at least 50% of the total value or voting power of the stock of which is owned by a Person that owns, directly or indirectly, at least 50% of the total value or voting power of Matador’s outstanding stock.

(iv) For the purposes of this definition of Change in Control only, “Person” shall have the meaning given in Section 7701(a)(1) of the Code. Person shall include more than one Person acting as a group as defined in the Final Treasury Regulations issued under Section 409A of the Code.

(v) As noted, the definition of Change in Control as set forth in this Section 10(i) shall be interpreted in accordance with the Treasury Regulations under Section 409A of the Code, it being the intent of the parties that this Section 10(i) shall be in compliance with the requirements of said Code Section and said Regulations. Notwithstanding the definition of Change in Control as set forth in this Section 10(i), no Change in Control shall be deemed to have occurred as a result of the sale of any equity securities by Matador in any registered public offering.

11. Notice of Termination/Date of Termination. Termination of Nicklin's engagement by Matador for Just Cause or by Nicklin for Good Reason or other than for Good Reason shall be accompanied by written notice of the reason for such termination. Such notice shall indicate a specific termination provision in this Agreement that is relied upon, describe the basis for such termination, if any, and the Date of Termination. If Nicklin's engagement is terminated by Nicklin other than for Good Reason, the Date of Termination shall be not less than thirty (30) days following such written notice. As used in this Agreement, "Date of Termination" shall mean a "Separation from Service" as defined in Section 14 hereof.

12. Payments With Respect to Termination; Vesting of Equity Incentive Awards. Payments to Nicklin upon termination shall be limited to the following:

(a) If Nicklin's engagement is terminated by Matador upon death pursuant to Section 10(a), Total Disability pursuant to Section 10(b), mutual agreement pursuant to Section 10(c), dissolution and liquidation pursuant to Section 10(d), for Just Cause pursuant to Section 10(e), at the end of the Term pursuant to Section 10(f), or by Nicklin other than for Good Reason pursuant to Section 10(h), Contractor shall be entitled to all arrearages of the Daily Rate and expenses incurred as of the Date of Termination (the "Accrued Obligations") payable in accordance with Matador's customary payroll practices, plus (unless Nicklin's engagement is terminated by Matador for Just Cause or by Nicklin other than for Good Reason) an amount equal to the average annual amount of all bonuses paid to Contractor with respect to the prior two (2) calendar years, pro-rated based on the number of complete or partial months of Nicklin and Contractor's engagement during the calendar year in which his engagement terminates payable in a lump sum, subject to Section 14(b), on the sixtieth (60th) day following the Date of Termination, plus all accrued and vested compensation under the Incentive Plans (which shall be payable in accordance with the terms of the applicable Incentive Plan), but shall not be entitled to any other further compensation. In addition, if Nicklin's engagement is terminated by Matador due to Nicklin's death or Total Disability, Contractor shall be entitled to an amount equal to $250 per day that Nicklin and/or Contractor worked for Matador during the Term, payable in accordance with the prior sentence.

(b) If Nicklin's engagement is terminated by Matador for a reason other than as described in Section 12(a) or (c), or is terminated by Nicklin for Good Reason pursuant to Section 10(g), Matador shall (i) pay to Nicklin and Contractor, as the case may be, all Accrued Obligations as required under applicable wage payment laws and in accordance with Matador’s customary payroll practices, plus all accrued and vested compensation under the Incentive Plans, and (ii) subject to Nicklin’s and Contractor’s compliance with Sections 6 and 7, an amount equal to $1,000 per full business day that Nicklin and/or Contractor worked for Matador during the prior twelve (12) months during the Term (or, if terminated prior to the first anniversary of the Effective Date, during the period from the Effective Date through the end of Nicklin’s engagement), payable in a lump sum, (A) on the date which immediately follows six months from the Date of Termination or, if earlier, (B) within thirty (30) days of Nicklin’s death, with the exact date of payment after Nicklin’s death to be determined by Matador (or, with respect to accrued and vested compensation under the Incentive Plans, if later, in accordance with the terms of the applicable Incentive Plan; provided, however, if the payment of compensation under the Incentive Plans pursuant to this parenthetical would cause a violation of Section 409A of the Code, such payment of compensation shall be made pursuant to the terms of the Incentive Plans). Nicklin and Contractor shall have no obligation to seek other employment or engagement and any income so earned shall not reduce the foregoing amounts.

(c) If in contemplation of or following a Change in Control pursuant to Section 10(i), Nicklin’s engagement is terminated by Matador without Just Cause or is terminated by Nicklin with or without Good Reason, Matador shall (i) pay to Nicklin and Contractor, as the case may be, all Accrued Obligations as required under applicable wage payment laws and in accordance with Matador’s customary payroll practices, plus all accrued and vested compensation under the Incentive Plans, and (ii) subject to Nicklin’s and Contractor’s compliance with Sections 6 and 7, an amount equal to two (2) times the aggregate Daily Rate earned by Contractor during the twelve (12) months prior to the Date of Termination, payable, in each case, in a lump sum, (A) on the date which immediately follows six months from the Date of Termination or, if earlier (B) within thirty (30) days of Nicklin’s death, with the exact date of payment after Nicklin’s death to be determined by Matador (or, with respect to accrued and vested compensation under the Incentive Plans, if later, in accordance with the terms of the applicable Incentive Plan; provided, however, if the payment of compensation under the Incentive Plans pursuant to this parenthetical would cause a violation of Section 409A of the Code, such payment of compensation shall be made pursuant to the terms of the Incentive Plans). Nicklin and Contractor shall have no obligation to seek other employment or engagement and any income so earned shall not reduce the foregoing amounts.

(d) Except with respect to any Accrued Obligations, which shall be paid in accordance with Section 12, as a condition to receiving any other payment under Section 12, and to the extent that Nicklin is then living and not prevented from executing a release of claims due to any disability, Nicklin and Contractor shall execute (and not revoke) a release of claims substantially in the form attached hereto (which release shall be provided to Nicklin within five (5) business days following the Date of Termination and must be returned to Matador (and not revoked) within forty-five (45) days following the Date of Termination). If Nicklin and Contractor fail or otherwise refuse to execute and not revoke such release of claims within forty-five (45) days following the Date of Termination, and in all events prior to the date on which such other payment is to be first paid to Nicklin and/or Contractor, Nicklin and/or Contractor shall not be entitled to any such other payment, except as required by applicable wage payment laws, until Nicklin and Contractor execute and do not revoke for forty-five (45) days, a release of claims.

13. Timing of Payments with Respect to Termination. In the event that, without the express or implied consent of Nicklin, Matador fails to make, either intentionally or unintentionally, any payment required pursuant to Section 12 at the time such payment is so required, and in addition to any other remedies that might be available to Nicklin and/or Contractor under this Agreement or applicable law, including compliance with the requirements of Section 409A of the Code regarding disputed payments and refusals to pay, Matador, Contractor and Nicklin agree that the unpaid amount of any such required payment shall increase by five percent (5%) per month for each month, or portion thereof, during which such payment is not made. Matador, Contractor and Nicklin agree that any such increase is not interest, but is for purposes of compensating Nicklin and Contractor for certain costs and expenses anticipated to be incurred by Nicklin and Contractor in the event that any such payment is not made when required, the actual amounts of which are difficult to estimate. Notwithstanding the foregoing, in the event that any such amount is held to be interest, Nicklin and Contractor shall not be entitled to charge, receive or collect, nor shall amounts received hereunder be credited so that Contractor shall be paid, as interest a sum greater than interest at the Maximum Rate (as defined below). It is the intention of Matador, Contractor and Nicklin that this Agreement shall comply with applicable law. If Contractor is deemed to have charged or received anything of value which is deemed to be interest under applicable law, and if such interest is deemed to exceed the maximum lawful amount, any amount which exceeds interest at the Maximum Rate shall be applied to other amounts that might be owed to Contractor by Matador or its affiliates, whether under this Agreement or otherwise, and if there are no such other amounts owed to Contractor by Matador or its affiliates, any remaining excess shall be paid to Matador. In determining whether any such deemed interest exceeds interest at the Maximum Rate, the total amount of interest shall be spread, prorated and amortized throughout the entire time during which such payment is due, until payment in full. The term "Maximum Rate" means the maximum non-usurious rate of interest per annum permitted by whichever of applicable United States federal law or Texas law permits the higher interest rate, including to the extent permitted by applicable law, any amendments thereof hereafter or any new law hereafter coming into effect to the extent a higher Maximum Rate is permitted thereby.

14. Other Termination Provisions.

(a) Separation from Service. Notwithstanding anything to the contrary in this Agreement, with respect to any amounts payable to Nicklin or Contractor under this Agreement that are treated as "non-qualified deferred compensation" subject to Section 409A of the Code in connection with a termination of Nicklin's or Contractor's engagement, in no event shall a termination of engagement occur under this Agreement unless such termination constitutes a Separation from Service. "Separation from Service" shall mean Nicklin's "separation from service" with Matador as such term is defined in Treasury Regulation Section 1.409A-1(h) and any successor provision thereto.

(b) Section 409A Compliance. Notwithstanding anything contained in this Agreement to the contrary, to the maximum extent permitted by applicable law, amounts payable to Nicklin or Contractor pursuant to Section 14 shall be made in reliance upon Treasury Regulation Section 1.409A-1(b)(9) (Separation Pay Plans) or Treasury Regulation Section 1.409A-1(b)(4) (Short-Term Deferrals). However, to the extent any such payments are treated as non-qualified deferred compensation subject to Section 409A of the Code, then if Nicklin is deemed at the time of his Separation from Service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, then to the extent delayed commencement of any portion of the termination benefits to which Nicklin or Contractor is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of such termination benefits shall not be provided to Nicklin or Contractor prior to the earlier of (i) the expiration of the six-month period measured from the date of Nicklin's Separation from Service or (ii) the date of Nicklin's death. Upon the earlier of such dates, all payments deferred pursuant to this Section 14(b) shall be paid in a lump sum to Contractor. The determination of whether Nicklin is a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code as of the time of his Separation from Service shall made by Matador in accordance with the terms of Section 409A of the Code and applicable guidance thereunder (including without limitation Treasury Regulation Section 1.409A-1(i) and any successor provision thereto).

(c) Section 280G Treatment.

(i) (A) In the event it is determined that any payment, distribution or benefits of any type by Matador to or for the benefit of Nicklin or Contractor, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "Change in Control Payments"), constitute "parachute payments" within the meaning of Section 280G(b)(2) of the Code, Matador will provide Nicklin with a computation of (1) the maximum amount of the Change in Control Payments that could be made, without the imposition of the excise tax imposed by Section 4999 of the Code (said maximum amount being referred to as the "Capped Amount"); (2) the value of the Change in Control Payments that could be made pursuant to the terms of this Agreement (all said payments, distributions and benefits being referred to as the "Uncapped Amount"); (iii) the dollar amount of the excise tax (if any) including any interest or penalties with respect to such excise tax which Nicklin or Contractor would become obligated to pay pursuant to Section 4999 of the Code as a result of receipt of the Uncapped Amount (the "Excise Tax Amount"); and (iv) the net value of the Uncapped Amount after reduction by the Excise Tax Amount and the estimated income taxes payable by Nicklin or Contractor on the difference between the Uncapped Amount and the Capped Amount, assuming that Nicklin is paying the highest marginal tax rate for state, local and federal income taxes (the "Net Uncapped Amount").

(B) If the Capped Amount is greater than the Net Uncapped Amount, Nicklin or Contractor shall be entitled to receive or commence to receive payments equal to the Capped Amount; or if the Net Uncapped Amount is greater than the Capped Amount, Nicklin or Contractor shall be entitled to receive or commence to receive payments equal to the Uncapped Amount. If Nicklin or Contractor receives the Uncapped Amount, then Nicklin or Contractor shall be solely responsible for the payment of all income and excise taxes due from Nicklin or Contractor and attributable to such Uncapped Amount, with no right of additional payment from Matador as reimbursement for any taxes.

(ii) All determinations required to be made under Section 14(c)(i)(A) shall be made in writing by the independent accounting firm agreed to by Matador and Nicklin on the date of the Change in Control (the "Accounting Firm"), whose determination shall be conclusive and binding upon Nicklin, Contractor and Matador for all purposes. For purposes of making the calculations required by Section 14(c)(i)(A), the Accounting Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. Matador, Nicklin and Contractor shall furnish to the Accounting Firm such information and documents as it reasonably may request in order to make determinations under Section 14(c)(i)(A). If the Accounting Firm determines that no Excise Tax Amount is payable by Nicklin and Contractor, it shall furnish Nicklin and Contractor with an opinion that he/it has substantial authority not to report any excise tax pursuant to Section 4999 of the Code on his federal income tax return. Matador shall bear all costs the Accounting Firm may reasonably incur in connection with any calculations contemplated by Section 14(c)(i)(A).

(iii) (A) If the computations and valuations required to be provided by Matador to Nicklin pursuant to Section 14(c)(i)(A) are on audit challenged by the Internal Revenue Service as having been performed in a manner inconsistent with the requirements of Sections 280G and 4999 of the Code or if Section 409A of the Code is determined to apply to all or any part of the payments to which Contractor, Nicklin or his survivors may be entitled under this Agreement and as a result of such audit or determination, (1) the amount of cash and the benefits provided for in Section 14(c)(i) remaining to Nicklin and Contractor after completion of such audit or determination is less than (2) the amount of cash and the benefits which were paid or provided to Nicklin and Contractor on the basis of the calculations provided for in Section 14(c)(i)(A) (the difference between (1) and (2) being referred to as the "Shortfall Amount"), then Nicklin and Contractor shall be entitled to receive an additional payment (an "Indemnification Payment") in an amount such that, after payment by Nicklin and Contractor of all taxes (including additional excise taxes under said Section 4999 of the Code and any interest and penalties imposed with respect to any taxes) imposed upon the Indemnification Payment and all reasonable attorneys' and accountants' fees incurred by Nicklin and Contractor in connection with such audit or determination, Nicklin and Contractor retain an amount of the Indemnification Payment equal to the Shortfall Amount. Matador shall pay the Indemnification Payment to Nicklin and Contractor in a lump sum cash payment within thirty (30) days of the completion of such audit or determination.

(B) If the computations and valuations required to be provided by Matador to Nicklin and Contractor pursuant to Section 14(c)(i)(A) are on audit challenged by the Internal Revenue Service as having been performed in a manner inconsistent with the requirements of Sections 280G and 4999 of the Code and as a result of such audit or determination, (1) the amount of cash and the benefits which were paid or provided to Nicklin and Contractor on the basis of the calculations provided for in Section 14(c)(i)(A) is greater than (2) the amount of cash and the benefits provided for in Section 14(c)(i) payable to Nicklin and Contractor after completion of such audit or determination (the difference between (1) and (2) being referred to as the "Excess Amount"), then Nicklin and Contractor shall repay to Matador the Excess Amount in a lump sum cash payment within thirty (30) days of the completion of such audit or determination.

(C) Notwithstanding the foregoing provisions of this Section 14(c)(iii), (1) any payment made to or on behalf of Nicklin and Contractor which relates to taxes imposed on Nicklin and Contractor shall be made not later than the end of the calendar year next following the calendar year in which such taxes are remitted by or on behalf of Nicklin and Contractor, and (2) any payment made to or on behalf of Nicklin and Contractor which relates to reimbursement of expenses incurred due to a tax audit or litigation addressing the existence or amount of a tax liability shall be made by the end of the calendar year following the calendar year in which the taxes that are the subject of the audit or litigation are remitted to the taxing authority, or where as a result of such audit or litigation no taxes are remitted, the end of the calendar year following the calendar year in which the audit is completed or there is a final and non-appealable settlement or other resolution of the litigation, whichever is the last event to occur.

(d) Termination by Nicklin Other than for Good Reason. If at any time Nicklin terminates his engagement other than for Good Reason, Nicklin shall have no further obligation to Matador other than the provisions of Sections 6, 7, 12(d), 14(c)(iii)(B) and 19.

15. In-Kind Benefits and Reimbursements. Notwithstanding any thing to the contrary in this Agreement, in-kind benefits and reimbursements provided under this Agreement during

any tax year of Nicklin shall not affect in-kind benefits or reimbursements to be provided in any other tax year of Nicklin and are not subject to liquidation or exchange for another benefit. Notwithstanding any thing to the contrary in this Agreement, reimbursement requests must be timely submitted by Nicklin and, if timely submitted, reimbursement payments shall be made to Nicklin as soon as administratively practicable following such submission, but in no event later than the last day of Nicklin's taxable year following the taxable year in which the expense was incurred. In no event shall Nicklin be entitled to any reimbursement payments after the last day of Nicklin's taxable year following the taxable year in which the expense was incurred. This paragraph shall only apply to in-kind benefits and reimbursements that would result in taxable compensation income to Nicklin.

16. Section 409A; Separate Payments. This Agreement is intended to be written, administered, interpreted and construed in a manner such that no payment or benefits provided under the Agreement become subject to (a) the gross income inclusion set forth within Code Section 409A(a)(1)(A) or (b) the interest and additional tax set forth within Code Section 409A(a)(1)(B) (together, referred to herein as the "Section 409A Penalties"), including, where appropriate, the construction of defined terms to have meanings that would not cause the imposition of Section 409A Penalties. In no event shall Matador be required to provide a tax gross-up payment to Nicklin or Contractor or otherwise reimburse Nicklin or Contractor with respect to Section 409A Penalties. For purposes of Section 409A of the Code (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), each payment that Nicklin or Contractor may be eligible to receive under this Agreement shall be treated as a separate and distinct payment.

17. Indemnification. Matador shall indemnify Contractor and Nicklin to the extent permitted pursuant to the Certificate of Formation of Matador, the Bylaws of Matador and any indemnification agreement among Matador and Contractor and/or Nicklin that may be in effect from time to time during the Term, the terms of which are incorporated herein by reference.

18. Resignation Upon Termination. In the event of termination of Nicklin's and Contractor's engagement for any reason, Nicklin hereby shall be deemed upon such termination to have immediately resigned from all positions held in Matador, including without limitations any position as a director, officer, agent, trustee or consultant of Matador or any affiliate of Matador and shall execute all documents reasonably necessary to further effectuate or document such resignation from such positions.

19. Cooperation. During and after Nicklin's engagement with Matador, Nicklin and Contractor shall cooperate fully with Matador, at Matador's expense, in the defense or prosecution of all claims or actions now in existence or which may be brought in the future against or on behalf of Matador or its affiliates. Nicklin's and Contractor's full cooperation in connection with such claims or actions shall include, but shall not be limited to, being available to meet with counsel to Matador and/or its affiliates to prepare for discovery, trial or alternative dispute resolution proceedings, and to act as a witness on behalf of Matador and its affiliates. During and after Nicklin's and Contractor's engagement, Nicklin and Contractor shall cooperate with Matador and its affiliates in connection with any investigation or review by any federal, state or local regulatory authority. In addition, during and after Nicklin's and Contractor's engagement with Matador, Nicklin and Contractor shall assist Matador in all reasonably

requested transition efforts in connection with Nicklin's and Contractor's separation from Matador or the transfer of duties or responsibilities from Nicklin and Contractor, including but not limited to execution and delivery of all documents that Matador reasonably requests to be signed by Nicklin or Contractor. Matador shall pay Contractor at the Daily Rate, and reimburse Nicklin and Contractor for any reasonable out-of-pocket expenses incurred by Nicklin and Contractor, in connection with Nicklin's and Contractor's performance of the foregoing obligations.

20. Waiver. A party's failure to insist on compliance or enforcement of any provision of this Agreement, shall not affect the validity or enforceability or constitute a waiver of future enforcement of that provision or of any other provision of this Agreement by that party or any other party.

21. Governing Law; Venue; Arbitration. This Agreement shall in all respects be subject to, and governed by, the laws of the State of Texas.

(a) Injunctive Relief. Matador, Contractor and Nicklin agree and consent to the personal jurisdiction of the state and local courts of Dallas County, Texas and/or the United States District Court for the Northern District of Texas in the event that Matador, Contractor or Nicklin seeks injunctive relief with respect to any provision hereof, and that those courts, and only those courts, shall have jurisdiction with respect thereto. Matador, Contractor and Nicklin also agree that those courts are convenient forums for the parties and for any potential witnesses and that process issued out of any such court or in accordance with the rules of practice of that court may be served by mail or other forms of substituted service to Matador at the address of its principal executive offices and to Nicklin and Contractor at Contractor's last known address as reflected in Matador's records.

(b) All Other Disputes. In the event of any dispute, claim, question or disagreement relating to this Agreement, other than one for which Matador, Contractor or Nicklin seeks injunctive relief, the parties shall use their best efforts to settle the dispute, claim, question or disagreement. To this effect, they shall consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to both parties. If such a dispute cannot be settled through negotiation, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association (the "AAA") under its Commercial Mediation Rules before resorting to arbitration or some other dispute resolution procedure. If the parties do not reach such solution through negotiation or mediation within a period of sixty (60) days after a claim is first made by a party, then, upon notice by either party to the other, all disputes, claims, questions or disagreements shall be finally settled by arbitration administered by the AAA in accordance with the provisions of its Commercial Arbitration Rules. The arbitrator shall be selected by agreement of the parties or, if they do not agree on an arbitrator within thirty (30) days after either party has notified the other of his or its desire to have the question settled by arbitration, then the arbitrator shall be selected pursuant to the procedures of the AAA, with such arbitration taking place in Dallas, Texas. The determination reached in such arbitration shall be final and binding on all parties. Enforcement of the determination by such arbitrator may be sought in any court of competent jurisdiction.

22. Substantially Prevailing Party. The substantially prevailing party in any legal proceeding, including mediation and arbitration, based upon this Agreement shall be entitled to reasonable attorneys' fees and costs, in addition to any other damages and relief allowed by law, from the substantially non-prevailing party; provided, however, that the maximum amount of fees and costs of all parties for which Nicklin and Contractor shall be liable shall be $100,000.

23. Severability. The invalidity or unenforceability of any provision in the Agreement shall not in any way affect the validity or enforceability of any other provision and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had never been in the Agreement.

24. Notice. Any and all notices required or permitted herein shall be deemed delivered if delivered personally or if mailed by registered or certified mail to Matador at its principal place of business and to Nicklin and Contractor at the address hereinafter set forth following their signatures, or at such other address or addresses as either party may hereafter designate in writing to the other.

25. Assignment. This Agreement, together with any amendments hereto, shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, assigns, heirs and personal representatives, except that the rights and benefits of either of the parties under this Agreement may not be assigned without the prior written consent of the other party.

26. Amendments. This Agreement may be amended at any time by mutual consent of the parties hereto, with any such amendment to be invalid unless in writing, signed by Matador, Contractor and Nicklin.

27. Entire Agreement. This Agreement, along with Matador's handbook, as it may be amended from time to time, to the extent it does not specifically conflict with any provision of this Agreement, contains the entire agreement and understanding by and between Nicklin, Contractor and Matador with respect to the engagement of Nicklin and Contractor, and no representations, promises, agreements, or understandings, written or oral, relating to the engagement of Nicklin or Contractor by Matador not contained herein shall be of any force or effect.

28. Burden and Benefit. This Agreement shall be binding upon, and shall inure to the benefit of, Matador, Contractor and Nicklin, and their respective heirs, personal and legal representatives, successors, and assigns.

29. References to Gender and Number Terms. In construing this Agreement, feminine or number pronouns shall be substituted for those masculine in form and vice versa, and plural terms shall be substituted for singular and singular for plural in any place where the context so requires.

30. Headings. The various headings in this Agreement are inserted for convenience only and are not part of the Agreement.

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IN WITNESS WHEREOF, Matador, Contractor and Nicklin have duly executed this Agreement to be effective as of the Effective Date.

MATADOR RESOURCES COMPANY

By: /s/ Joseph Wm. Foran
Joseph Wm. Foran
Chairman of Board and Chief Executive Officer

Address for Notice:

One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, TX 75240
Attention: Board of Directors

NICKLIN:

/s/ David F. Nicklin
David F. Nicklin, individually

Address for Notice:

____
____
____

DAVID F. NICKLIN INTERNATIONAL CONSULTING, INC.

By: /s/ David F. Nicklin
David F. Nicklin, President

Address for Notice:

____
____
____

(FORM) SEPARATION AGREEMENT AND RELEASE

This Separation Agreement and Release (this "Agreement") is entered into by Matador Resources Company, a Texas corporation ("Matador" or the "Company"), and David F. Nicklin ("Nicklin") and David F. Nicklin International Consulting, Inc., a California corporation ("Contractor"), as of ________ (the "Agreement Date"). Matador, Nicklin and Contractor are referred to as the "Parties." This Agreement cancels and supersedes all prior agreements relating to Contractor's and Nicklin's engagement with Matador except as provided in this Agreement.

WHEREAS, Matador, Nicklin and Contractor entered into an Independent Contractor Agreement as of August ___________, 2011 (the "Contractor Agreement"). This Agreement is entered into by and between Contractor, Nicklin and Matador pursuant to the Contractor Agreement;

WHEREAS, because of Contractor's and Nicklin's engagement with Matador, and Nicklin's serving as an officer of Matador, Contractor and Nicklin have obtained intimate and unique knowledge of all aspects of Matador's business operations, current and future plans, financial plans and other confidential and proprietary information;

WHEREAS, Contractor's engagement with Matador and all positions, if any, held by Nicklin in Matador or any of its subsidiaries or affiliates, including officer positions, terminated effective as of [**DATE**] (the "Separation Date"); and

WHEREAS, except as otherwise provided herein, the Parties desire to finally, fully and completely resolve all disputes that now or may exist between them, including, but not limited to those concerning the Contractor Agreement (except for the post-termination obligations contained in the Contractor Agreement), Contractor's performance and activities while engaged by Matador and Contractor's and Nicklin's retention, engagement and separation from Matador, and all disputes over benefits and compensation connected with such engagement;

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

3. End of Contractor's and Nicklin's Engagement. Contractor's and Nicklin's engagement with Matador terminated on the Separation Date.

4. Certain Payments and Benefits.

(a) Accrued Obligations. In accordance with Matador's customary payroll practices, Matador shall pay Contractor for all arrearages of the Daily Rate (as defined in the Contractor Agreement) and unreimbursed business expenses through the Separation Date ("Accrued Obligations").

(b) Separation Payments. Subject to Contractor's and Nicklin's consent to and fulfillment of their obligations in this Agreement and, if applicable pursuant to the Section 12(b) or (c) of the Contractor Agreement, Contractor's and Nicklin's post-termination obligations in Sections 6 and 7 of the Contractor Agreement, and provided that Contractor and Nicklin do not revoke this Agreement pursuant to Section 12 hereof, Matador shall pay Contractor the amount of $[**AMOUNT**], minus normal withholdings and taxes ("Separation

Payment”), payable as provided in the Contractor Agreement. The Separation Payment will not be treated as compensation under Matador’s 401(k) Plan or any other retirement plan.

(c) Waiver of Additional Compensation or Benefits. Other than the compensation and payments provided for in this Agreement and the post-termination benefits provided for in the Contractor Agreement, Contractor and Nicklin shall not be entitled to any additional compensation, benefits, payments or grants under any agreement, benefit plan, severance plan or bonus or incentive program established by Matador or any of Matador’s affiliates, other than any vested retirement plan benefits, any vested equity grants or COBRA continuation coverage benefits. **[TO BE MODIFIED, IF APPLICABLE, FOR OTHER BENEFITS.]** Contractor and Nicklin agree that the release in Section 3 covers any claims Contractor and Nicklin might have regarding their compensation, bonuses, stock options or grants and any other benefits they may or may not have received during their engagement with Matador.

5. General Release and Waiver. In consideration of the payments and other consideration provided for in this Agreement, that being good and valuable consideration, the receipt, adequacy and sufficiency of which are acknowledged by Contractor and Nicklin, Contractor and Nicklin, on their own behalf and on behalf of their officers, directors, shareholders, equity holders, agents, administrators, representatives, executors, successors, heirs, devisees and assigns (collectively, the “Releasing Parties”) hereby fully release, remise, acquit and forever discharge Matador and all of its affiliates, and each of their respective past, present and future officers, directors, shareholders, equity holders, members, partners, agents, employees, consultants, independent contractors, attorneys, advisers, successors and assigns (collectively, the “Released Parties”), jointly and severally, from any and all claims, rights, demands, debts, obligations, losses, causes of action, suits, controversies, setoffs, affirmative defenses, counterclaims, third party actions, damages, penalties, costs, expenses, attorneys’ fees, liabilities and indemnities of any kind or nature whatsoever (collectively, the “Claims”), whether known or unknown, suspected or unsuspected, accrued or unaccrued, whether at law, equity, administrative, statutory or otherwise, and whether for injunctive relief, back pay, fringe benefits, reinstatement, reemployment, or compensatory, punitive or any other kind of damages, which any of the Releasing Parties ever have had in the past or presently have against the Released Parties, and each of them, arising from or relating to Contractor’s and Nicklin’s engagement with Matador or its affiliates or the termination of that engagement or any circumstances related thereto, or (except as otherwise provided below) any other matter, cause or thing whatsoever, including without limitation all claims arising under or relating to employment, employment contracts, employee benefits or purported employment discrimination or violations of civil rights of whatever kind or nature, including without limitation all claims arising under the Age Discrimination in Employment Act (“ADEA”), the Americans with Disabilities Act, as amended, the Family and Medical Leave Act of 1993, the Equal Pay Act of 1963, the Rehabilitation Act of 1973, Title VII of the United States Civil Rights Act of 1964, 42 U.S.C. § 1981, the Fair Labor Standards Act, the Employee Retirement Income Security Act, the Civil Rights Act of 1991, the Civil Rights Acts of 1866 and/or 1871, the Sarbanes-Oxley Act, the Genetic Information Nondiscrimination Act, the Lily Ledbetter Act, the Texas Commission on Human Rights Act, the Texas Payday Law, the Texas Labor Code or any other applicable federal, state or local employment statute, law or ordinance, including, without limitation, any disability claims under any such laws, claims for wrongful discharge, claims arising under state

law, contract claims including breach of express or implied contract, alleged tortious conduct, claims relating to alleged fraud, breach of fiduciary duty or reliance, breach of implied covenant of good faith and fair dealing, and any other claims arising under state or federal law, as well as any expenses, costs or attorneys' fees. Contractor and Nicklin further agree that they will not file or permit to be filed on their behalf any such claim. Notwithstanding the preceding sentence or any other provision of this Agreement, this release is not intended to interfere with Contractor's and Nicklin's right to file a charge with the Equal Employment Opportunity Commission (the "EEOC"), or other comparable agency, in connection with any claim Contractor and Nicklin believe they may have against Matador or its affiliates. However, by executing this Agreement, Contractor and Nicklin hereby waive the right to recover in any proceeding they may bring before the EEOC or any state human rights commission or in any proceeding brought by the EEOC or any state human rights commission on their behalf. This release shall not apply to any of Matador's obligations under this Agreement or post-termination obligations under the Contractor Agreement, any vested retirement plan benefits, any vested equity grants or COBRA continuation coverage benefits. **[TO BE MODIFIED, IF APPLICABLE, FOR OTHER SURVIVING ARRANGEMENTS.]** Contractor and Nicklin acknowledge that certain of the payments and benefits provided for in Section 2 of this Agreement constitute good and valuable consideration for the release contained in this Section 3.

6. Return of Matador Property. Within 7 days of the Agreement Date, Contractor and Nicklin shall, to the extent not previously returned or delivered: (a) return all equipment, records, files, programs or other materials and property in their possession which belongs to Matador or any of its affiliates, including, without limitation, all computers, printers, laptops, personal data assistants, cell phones, credit cards, keys and access cards; and (b) deliver all original and copies of Confidential Information (as defined in the Contractor Agreement) in their possession and notes, materials, records, plans, technical data or other documents, files or programs (whether stored in paper form, computer form, digital form, electronically or otherwise) in their possession that contain Confidential Information. By signing this Agreement, Contractor and Nicklin represent and warrant that they have not retained and have or will timely return and deliver all the items described or referenced in subsections (a) or (b) above; and, that should Contractor or Nicklin later discover additional items described or referenced in subsections (a) or (b) above, they will promptly notify Matador and return/deliver such items to Matador.

7. Non-Disparagement. Contractor and Nicklin agree that they will not, directly or indirectly, disclose, communicate, or publish any disparaging information concerning Matador or the Released Parties, or cause others to disclose, communicate, or publish any disparaging information concerning the same. Matador, on its own behalf and on behalf of its officers and directors, agrees that they will not, directly or indirectly, disclose, communicate or publish any disparaging information concerning Contractor or Nicklin, or cause others to disclose, communicate, or publish any disparaging information concerning Contractor or Nicklin. Notwithstanding the foregoing, the provisions of this Section shall not apply with respect to any charge filed by Contractor or Nicklin with the EEOC or other comparable agency or in connection with any proceeding with respect to any claim not released by this Agreement.

8. Not An Admission of Wrongdoing. This Agreement shall not in any way be construed as an admission by any Party of any acts of wrongdoing, violation of any statute, law or legal or contractual right.

9. Voluntary Execution of the Agreement. The Parties each represent and agree that they have had an opportunity to review all aspects of this Agreement, and that they fully understand all the provisions of the Agreement and are voluntarily entering into this Agreement. Contractor and Nicklin each further represents that it/he has not transferred or assigned to any person or entity any claim involving Matador or any portion thereof or interest therein.

10. Ongoing Obligations. Contractor and Nicklin each reaffirms and understands its/his ongoing obligations in the Contractor Agreement, including Sections 6, 7, 8, 9 and 19.

11. Binding Effect. This Agreement shall be binding upon Matador and upon Contractor and Nicklin and Nicklin's heirs, administrators, representatives, executors, successors and assigns and Matador's and Contractor's representatives, successors and assigns. In the event of Nicklin's death, this Agreement shall operate in favor of Nicklin's estate and all payments, obligations and consideration payable to Nicklin, if any, will continue to be performed in favor of Nicklin's estate.

12. Severability. Should any provision of this Agreement be declared or determined to be illegal or invalid by any government agency or court of competent jurisdiction, the validity of the remaining parts, terms or provisions of this Agreement shall not be affected and such provisions shall remain in full force and effect.

13. Entire Agreement. Except for the post-termination obligations in the Contractor Agreement, any vested retirement plan benefits, any equity grant agreements and COBRA continuation coverage benefits **[TO BE MODIFIED, IF APPLICABLE, FOR OTHER SURVIVING ARRANGEMENTS.]**, this Agreement sets forth the entire agreement between the Parties, and fully supersedes any and all prior agreements, understandings, or representations between the Parties pertaining to Contractor's and Nicklin's engagement with Matador, the subject matter of this Agreement or any other term or condition of the relationship among Matador, Contractor and Nicklin. Contractor and Nicklin represent and acknowledge that in executing this Agreement, they do not rely, and have not relied, upon any representation(s) by Matador or its agents except as expressly contained in this Agreement or the Contractor Agreement. The Parties agree that they have each used their own judgment in entering into this Agreement.

14. Knowing and Voluntary Waiver. Contractor and Nicklin, by their free and voluntary acts of signing below, (i) acknowledge that they have been given a period of twenty-one (21) days to consider whether to agree to the terms contained herein, (ii) acknowledges that they have been advised to consult with an attorney prior to executing this Agreement, (iii) acknowledge that they understand that this Agreement specifically releases and waives all rights and claims they may have under the ADEA, prior to the date on which they sign this Agreement, and (iv) agree to all of the terms of this Agreement and intend to be legally bound thereby. The Parties acknowledge and agree that each Party has reviewed and negotiated the terms and provisions of this Agreement and has contributed to its preparation (with advice of counsel).

Accordingly, the rule of construction to the effect that ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement. Rather, the terms of this Agreement shall be construed fairly as to all Parties and not in favor of or against any Party, regardless of which Party generally was responsible for the preparation of this Agreement.

This Agreement will become effective, enforceable and irrevocable on the eighth day after the date on which it is executed by Contractor and Nicklin (the "Effective Date"). During the seven-day period prior to the Effective Date, Contractor and Nicklin may revoke their agreement to accept the terms hereof by giving notice to Matador of their intention to revoke. If Contractor and Nicklin exercises their right to revoke hereunder, they shall not be entitled, except as required by applicable wage payment laws, including but not limited to the Accrued Obligations, to any payment hereunder until they execute and do not revoke a comparable release of claims, and to the extent such payments or benefits have already been made, they agree that they will immediately reimburse Matador for the amounts of such payments and benefits to which they are not entitled.

15. Notices. All notices and other communications hereunder will be in writing. Any notice or other communication hereunder shall be deemed duly given if it is delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth:

If to Contractor or Nicklin:

[CONTRACTOR]
[CONTRACTOR ADDRESS]

If to Matador:

Matador Resources Company
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, TX 75240
Attention: Board of Directors

Any Party may change the address to which notices and other communications are to be delivered by giving the other Party or Parties notice.

16. Governing Law; Venue; Arbitration. This section of the Agreement shall be governed by Section 21 of the Contractor Agreement.

17. Counterparts. This Agreement may be executed in counterparts, each of which when executed and delivered (which deliveries may be by facsimile or other electronic method of delivery) shall be deemed an original and all of which together shall constitute one and the same instrument.

18. No Assignment of Claims. Contractor and Nicklin represent and agree that they have not transferred or assigned, to any person or entity, any claim involving Matador, or any portion thereof or interest therein.

19. No Waiver. This Agreement may not be waived, modified, amended, supplemented, canceled or discharged, except by written agreement of the Parties. Failure to exercise and/or delay in exercising any right, power or privilege in this Agreement shall not operate as a waiver. No waiver of any breach of any provision shall be deemed to be a waiver of any preceding or succeeding breach of the same or any other provision, nor shall any waiver be implied from any course of dealing between or among the Parties.

I ACKNOWLEDGE THAT I HAVE CAREFULLY READ THE FOREGOING AGREEMENT, THAT I UNDERSTAND ALL OF ITS TERMS AND THAT I AM RELEASING CLAIMS AND THAT I AM ENTERING INTO IT VOLUNTARILY.

AGREED TO BY:

____________________________	____________________________
David F. Nicklin	Date

STATE OF TEXAS

COUNTY OF ____________

Before me, a Notary Public, on this day personally appeared David F. Nicklin, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledges to me that he has executed this Agreement on behalf of himself and his heirs, for the purposes and consideration therein expressed.

Given under my hand and seal of office this _____ day of ____________, ______.

____
Notary Public in and for the State of Texas

(PERSONALIZED SEAL)

DAVID F. NICKLIN INTERNATIONAL CONSULTING, INC.

By: ____

Title: ____

Date: ____

STATE OF TEXAS

COUNTY OF ____________

Before me, a Notary Public, on this day personally appeared _____________, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of ______________, and that he has executed the same on behalf of said corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office this _____ day of _________, ______.

____

Notary Public in and for the State of Texas

(PERSONALIZED SEAL)

MATADOR RESOURCES COMPANY

By: ____
Title: ____

Date: ____

STATE OF TEXAS

COUNTY OF ____________

Before me, a Notary Public, on this day personally appeared _______________, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of _________________, and that he has executed the same on behalf of said corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office this ______ day of __________, ______.

____
Notary Public in and for the State of Texas

(PERSONALIZED SEAL)

Exhibit 10.8

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

This First Amendment (the "Amendment") to that certain employment agreement between Matador Resources Company, a Texas corporation ("Matador"), acting through its Board of Directors, and Joseph Wm. Foran ("Employee") dated and effective August 9, 2011 (the "Agreement") is entered into and effective as of October 24, 2011.

WHEREAS, Matador and Employee previously entered into the Agreement; and

WHEREAS, Matador and Employee desire to adopt certain clarifying amendments to the Agreement in order to better reflect their intentions regarding Employee's duties and provision of services to Matador and MRC Energy Company, of which Matador is the holding company:

NOW, THEREFORE, Matador and Employee hereby agree to amend the Agreement as follows, effective as of the date hereof:

1. The first two paragraphs of the Agreement are restated in their entirety to provide as follows:

   THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered into on August 9, 2011, to be effective as of the Effective Date (as defined below) by and between Matador Resources Company, a Texas corporation ("Matador"), which is the holding company of MRC Energy Company ("MRC"), acting through its Board of Directors (the "Board"), and Joseph Wm. Foran ("Employee"). For purposes of this Agreement, (i) the "Company" shall mean Matador and MRC, and (ii) the "Effective Date" shall mean the date of filing with the United States Securities and Exchange Commission of Matador's first registration statement following the date hereof with respect to an underwritten public offering of its equity securities, or such other date as the Board and Employee may agree.

   WHEREAS, the Company and Employee desire to enter into this Agreement to set forth the terms and conditions of Employee's employment with the Company;

2. Except as set forth below, Sections 1 through 32 of the Agreement are amended by deleting each occurrence of the term "Matador" and inserting in its place the term "the Company".

   a. Sections 3, 4(a)(i), 4(b), 4(c), 12(d), 12(g)(iii), 12(i)(i) through 12(i)(v), 19, and 28 of the Agreement shall not be so amended.

   b. The second and third occurrences of the term "Matador" in Section 2 of the Agreement shall not be so amended.

3. Section 1 of the Agreement is amended by inserting after the phrase "Chief Executive Officer" the phrase "of Matador and MRC".

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, Matador and Employee have duly executed this Amendment to be effective as of the date set forth above.

MATADOR RESOURCES COMPANY

By: /s/ David M. Laney
David M. Laney
Chairman of Nominating, Compensation and Planning Committee

EMPLOYEE

/s/ Joseph Wm. Foran
Joseph Wm. Foran, individually

Exhibit 10.9

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

This First Amendment (the "Amendment") to that certain employment agreement between Matador Resources Company, a Texas corporation ("Matador"), acting through its Board of Directors, and David E. Lancaster ("Employee") dated and effective August 9, 2011 (the "Agreement") is entered into and effective as of October 24, 2011.

WHEREAS, Matador and Employee previously entered into the Agreement; and

WHEREAS, Matador and Employee desire to adopt certain clarifying amendments to the Agreement in order to better reflect their intentions regarding Employee's duties and provision of services to Matador and MRC Energy Company, of which Matador is the holding company:

NOW, THEREFORE, Matador and Employee hereby agree to amend the Agreement as follows, effective as of the date hereof:

1. The first two paragraphs of the Agreement are restated in their entirety to provide as follows:

   THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered into on August 9, 2011, to be effective as of the Effective Date (as defined below) by and between Matador Resources Company, a Texas corporation ("Matador"), which is the holding company of MRC Energy Company ("MRC"), acting through its Board of Directors (the "Board"), and David E. Lancaster ("Employee"). For purposes of this Agreement, (i) the "Company" shall mean Matador and MRC, and (ii) the "Effective Date" shall mean the date of filing with the United States Securities and Exchange Commission of Matador's first registration statement following the date hereof with respect to an underwritten public offering of its equity securities, or such other date as the Board and Employee may agree.

   WHEREAS, the Company and Employee desire to enter into this Agreement to set forth the terms and conditions of Employee's employment with the Company;

2. Except as set forth below, Sections 1 through 32 of the Agreement are amended by deleting each occurrence of the term "Matador" and inserting in its place the term "the Company".

   a. Sections 3, 4(a)(i), 4(b), 4(c), 12(d), 12(g)(iii), 12(i)(i) through 12(i)(v), 19, and 28 of the Agreement shall not be so amended.

   b. The second and third occurrences of the term "Matador" in Section 2 of the Agreement shall not be so amended.

3. Section 1 of the Agreement is amended by inserting after the phrase "Executive Vice-President, Chief Operating Officer and Chief Financial Officer" the phrase "of Matador and MRC".

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, Matador and Employee have duly executed this Amendment to be effective as of the date set forth above.

MATADOR RESOURCES COMPANY

By: /s/ Joseph Wm. Foran
Joseph Wm. Foran
Chairman of Board and Chief
Executive Officer

EMPLOYEE

/s/ David E. Lancaster
David E. Lancaster, individually

Signature Page

Exhibit 10.10

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

This First Amendment (the "Amendment") to that certain employment agreement between Matador Resources Company, a Texas corporation ("Matador"), acting through its Board of Directors, and Matthew Hairford ("Employee") dated and effective August 9, 2011 (the "Agreement") is entered into and effective as of October 24, 2011.

WHEREAS, Matador and Employee previously entered into the Agreement; and

WHEREAS, Matador and Employee desire to adopt certain clarifying amendments to the Agreement in order to better reflect their intentions regarding Employee's duties and provision of services to Matador and MRC Energy Company, of which Matador is the holding company:

NOW, THEREFORE, Matador and Employee hereby agree to amend the Agreement as follows, effective as of the date hereof:

1. The first two paragraphs of the Agreement are restated in their entirety to provide as follows:

   THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered into on August 9, 2011, to be effective as of the Effective Date (as defined below) by and between Matador Resources Company, a Texas corporation ("Matador"), which is the holding company of MRC Energy Company ("MRC"), acting through its Board of Directors (the "Board"), and Matthew Hairford ("Employee"). For purposes of this Agreement, (i) the "Company" shall mean Matador and MRC, and (ii) the "Effective Date" shall mean the date of filing with the United States Securities and Exchange Commission of Matador's first registration statement following the date hereof with respect to an underwritten public offering of its equity securities, or such other date as the Board and Employee may agree.

   WHEREAS, the Company and Employee desire to enter into this Agreement to set forth the terms and conditions of Employee's employment with the Company;

2. Except as set forth below, Sections 1 through 32 of the Agreement are amended by deleting each occurrence of the term "Matador" and inserting in its place the term "the Company".

   a. Sections 3, 4(a)(i), 4(b), 4(c), 12(d), 12(g)(iii), 12(i)(i) through 12(i)(v), 19, and 28 of the Agreement shall not be so amended.

   b. The second and third occurrences of the term "Matador" in Section 2 of the Agreement shall not be so amended.

3. Section 1 of the Agreement is amended by inserting after the phrase "Executive Vice President-Operations" the phrase "of Matador and MRC".

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, Matador and Employee have duly executed this Amendment to be effective as of the date set forth above.

MATADOR RESOURCES COMPANY

By: /s/ Joseph Wm. Foran
Joseph Wm. Foran
Chairman of Board and Chief
Executive Officer

EMPLOYEE

/s/ Matthew Hairford
Matthew Hairford, individually

Signature Page

Exhibit 10.11

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

This First Amendment (the "Amendment") to that certain employment agreement between Matador Resources Company, a Texas corporation ("Matador"), acting through its Board of Directors, and Bradley M. Robinson ("Employee") dated and effective August 9, 2011 (the "Agreement") is entered into and effective as of October 24, 2011.

WHEREAS, Matador and Employee previously entered into the Agreement; and

WHEREAS, Matador and Employee desire to adopt certain clarifying amendments to the Agreement in order to better reflect their intentions regarding Employee's duties and provision of services to Matador and MRC Energy Company, of which Matador is the holding company:

NOW, THEREFORE, Matador and Employee hereby agree to amend the Agreement as follows, effective as of the date hereof:

1. The first two paragraphs of the Agreement are restated in their entirety to provide as follows:

   THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered into on August 9, 2011, to be effective as of the Effective Date (as defined below) by and between Matador Resources Company, a Texas corporation ("Matador"), which is the holding company of MRC Energy Company ("MRC"), acting through its Board of Directors (the "Board"), and Bradley M. Robinson ("Employee"). For purposes of this Agreement, (i) the "Company" shall mean Matador and MRC, and (ii) the "Effective Date" shall mean the date of filing with the United States Securities and Exchange Commission of Matador's first registration statement following the date hereof with respect to an underwritten public offering of its equity securities, or such other date as the Board and Employee may agree.

   WHEREAS, the Company and Employee desire to enter into this Agreement to set forth the terms and conditions of Employee's employment with the Company;

2. Except as set forth below, Sections 1 through 32 of the Agreement are amended by deleting each occurrence of the term "Matador" and inserting in its place the term "the Company".

   a. Sections 3, 4(a)(i), 4(b), 4(c), 12(d), 12(g)(iii), 12(i)(i) through 12(i)(v), 19, and 28 of the Agreement shall not be so amended.

   b. The second and third occurrences of the term "Matador" in Section 2 of the Agreement shall not be so amended.

3. Section 1 of the Agreement is amended by inserting after the phrase "Vice-President-Reservoir Engineering" the phrase "of Matador and MRC".

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, Matador and Employee have duly executed this Amendment to be effective as of the date set forth above.

MATADOR RESOURCES COMPANY

By: /s/ Joseph Wm. Foran
Joseph Wm. Foran
Chairman of Board and Chief
Executive Officer

EMPLOYEE

/s/ Bradley M. Robinson
Bradley M. Robinson, individually

Signature Page

Exhibit 10.15

MATADOR RESOURCES COMPANY

2003 STOCK AND INCENTIVE PLAN

ARTICLE 1. GENERAL

Section 1.1. *Purpose*. The purpose of this Plan is to advance the interests of Matador Resources Company, a Texas corporation (the "Company"), by providing an additional incentive to attract and retain qualified and competent employees, directors, officers, consultants and advisors for the Company and its Subsidiaries, upon whose efforts and judgment the success of the Company is largely dependent, through the award of (i) Options to purchase shares of Common Stock (which Options may be Incentive Stock Options or Nonqualified Stock Options); (ii) shares of Restricted Stock; and (iii) Performance Awards.

Section 1.2. *Definitions*. As used herein, the following terms shall have the meaning indicated:

(a) "Award" means a grant under this Plan in the form of Options, Restricted Stock, Performance Awards or any combination of the foregoing.

(b) "Board" means the Board of Directors of the Company.

(c) "Change in Control" means the occurrence of any of the following events:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended), other than the company or an affiliate becomes the beneficial owner, directly or indirectly, of voting securities representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding voting securities;

(ii) The Board ceases to consist of a majority of Continuing Directors; where "Continuing Director" shall mean a member of the Board who either (y) is a member of the Board on the effective date of the Plan, or (z) is nominated, appointed, or approved (following nomination by the Company's shareholders), to serve as a Director by a majority of the then Continuing Directors;

(iii) The shareholders of the Company approve (A) any consolidation or merger of the Company or any Subsidiary that results in the holders of the Company's voting securities immediately prior to the consolidation or merger holding (directly or indirectly) less than a majority ownership interest in the outstanding voting securities of the surviving entity immediately after the consolidation or merger, (B) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company, or (C) any plan or proposal for the liquidation or dissolution of the Company; or

(iv) Without limiting the generality of (iii) (A), the shareholders of the Company accept a share exchange, with the result that holders of the Company's voting securities immediately before such share exchange do not hold, immediately following such share exchange, the total voting securities of the surviving entity owned by such shareholders in substantially the same proportion as their ownership of the voting securities outstanding immediately before such share exchange.

For purposes of this definition, the term "voting securities" means equity securities, or securities that are convertible or exchangeable into equity securities, that have the right to vote generally in the election of Directors.

(d) "Code" means the Internal Revenue Code of 1986, as amended.

(e) "Committee" means a committee of at least two members of the Board. If it is intended that the Committee satisfy the requirements of Rule 16b-3 under the 1934 Act and Section 162(m) of the Code, then all of the members of the Committee, at the time of service on the Committee hereunder, should be "Non-Employee Directors," as defined in Rule 16b-3(b)(3) under the 1934 Act and "Outside Directors," as defined in Treasury Regulation Section 162-27(e)(3), under the Code. If no Committee has been designated to administer the Plan, references to the Committee shall be deemed to be references to the Board, whose members shall not be required to meet the qualifications of this definition. In all events the Committee shall include such members of the Board that are required for the Company to comply with any contractual commitments or obligations it may have.

(f) "Date of Grant" means the date on which the Committee takes formal action to grant an Award to an Eligible Person.

(g) "Date of Termination" of a Participant means (a) for a Participant that is an employee, the first day occurring on or after the date on which a Participant is granted an Award on which the Participant is not employed by the Company or any Subsidiary, regardless of the reason for the termination of employment; provided, that a termination of employment shall not be deemed to occur by reason of a transfer of the Participant between the Company and a Subsidiary or between two Subsidiaries; further, provided, that the Participant's employment shall not be considered terminated while the Participant is on a leave of absence from the Company or a Subsidiary approved by the Participant's employer; and further, provided, that if, as a result of a sale or other transaction, the Participant's employer ceases to be the Company or a Subsidiary (and the Participant's employer is or becomes an entity that is separate from the Company), the occurrence of such transaction shall be treated as the Participant's Date of Termination caused by the

Participant being discharged by the employer; or (b) for a Participant that is a director, advisor or consultant, the first day occurring on or after the date on which the Participant is granted an Award on which the Participant is not serving in that capacity for the Company or any Subsidiary, regardless of the reason for the termination of service.

(h) “Director” means a member of the Board.

(i) “Disability” means mental or physical disability as determined by a medical doctor satisfactory to the Committee.

(j) “Eligible Person” means an employee, director, officer, consultant or advisor of the Company or a Subsidiary.

(k) “Fair Market Value” of a Share on the date of reference means the Closing Price on the business day immediately preceding such date, unless the Committee in its sole discretion shall determine otherwise in a fair and uniform manner. For purposes of this Plan, the “Closing Price” of the Shares on any business day shall be: (a) if the Shares are listed or admitted for trading on any United States national securities exchange or included in the National Market System of the National Association of Securities Dealers Automated Quotation System (“NASDAQ”), the last reported sale price of Common Stock on such exchange or system, as reported in any newspaper of general circulation; (b) if the Shares are quoted on NASDAQ, or any similar system of automated dissemination of quotations of securities prices in common use, the mean between the closing high bid and low asked quotations for such day of the Shares on such system; (c) if neither clause (a) nor (b) is applicable, the mean between the high bid and low asked quotations for Shares as reported by the National Quotation Bureau, Incorporated if at least two securities dealers have inserted both bid and asked quotations for the Shares on at least five of the ten preceding days; or, (d) in lieu of the above, if actual transactions in the Shares are reported on a consolidated transaction reporting system, the last sale price of the Shares for such day and on such system. If any of the conditions in (a) through (d) do not apply, the Fair Market Value on the date of reference shall be determined by any fair and reasonable means prescribed by the Committee.

(l) “Incentive Stock Option” means an option that is an incentive stock option as defined in Section 422 of the Code.

(m) “1934 Act” means the Securities Exchange Act of 1934, as amended.

(n) “Nonqualified Stock Option” means an option that is not an Incentive Stock Option.

(o) “Option” means any option granted under this Plan.

(p) “Optionee” means a person with respect to whom a stock option is in effect under this Plan or any successor to the rights of such person under this Plan by reason of the death of such person.

(q) “Participant” means a person with respect to whom an Award is in effect under the Plan or any successor to the rights of such person under this Plan by reason of the death of such person.

(r) “Performance Award” means an Award granted pursuant to Article IV.

(s) “Performance Measures” means the objective goals established by the Committee pursuant to Section 4.1(b).

(t) “Performance Period” means the period over which the performance of a holder of a Performance Award is measured.

(u) “Plan” means this Matador Resources Company 2003 Stock and Incentive Plan.

(v) “Restricted Stock” means Shares subject to restrictions imposed by the Committee.

(w) “Restricted Stock Award” means an award of Restricted Stock granted pursuant to Article III.

(x) “Share” means a share of the Class A common stock, par value one cent ($0.01) per share, of the Company.

(y) “Subsidiary” means any corporation (other than the Company) in any unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

Section 1.3. *Total Shares and Limitations*. The maximum number of Shares that may be issued under the Plan shall be 425,972, which may be from Shares held in the Company’s treasury or from authorized and unissued Shares. If any Award granted under the Plan shall terminate, expire or be cancelled or surrendered as to any Shares, or the Award is paid in cash in lieu of Shares, such Award shall not count against the above limit and shall again become available for grants under the Plan. Shares equal in number to the Shares surrendered in payment of the option price of an Option and Shares that are withheld in order to satisfy federal, state or local tax liability, shall not count against the above limits.

Section 1.4. *Awards Under the Plan.*

(a) Only Eligible Persons may receive awards under the Plan. Awards to Eligible Persons may be in the form of (i) Options; (ii) shares of Restricted Stock; (iii) Performance Awards (payable in Shares, in cash, or both); or (iv) any combination of the foregoing. No Award shall confer on any person any right to continue as an employee of the Company or any Subsidiary.

(b) Each Award shall be evidenced by an agreement containing any terms deemed necessary or desirable by the Committee that are not inconsistent with the Plan or applicable law.

ARTICLE II. STOCK OPTIONS

Section 2.1. *Grant of Options*. The Committee may from time to time grant Options to Eligible Persons. Options may be Incentive Stock Options or Nonqualified Stock Options as designated by the Committee on the Date of Grant. If no such designation is made by the Committee for an Option, the Option shall be a Nonqualified Stock Option. The aggregate Fair Market Value (determined as of the Date of Grant) of the Shares with respect to which Incentive Stock Options are exercisable for the first time by an Optionee during any calendar year under the Plan and all such plans of the Company and any parent or subsidiary of the Company (as defined in Section 424 of the Code) shall not exceed $100,000.

Section 2.2. *Exercise Price*. The exercise price per Share for any Option shall be determined by the Committee, but, in the case of an Incentive Stock Option, shall not be less than (i) the Fair Market Value on the Date of Grant and (ii) 110% of the Fair Market Value on the Date of Grant if the Optionee is a person who owns directly or indirectly (within the meaning of Section 422(b)(6) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company.

Section 2.3. *Term of Option*. The term of an Option shall be determined by the Committee, provided that, in the case of an Incentive Stock Option, if the grant is to a person who owns directly or indirectly (within the meaning of Section 422(b)(6) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company, the term of the Option shall not exceed five years from the Date of Grant. Notwithstanding any other provision of this Plan, no Option shall be exercised after the expiration of its term.

Section 2.4. *Vesting*. Options shall be exercisable at such times and subject to such terms and conditions as the Committee shall specify in the option agreement. Unless the Option agreement specifies otherwise, the Committee shall have discretion at any time to accelerate such times and otherwise waive or amend any conditions in respect of all or any portion of any Option. Notwithstanding the other provisions of this Section 2.4 and unless otherwise provided in the option agreement, upon the occurrence of a Change in Control, all Options outstanding at the time of the Change in Control shall become immediately exercisable.

Section 2.5. *Termination of Options*.

(a) Except as otherwise provided in the option agreement, the portion of an Option that is exercisable shall automatically and without notice terminate upon the earliest to occur of the following:

(i) thirty (30) days after the Date of Termination for the Optionee for any reason other than (x) death, (y) Disability or (z) termination for cause;

(ii) one (1) year after the Date of Termination for the Optionee as a result of a Disability;

(iii) either (y) one (1) year after the death of Optionee or (z) six (6) months after the death of Optionee if Optionee dies during the 30-day period described in Section 2.5(a)(i) or the one-year period described in Section 2.5(a)(ii);

(iv) the Date of Termination for the Optionee as a result of a termination for Cause; and

(v) the tenth anniversary of the Date of Grant of the Option.

(b) The portion of an Option that is not exercisable shall automatically and without notice terminate on the Date of Termination of the Optionee.

(c) For all purposes hereof, “Cause” shall mean either (w) conviction of (A) a felony or (B) any crime involving moral turpitude; (x) the failure of the Participant to comply with reasonable and lawful directions of the Board or officers of the Company; or (y) the good faith determination by the Board in the exercise of its reasonable judgment that the Participant has committed an act or acts in the course of his employment constituting fraud or misappropriation of Company property.

Section 2.6. *Exercise of Options*. An Option may be exercised in whole or in part to the extent exercisable in accordance with Section 2.4 and the option agreement. An Option shall be deemed exercised when (i) the Company has received written notice of such exercise in accordance with the terms of the Option and (ii) full payment of the aggregate exercise price of the Shares as to which the Option is exercised has been made. Unless further limited by the Committee in any Option, the exercise price of any Shares purchased shall be paid solely in cash, by certified or cashier’s check, by money order, by personal check or with Shares owned by the Optionee for at least six months, or by a combination of the foregoing. If the exercise price is paid in whole or in part with Shares, the value of the Shares surrendered shall be their Fair

Market Value on the date received by the Company. The Committee, in its sole discretion and on such terms as it may determine and in accordance with applicable law, may cause the Company to loan money to the Optionee, to guarantee a loan to the Optionee, or otherwise to assist the Optionee to obtain the necessary cash to exercise all, or a portion of, an Option granted hereunder, or to pay any tax liability of the Optionee attributable to such exercise.

Section 2.7. *Corporate Transactions*.

(a) In the event of a merger, consolidation or other reorganization of the Company in which the Company is not the surviving entity, the Board or the Committee may provide for any or all of the following alternatives: (i) for Options to become immediately exercisable, (ii) for exercisable Options to be cancelled immediately prior to such transaction, (iii) for the assumption by the surviving entity of the Plan and the Options, with appropriate adjustments in the number and kind of shares and exercise prices or (iv) for payment in cash or stock in lieu of and in complete satisfaction of Options.

(b) Except as otherwise expressly provided herein, the issuance by the Company of shares of its capital stock of any class, or securities convertible into shares of capital stock of any class, either in connection with direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of or exercise price of Shares then subject to outstanding Options granted under the Plan.

(c) Without limiting the generality of the foregoing, the existence of outstanding Options granted under the Plan shall not affect in any manner the right or power of the Company to make, authorize or consummate (i) any or all adjustments, recapitalizations, reorganizations or other changes in the Company’s capital structure or its business; (ii) any merger or consolidation of the Company; (iii) any issue by the Company of debt securities, or preferred or preference stock that would rank above the Shares subject to outstanding Options; (iv) the dissolution or liquidation of the Company; (v) any sale, transfer or assignment of all or any part of the assets or business of the Company; or (vi) any other corporate act or proceeding, whether of a similar character or otherwise.

Section 2.8. *Issuance of Shares*. No person shall be, or have any of the rights or privileges of, a shareholder of the Company with respect to any of the Shares subject to any Option unless and until certificates representing such Shares shall have been issued and delivered to such person.

ARTICLE III. RESTRICTED STOCK

Section 3.1. *Grant of Restricted Stock Awards*. The Committee may from time to time grant Restricted Stock Awards to Eligible Persons.

Section 3.2. *Terms and Conditions of Restricted Stock Awards*. Each Restricted Stock Award shall specify the number of shares of Restricted Stock awarded, the price, if any, to be paid by the Participant receiving the Restricted Stock Award, the date or dates on which the Restricted Stock will vest and any other terms and conditions that the Committee may determine.

Section 3.3. *Restrictions on Transfer*. Unless otherwise provided in the grant relating to a Restricted Stock Award, stock certificates representing the Restricted Stock granted to a Participant shall be registered in the Participant's name or, at the option of the Committee, not issued until such time as the Restricted Stock shall become vested or as otherwise determined by the Committee. If certificates are issued prior to the shares of Restricted Stock becoming vested, such certificates shall either be held by the Company on behalf of the Participant, or delivered to the Participant bearing a legend to restrict transfer of the certificate until the Restricted Stock has vested, as determined by the Committee. The Committee shall determine whether the Participant shall have the right to vote and/or receive dividends on the Restricted Stock before it has vested. Except as may otherwise be expressly permitted by the Committee, no share of Restricted Stock may be sold, transferred, assigned or pledged by the Participant until such share has vested in accordance with the terms of the Restricted Stock Award. Unless the grant of a Restricted Stock Award specifies otherwise, in the event that a Date of Termination occurs with respect to a Participant before all the Participant's Restricted Stock has vested, or in the event other conditions to the vesting of Restricted Stock have not been satisfied prior to any deadline for the satisfaction of such conditions set forth in the Award agreement, the shares of Restricted Stock that have not vested shall be forfeited and any purchase price paid by the Participant with respect to such forfeited Shares shall be returned to the Participant. At the time Restricted Stock vests (and, if the Participant has been issued legended certificates for Restricted Stock, upon the return of such certificates to the Company), a certificate for such vested shares shall be delivered to the Participant (or the beneficiary designated by the Participant in the event of death), free of all restrictions.

Section 3.4. *Accelerated Vesting*. Notwithstanding the vesting conditions set forth in a Restricted Stock Award, unless the Restricted Stock Award grant or other agreement with the Participant specifies otherwise:

(a) the Committee may in its discretion at any time accelerate the vesting of Restricted Stock or otherwise waive or amend any conditions of a grant of a Restricted Stock Award, and

(b) all shares of Restricted Stock shall vest upon a Change in Control of the Company.

Section 3.5. *Section 83(b) Election*. If a Participant receives Restricted Stock (or, without limitation, a Performance Award in Shares) that is subject to a “substantial risk of forfeiture,” such Participant may elect under Section 83(b) of the Code to include in his or her gross income, for the taxable year in which the Restricted Stock is received, the excess of the Fair Market Value of such Restricted Stock on the Date of Grant (determined without regard to any restriction other than one which by its terms will never lapse), over the amount paid for the Restricted Stock. If the Participant makes the Section 83(b) election, the Participant shall (a) make such election in a manner that is satisfactory to the Committee, (b) provide the Company with a copy of such election, (c) agree to promptly notify the Company if any Internal Revenue Service or state tax agent, on audit or otherwise, questions the validity or correctness of such election or of the amount of income reportable on account of such election and (d) agree to such federal and state income tax withholding as the Committee may reasonably require in its sole discretion.

ARTICLE IV. PERFORMANCE AWARDS

Section 4.1. *Terms and Conditions of Performance Awards*. The Committee, subject to limitations of Section 1.3(b), may from time to time grant Awards that are intended to be “performance-based compensation,” which are payable in Shares, cash or a combination thereof, at the discretion of the Committee.

(a) Performance Period. The Committee shall establish a Performance Period for each Performance Award at the time such Performance Award is granted. A Performance Period may overlap with Performance Periods relating to other Performance Awards granted hereunder to the same Participant.

(b) Performance Objectives. The Committee shall establish performance goals for each Participant at the time of grant of each Performance Award. Each Performance Award shall be contingent upon the achievement of the Performance Measures established by the Committee. Performance Measures shall be based on any one or more of earnings, cash flow, economic value added, shareholder return or value, return on equity, return on capital, return on assets, revenues, operating profit, EBITDA, net profit, earnings per share, stock price, cost reduction goals, debt to capital ratio, financial return ratios, profit or operating margins, working capital or other comparable objective tests selected by the Committee, for the Company on a consolidated basis or, if applicable, for one or more Subsidiaries, divisions, departments or other units of the Company.

(c) Amount; Frequency of Vesting. The Committee shall determine the maximum value and date(s) of vesting of a Performance Award at the time of grant of such Performance Award.

(d) Payment. Following the end of each Performance Period, the holder of each Performance Award will be entitled to receive payment of an amount, not exceeding the maximum value of the Performance Award, based on the achievement of the Performance Measures for such Performance Period, as determined by the Committee. Unless otherwise provided in the Performance Award, if the Participant exceeds the specified minimum level of acceptable achievement but does not attain such objectives, the Participant shall be deemed to have partly earned the Performance Award, and shall become entitled to receive a portion of the total award, as determined by the Committee. Unless otherwise provided in the Performance Award, if a Performance Award is granted after the start of a Performance Period, the Performance Award shall be reduced to reflect the portion of the Performance Period during which the Performance Award was in effect. The Committee shall review all relevant data and shall expressly determine in writing if, and to what extent, the Performance Measures were achieved during the Performance Period, and no Performance Award payments will be made except as expressly determined by the Committee.

(e) Termination of Employment. Unless otherwise provided in the Performance Award, where the Performance Measure(s) is achieved, a Participant who receives a Performance Award, if a Date of Termination occurs for the Participant as a result of the Participant’s death or Disability before the end of the applicable Performance Period, shall be entitled to receive the portion of the Performance Award that is proportional to the portion of the Performance Period prior to the Date of Termination, with payment to be made following the end of the Performance Period. Unless otherwise provided in the Performance Award, a Participant who receives a Performance Award, if a Date of Termination occurs for the Participant for any reason other than death or Disability, shall not be entitled to any part of the Performance Award.

(f) Accelerated Vesting. Notwithstanding the vesting conditions set forth in a Performance Award, unless the Performance Award specifies otherwise (i) the Committee may in its discretion at any time accelerate vesting of the Performance Award or otherwise waive or amend any conditions (including, but not limited to, Performance Measures) in respect of a Performance Award, and (ii) all Performance Awards shall vest upon a Change in Control of the Company. In addition, unless a Performance Award specifies otherwise, each Participant shall receive the portion of the maximum Performance Award that the Participant could have earned that is proportional to the portion of the Performance Period ending on the date of the Change in Control.

(g) Shareholder Rights. The holder of a Performance Award shall, as such, have none of the rights of a shareholder.

ARTICLE V. ADDITIONAL PROVISIONS

Section 5.1. *Administration of the Plan*. The Plan shall be administered by the Committee. The Committee shall have the authority to interpret the provisions of the Plan, to adopt such rules and regulations for carrying out the Plan as it may deem advisable, to decide conclusively all questions arising with respect to the Plan, to establish performance criteria in respect of Awards under the Plan, to determine whether Plan requirements have been met for any Participant in the Plan and to make all other determinations and take all other actions necessary or desirable for the administration of the Plan. All decisions and acts of the Committee shall be final and binding upon all affected Participants. If there is no Committee, the Board shall administer the Plan and in such case all references to the Committee shall be deemed to be references to the Board.

Section 5.2 *Adjustments for Changes in Capitalization*. In the event of any stock dividends, stock splits, recapitalizations, combinations, exchanges of shares, mergers, consolidations, liquidations, split-ups, split-offs, spin-offs or other similar changes in capitalization, or any distributions to shareholders, including a rights offering, other than regular cash dividends, changes in the outstanding stock of the Company by reason of any increase or decrease in the number of issued Shares resulting from a split-up or consolidation of Shares or any similar capital adjustment or the payment of any stock dividend, any Share repurchase at a price in excess of the market price of the Shares at the time such repurchase is announced or other increase or decrease in the number of the Shares, the Committee shall make appropriate adjustment in the number and kind of Shares (hereunder, such new equity interests (if any) referred to as Shares) authorized by the Plan (including the numbers of Shares specified in Section 1.3(a) and (b)), in the number, price or kind of Shares covered by the Awards and in any outstanding Awards under the Plan. In the event of any adjustment in the number of Shares covered by any Award, any fractional Shares resulting from such adjustment shall be disregarded and each such Award shall cover only the number of full Shares resulting from such adjustment.

Section 5.3. *Amendment*.

(a) The Board may amend or modify the Plan in any respect at any time. Such action shall not impair any of the rights of any Participant with respect to any Award outstanding on the date of the amendment or modification without the Participant’s written consent.

(b) The Committee shall have the authority to amend any Award to include any provision which, at the time of such amendment, is not inconsistent with the terms of the Plan; however, no outstanding Award may be revoked or altered in a manner unfavorable to the Participant without the written consent of the Participant.

Section 5.4. *Transferability of Awards*. An Award shall not be transferable by the Participant otherwise than by will or the laws of descent and distribution. So long as a Participant lives, only such Participant or his or her guardian or legal representative shall have the right to exercise such Award.

Section 5.5. *Beneficiary*. A Participant may file with the Company a written designation of beneficiary, on such form as may be prescribed by the Committee, to receive any Award(s) that become deliverable to the Participant pursuant to the Plan after the Participant’s death. A Participant may, from time to time, amend or revoke a designation of beneficiary. If no designated beneficiary survives the Participant, the executor or administrator of the Participant’s estate shall be deemed to be the Participant’s beneficiary.

Section 5.6. *Non-uniform Determinations*. Determinations by the Committee under the Plan (including, without limitation, determinations of the Eligible Persons to receive Awards, the form, amount and timing of Awards, the terms and provisions of Awards and the agreements evidencing Awards and provisions with respect to termination of employment) need not be uniform and may be made by the Committee selectively among persons who receive, or are eligible to receive, Awards under the Plan, whether or not such persons are similarly situated.

Section 5.7. *Duration and Termination*. The Plan shall be of unlimited duration, provided that no Incentive Stock Option shall be granted under the Plan on or after the tenth anniversary of its effective date. The Board may suspend, discontinue or terminate the Plan at any time. Such action shall not impair any of the rights of any holder of any Award outstanding on the date of the Plan’s suspension, discontinuance or termination without the holder’s written consent.

Section 5.8. *Withholding*. Without limitation, on the date an Award is taken into a Participant’s income, the Company shall have the right to withhold, or to require a Participant to remit to the Company, an amount sufficient to satisfy the Company’s resulting federal, state, and local withholding and employment tax requirements with respect to such Award. With the consent of the Committee, or as expressly provided under the terms of the Award, a Participant may make an irrevocable election to (a) have shares of Stock otherwise issuable thereunder withheld, or (b) tender to the Company shares of Stock then held by the Participant having an aggregate Fair Market Value which is not in excess of the Company’s minimum total federal, state and local income and employment tax withholding obligations associated with the transaction. Such elections, if available, must be made by a Participant on or prior to the tax date.

Section 5.9. *Severability*. If any provision of this Plan, or any Award, is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions of this Plan or any Award, but such provision shall be fully severable, and the Plan or Award, as applicable, shall be construed and enforced as if the illegal or invalid provision had never been included in the Plan or Award, as applicable.

Section 5.10. *Agreements and Undertakings*. As a condition of any issuance or transfer of a certificate for Shares, the Committee may obtain such agreements or undertakings, if any, as it may deem necessary or advisable to assure compliance with any provision of the Plan, any agreement or any law or regulation including, but not limited to, the following:

(a) a representation, warranty or agreement by the Participant to the Company that the Participant is acquiring the Shares for investment and not with a view to, or for sale in connection with, the distribution of any such Shares; and

(b) a representation, warranty or agreement to be bound by any legends that are, in the opinion of the Committee, necessary or appropriate to comply with the provisions of any securities law deemed by the Committee to be applicable to the issuance of the Shares and are endorsed on the Share certificates.

Section 5.11. *Governing Law*. The Plan shall be governed by the laws of the State of Texas except to the extent that federal law is controlling.

Section 5.12. *Effective Date*. The Plan shall be effective as of October 23, 2003, the date of its adoption by the Board, subject to approval by a majority of the Company's shareholders represented in person or by proxy at a duly convened meeting on or before the first anniversary of the effective date of the Plan. If the Plan is not so approved by the first anniversary of the effective date of the Plan or, if earlier, the date of a meeting of shareholders of the Company at which the Plan is proposed for approval but is not approved, the Plan and all Awards shall terminate and be null and void ab initio. Notwithstanding any provision of the Plan or any Award, no Award shall be exercisable or shall vest prior to such shareholder approval.

ADOPTED BY THE BOARD: October 23, 2003

Exhibit 10.16

FIRST AMENDMENT TO
MATADOR RESOURCES COMPANY
2003 STOCK AND INCENTIVE PLAN

The Board of Directors of Matador Resources Company, a Texas corporation (the "Company"), at a meeting duly called and held on January 29, 2004, has adopted and approved the following amendment to the Matador Resources Company 2003 Stock and Incentive Plan (the "Plan"):

Section 2.2 of the Plan shall be amended to read in its entirety as follows:

> "Section 2.2 *Exercise Price.* The Exercise Price per share for any Option shall be determined by the Committee, but shall not be less than (i) in the case of an Incentive Stock Option or a Non-Qualified Stock Option, the Fair-Market Value on the Date of Grant and, (ii) in the case of Incentive Stock Option, 110% of the Fair Market Value on the Date of Grant if the Optionee is a person who owns directly or indirectly (within the meaning of Section 422(b)(6) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company."

No other approval by the Company or its securityholders is necessary for this amendment because the amendment does not impair any of the rights of any Participant (as defined in the Plan) with respect to any Award (as defined in the Plan) outstanding on the date of the amendment.

The Plan, as amended hereby, shall continue in full force and effect.

ADOPTED BY THE BOARD: January 29, 2004.

Exhibit 10.17

SECOND AMENDMENT TO
MATADOR RESOURCES COMPANY
2003 STOCK AND INCENTIVE PLAN

The Board of Directors of Matador Resources Company, a Texas corporation (the "Company"), at a meeting duly called and held on February 3, 2005, has adopted and approved the following amendment to the Matador Resources Company 2003 Stock and Incentive Plan (the "Plan"):

The first sentence of Section 1.3 of the Plan shall be amended to read in its entirety as follows:

> "The maximum number of Shares that may be issued under the Plan shall be 712,445, which may be from Shares held in the Company's treasury or from authorized and unissued Shares."

The Plan, as amended hereby, shall continue in full force and effect.

ADOPTED BY THE BOARD: February 3, 2005.

The foregoing amendment shall be submitted for approval by the shareholders of the Company at the next annual meeting of shareholders of the Company.

APPROVED BY THE COMPANY'S SHAREHOLDERS: May 12, 2005.

Exhibit 10.18

THIRD AMENDMENT TO MATADOR RESOURCES COMPANY 2003 STOCK AND INCENTIVE PLAN

The Board of Directors of Matador Resources Company, a Texas corporation (the "***Company***"), at a meeting duly called and held on February 1, 2006, has adopted and approved the following amendments to the Matador Resources Company 2003 Stock and Incentive Plan (the "***Plan***").

Section 1.2(c)(i) of the Plan shall be amended to read in its entirety as follows:

> "(i) Any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended), other than the Company or an affiliate, becomes the beneficial owner, directly or indirectly, of voting securities representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding voting securities; provided, however, if Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended, would deem those beneficial owners of the Company's voting securities for whom Wellington Management Company, L.P. serves as investment adviser (the "Wellington Holders") to be a "group" and therefore one "person" for the foregoing purpose, such percentage shall be deemed, for the purpose of application to the beneficial owners comprising the Wellington Holders group but not for any other beneficial owners, to be increased to a percentage that exceeds by one percent (1%) the percentage of the combined voting power of the Company's then outstanding voting securities represented by the total voting securities beneficially owned, directly or indirectly, by the Wellington Holders group, but in no event greater than fifty percent (50%);"

No other approval by the Company or its shareholders is necessary for this amendment.

The Plan, as amended hereby, shall continue in full force and effect.

ADOPTED BY THE BOARD: February 1, 2006.

Exhibit 10.19

FOURTH AMENDMENT TO
MATADOR RESOURCES COMPANY
2003 STOCK AND INCENTIVE PLAN

The Board of Directors of Matador Resources Company, a Texas corporation (the "***Company***"), pursuant to a Unanimous Consent of the Directors dated May 1, 2006, has adopted and approved the following amendments to the Matador Resources Company 2003 Stock and Incentive Plan (the "***Plan***").

The first sentence of Section 1.3 of the Plan shall be amended to read in its entirety as follows:

> "The maximum number of Shares that may be issued under the Plan shall be 960,570, which may be from Shares held in the Company's treasury or from authorized and unissued Shares."

The Plan, as amended hereby, shall continue in full force and effect.

ADOPTED BY THE BOARD: May 1, 2006.

The foregoing amendment shall be submitted for approval by the shareholders of the Company at the Annual Meeting of Shareholders of the Company to be held on May 17, 2006.

APPROVED BY THE COMPANY'S SHAREHOLDERS: May 17, 2006

Exhibit 10.20

FIFTH AMENDMENT TO
MATADOR RESOURCES COMPANY
2003 STOCK AND INCENTIVE PLAN

The Board of Directors of Matador Resources Company, a Texas corporation (the "***Company***"), at a meeting duly called and held on February 13, 2008, has adopted and approved the following amendments to the Matador Resources Company 2003 Stock and Incentive Plan (the "***Plan***").

The first sentence of Section 1.3 of the Plan shall be amended to read in its entirety as follows:

> "The maximum number of Shares that may be issued under the Plan shall be 1,160,523, which may be from Shares held in the Company's treasury or from authorized and unissued Shares."

The Plan, as amended hereby, shall continue in full force and effect.

ADOPTED BY THE BOARD: February 13, 2008.

The foregoing amendment shall be submitted for approval by the shareholders of the Company at the Annual Meeting of Shareholders of the Company to be held on May 22, 2008.

APPROVED BY THE COMPANY'S SHAREHOLDERS: May 22, 2008

Exhibit 10.21

SIXTH AMENDMENT TO
MATADOR RESOURCES COMPANY
2003 STOCK AND INCENTIVE PLAN

The Board of Directors of Matador Resources Company, a Texas corporation (the "***Company***"), at a meeting duly called and held on August 5, 2008, has adopted and approved the following amendment to the Matador Resources Company 2003 Stock and Incentive Plan (the "***Plan***").

The first sentence of Section 1.3 of the Plan shall be amended to read in its entirety as follows:

> "The maximum number of Shares that may be issued under the Plan shall be 3,481,569, which may be from Shares held in the Company's treasury or from authorized and unissued Shares."

The Plan, as amended hereby, shall continue in full force and effect.

ADOPTED BY THE BOARD: August 5, 2008, to be effective upon effectiveness of a share dividend of two shares of Class A Common Stock for every outstanding share of Class A Common Stock and Class B Common Stock of the Company.

The foregoing amendment to the Plan is required pursuant to Section 5.2 of the Plan as a result of a the Company effecting a 3-for-1 forward stock split through a share dividend of two shares of Class A Common Stock for every outstanding share of Class A Common Stock and Class B Common Stock of the Company. The foregoing amendment is not required to be approved by the shareholders of the Company.

EFFECTIVE DATE: October 31, 2008

Exhibit 10.22

FORM OF INDEMNIFICATION AGREEMENT

This INDEMNIFICATION AGREEMENT (the “Agreement”) is made and entered into effective as of [___________], by and between Matador Resources Company, a Texas corporation (the “Company”), and __________ (“Indemnitee”).

RECITALS:

A. Competent and experienced persons are reluctant to serve or to continue to serve corporations as directors, officers or in other capacities unless they are provided with adequate protection through insurance or indemnification (or both) against claims and actions against them arising out of their service to and activities on behalf of those corporations.

B. The current uncertainties relating to the availability of adequate insurance for directors, officers and persons serving in other capacities have increased the difficulty for corporations to attract and retain competent and experienced persons.

C. The Board of Directors of the Company has determined that the continuation of present trends in litigation will make it more difficult to attract and retain competent and experienced persons, that this situation is detrimental to the best interests of the Company’s shareholders, and that the Company should act to assure its directors, officers and certain persons specified by the Board of Directors of the Company that there will be increased certainty of adequate protection in the future.

D. It is reasonable, prudent, and necessary for the Company to obligate itself contractually to indemnify its directors, officers and certain persons specified by the Board of Directors of the Company to the fullest extent permitted by applicable law in order to induce them to serve or continue to serve the Company.

E. Indemnitee is willing to serve and continue to serve the Company on the condition that Indemnitee be indemnified to the fullest extent permitted by law.

F. Concurrently with the execution of this Agreement, Indemnitee is agreeing to serve or to continue to serve as a director, officer or in another specified capacity of or for the Company.

AGREEMENTS:

NOW, THEREFORE, in consideration of the foregoing premises, Indemnitee’s agreement to serve or continue to serve as a director, officer or in another specified capacity of or for the Company, and the covenants contained in this Agreement, the Company and Indemnitee hereby covenant and agree as follows:

1. CERTAIN DEFINITIONS: For purposes of this Agreement:

(a) “Claim” shall mean any threatened, pending or completed action, suit or proceeding (including, without limitation, securities law actions, suits and proceedings and also any crossclaim or counterclaim in any action, suit or proceeding), whether civil, criminal, arbitral, administrative or investigative in nature, or any inquiry or investigation (including discovery), whether conducted by the Company or any other Person, that Indemnitee in good faith believes might lead to the institution of any action, suit or proceeding. The final disposition of a Claim shall be as determined by settlement or the judgment of a court or other investigative or administrative body. The Board of Directors of the Company shall not make a determination as to the final disposition of a Claim.

(b) “Expenses” shall mean all costs, expenses (including attorneys’ and expert witnesses’ fees), and obligations paid or incurred in connection with investigating, defending (including affirmative defenses and counterclaims), being a witness in, or participating in (including on appeal), or preparing to defend, be a witness in, or participate in, any Claim relating to any Indemnifiable Event. Should any payments by the Company under this Agreement be determined to be subject to any federal, state or local income or excise tax, Expenses will also include such amounts as are necessary to place Indemnitee in the same after-tax position, after giving effect to all applicable taxes, Indemnitee would have been in had such tax not have been determined to apply to those payments.

(c) “Indemnifiable Event” shall mean any actual or alleged act, omission, statement, misstatement, event or occurrence related to the fact that Indemnitee is or was a director, officer, agent, fiduciary or in another position of the Company, or is or was serving at the request of the Company as a director, officer, trustee, agent, fiduciary or in another position of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, or by reason of any actual or alleged thing done or not done by Indemnitee in any such capacity. For purposes of this Agreement, the Company agrees that Indemnitee’s service on behalf of or with respect to any Subsidiary or employee benefits plan of the Company or any Subsidiary of the Company shall be deemed to be at the request of the Company.

(d) “Indemnifiable Liabilities” shall mean all Expenses and all other liabilities, damages (including, without limitation, punitive, exemplary and the multiplied portion of any damages), judgments, payments, fines, penalties, amounts paid in settlement and awards paid or incurred that arise out of, or in any way relate to, any Indemnifiable Event.

(e) “Person” shall mean any person or entity of any nature whatsoever, specifically including an individual, a firm, a company, a corporation, a partnership, a limited liability company, a trust or any other entity. A Person, together with that Person’s Affiliates and Associates (as those terms are defined in Rule 12b-2 under the Exchange Act), and any Persons acting as a partnership, limited partnership, joint venture, association, syndicate or other group (whether or not formally organized), or otherwise acting jointly or in concert or in a coordinated or consciously parallel manner (whether or not pursuant to any express agreement), for the purpose of acquiring, holding, voting or disposing of securities of the Company with such Person, shall be deemed a single “Person.”

(f) “Reviewing Party” shall mean any appropriate person or body consisting of a member or members of the Company’s Board of Directors or any other person or body appointed by the Board of Directors who is not a party to the particular Claim for which Indemnitee is seeking indemnification.

(g) “Subsidiary” shall mean, with respect to any Person, any corporation or other entity of which a majority of the voting power of the voting equity securities or a majority of the equity interest is owned, directly or indirectly, by that Person.

2. INDEMNIFICATION AND EXPENSE ADVANCEMENT.

(a) The Company shall indemnify Indemnitee and hold Indemnitee harmless to the fullest extent permitted by law, as soon as practicable but in any event no later than 30 days after written demand is presented to the Company, from and against any and all Indemnifiable Liabilities. Notwithstanding the foregoing, the obligations of the Company under this Section 2(a) shall be subject to the condition that the Reviewing Party shall not have determined that Indemnitee is not permitted to be indemnified under applicable law. Nothing contained in this Agreement shall require any determination under the preceding sentence of this Section 2(a) to be made by the Reviewing Party prior to the disposition or conclusion of the Claim against the Indemnitee.

(b) If so requested in writing by Indemnitee, the Company shall advance to Indemnitee all Expenses incurred by Indemnitee (or, if applicable, reimburse Indemnitee for any and all Expenses incurred by Indemnitee and previously paid by Indemnitee) (an “Expense Advance”) within ten business days after such request and delivery by Indemnitee of an undertaking to repay Expense Advances if and to the extent such undertaking is required by applicable law prior to the Company’s payment of Expense Advances. The Company shall be obligated from time to time at the request of Indemnitee to make or pay an Expense Advance in advance of the final disposition or conclusion of any Claim. In connection with any request for an Expense Advance, if requested by the Company, Indemnitee or Indemnitee’s counsel shall submit an affidavit stating that the Expenses to which the Expense Advances relate are reasonable. Any dispute as to the reasonableness of any Expense shall not delay an Expense Advance by the Company. If, when and to the extent that the Reviewing Party determines (or, if applicable, a court of competent jurisdiction makes a final judicial determination) that Indemnitee would not be permitted to be indemnified with respect to a Claim under applicable law or pursuant to this Agreement, the Company shall be entitled to be reimbursed by Indemnitee and Indemnitee hereby agrees to reimburse the Company without interest (which agreement shall be an unsecured obligation of Indemnitee) for all related Expense Advances theretofore made or paid by the Company; provided, however, that if Indemnitee has commenced legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee could be indemnified under applicable law or pursuant to this Agreement, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law or pursuant to this Agreement shall not be binding, and Indemnitee shall not be required to reimburse the Company for any Expense Advance, and the Company shall be obligated to continue to make Expense Advances, until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or part under applicable law or pursuant to this Agreement, Indemnitee shall have the right to commence litigation in any court in the state of Texas having subject matter jurisdiction thereof and in which venue is proper seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

3. NOTIFICATION AND DEFENSE OF CLAIM. Promptly after receipt by Indemnitee of notice of any Claim, Indemnitee will, if a claim in respect thereof is to be made against the Company under this Agreement, give reasonable notice to the Company of the commencement thereof; but the omission so to notify the Company will not relieve the Company from any liability which it may have to Indemnitee unless the Company can demonstrate by clear and convincing evidence that it was materially prejudiced by the failure to receive such notice. With respect to any such Claim as to which Indemnitee becomes involved:

(a) The Company will be entitled to participate therein at its own expense;

(b) Except as otherwise provided below, to the extent that it may wish, the Company may, jointly with any other indemnifying party, assume the defense thereof, with outside counsel which must be reasonably satisfactory to Indemnitee. After notice from the Company to Indemnitee of its election so to assume the defense thereof (and consent of Indemnitee as to the Company's choice of outside counsel, which consent will not be unreasonably withheld), the Company will be liable to Indemnitee under this Agreement for all Expenses (subject to Section 11 below and other than as provided below with respect to attorneys' fees) incurred in connection therewith. Indemnitee shall have the right to employ personal counsel in proceedings related to such Claim, but the fees and expenses of such counsel incurred after notice from the Company of its assumption of the defense thereof (and consent of Indemnitee as to the Company's choice of outside counsel) shall be at the expense of Indemnitee, unless (i) the employment of counsel for Indemnitee has been authorized by the Company, (ii) Indemnitee shall have concluded in good faith that there may be a conflict of interest between the Company and Indemnitee in the conduct of the defense (or part of the defense) of such action or (iii) the Company shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of counsel shall be at the expense of the Company. The Company shall not be entitled to assume the defense of any Claim brought by or on behalf of the Company or as to which Indemnitee shall have made the conclusion provided for in (ii) above; and

(c) The Company shall not be liable to indemnify Indemnitee under this Agreement for any Indemnifiable Liabilities paid in settlement of any Claim effected without its written consent. The Company shall not settle any Claim in any manner which would impose any penalty, sanction or limitation on Indemnitee, or otherwise indicate the existence of any wrongful act by Indemnitee, without Indemnitee's written consent. Neither the Company nor Indemnitee will unreasonably withhold its consent to any proposed settlement. Without intending to limit the circumstances in which it would be unreasonable for the Company to withhold its consent to a settlement, the parties hereto agree it would be unreasonable for the Company to withhold its consent to a settlement in an amount that did not exceed, in the business judgment of the Board of Directors of the Company, the estimated amount of Expenses of Indemnitee to litigate the Claim to conclusion, provided that there is no other materially adverse consequence to the Company from such settlement.

4. INDEMNIFICATION FOR ADDITIONAL EXPENSES. The Company shall indemnify Indemnitee against any and all costs and expenses (including attorneys' and expert witnesses' fees) and, if requested by Indemnitee, shall (within two business days of that request) advance those costs and expenses to Indemnitee, that are incurred by Indemnitee if Indemnitee, whether by formal proceedings or through demand and negotiation without formal proceedings: (a) seeks to enforce Indemnitee's rights under this Agreement, (b) seeks to enforce Indemnitee's rights to expense advancement or indemnification under any other agreement or provision of the Company's Certificate of Formation (the "Certificate of Formation"), or Bylaws (the "Bylaws"), now or hereafter in effect relating to Claims for Indemnifiable Events or (c) seeks recovery under any directors' and officers' liability insurance policies maintained by the Company; provided, however that the Company shall be entitled to be reimbursed by Indemnitee for any Expense Advances set forth in this Section 4 in accordance with Section 2(b) if the Reviewing Party determines (or, if applicable, a court of competent jurisdiction makes a final judicial determination) that Indemnitee is not entitled to indemnification pursuant to this Agreement, the Certificate of Formation or Bylaws or any insurance policy maintained by the Company, as applicable.

5. PARTIAL INDEMNITY. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some, but not all, of Indemnitee's Indemnifiable Liabilities, the Company shall indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

6. CONTRIBUTION.

(a) Contribution Payment. To the extent the indemnification provided for under any provision of this Agreement is determined (in the manner herein provided) not to be permitted under applicable law, the Company, in lieu of indemnifying Indemnitee, shall, to the extent permitted by law, contribute to the amount of any and all Indemnifiable Liabilities incurred or paid by Indemnitee for which such indemnification is not permitted. The amount the Company contributes shall be in such proportion as is appropriate to reflect the relative fault of Indemnitee, on the one hand, and of the Company and any and all other parties (including officers and directors of the Company other than Indemnitee) who may be at fault (collectively, including the Company, the "Third Parties"), on the other hand.

(b) Relative Fault. The relative fault of the Third Parties and the Indemnitee shall be determined (i) by reference to the relative fault of Indemnitee as determined by the court or other governmental agency or (ii) to the extent such court or other governmental agency does not apportion relative fault, by the Reviewing Party after giving effect to, among- other things, the relative intent, knowledge, access to information and opportunity to prevent or correct the relevant events, of each party, and other relevant equitable considerations. The Company and Indemnitee agree that it would not be just and equitable if contribution were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 6(b).

7. BURDEN OF PROOF. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified under any provision of this Agreement or to receive contribution pursuant to Section 6 of this Agreement, to the extent

permitted by law the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

8. NO PRESUMPTION. For purposes of this Agreement, the termination of any Claim by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, or an entry of an order of probation prior to judgment shall not create a presumption (other than any presumption arising as a matter of law that the parties may not contractually agree to disregard) that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law.

9. NON-EXCLUSIVITY. The rights of Indemnitee hereunder shall be in addition to any other rights Indemnitee may have under the Bylaws, the Certificate of Formation, the Texas Business Organizations Code or otherwise. To the extent that a change in the Texas Business Organizations Code (whether by statute or judicial decision) permits greater indemnification by agreement than would be afforded currently under the Bylaws or Certificate of Formation and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by that change. Indemnitee's rights under this Agreement shall not be diminished by any amendment to the Certificate of Formation or Bylaws, or of any other agreement or instrument to which Indemnitee is not a party, and shall not diminish any other rights which Indemnitee now or in the future has against the Company.

10. LIABILITY INSURANCE.

(a) Rights and Benefits. In all policies of directors' and officers' liability insurance ("D&O Insurance") that the Company obtains and maintains, the Indemnitee shall be named as an insured in such a manner as to provide the Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if the Indemnitee is a director; or of the Company's officers, if the Indemnitee is not a director of the Company but is an officer; or of the Company's key employees, if the Indemnitee is not a director or officer but is a key employee; or of the Company's other specified persons, if the Indemnitee is not a director, officer or key employee but is another specified perosn

(b) Limitation on Required Maintenance of D&O Insurance. Notwithstanding the foregoing, the Company shall have no obligation to obtain or maintain D&O Insurance.

11. EXCEPTIONS. Notwithstanding any other provision of this Agreement, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) Excluded Action or Omissions. To indemnify Indemnitee for Expenses resulting from acts, omissions or transactions for which Indemnitee is prohibited from receiving indemnification under this Agreement or applicable law; provided, however, that notwithstanding any limitation set forth in this Section 11(a) regarding the Company's obligation to provide indemnification, Indemnitee shall be entitled under Section 2(b) to receive Expense Advances hereunder with respect to any such Claim unless and until the Reviewing Party determines (or, if applicable, a court of competent jurisdiction makes a final judicial determination as to which all rights of appeal therefrom have been exhausted or lapsed) that

Indemnitee has engaged in acts, omissions or transactions for which Indemnitee is prohibited from receiving indemnification under this Agreement or applicable law.

(b) Claims Initiated by Indemnitee. To indemnify or make Expense Advances to Indemnitee with respect to Claims initiated or brought voluntarily by Indemnitee and not by way of defense, counterclaim or crossclaim, except (i) with respect to actions or proceedings brought to establish or enforce a right to indemnification under this Agreement or any other agreement or insurance policy or under the Company's Certificate of Formation or Bylaws now or hereafter in effect relating to Claims for Indemnifiable Events, (ii) in specific cases if the Board of Directors of the Company has approved the initiation or bringing of such Claim or (iii) as otherwise required under the Texas Business Organizations Code unless and until the Reviewing Party determines (or, if applicable, a court of competent jurisdiction makes a final judicial determination as to which all rights of appeal therefrom have been exhausted or lapsed) that Indemnitee is not entitled to such indemnification or insurance recovery, as the case may be.

(c) Claims Under Section 16(b). To indemnify Indemnitee for expenses and the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Exchange Act, or any similar successor statute; provided, however, that notwithstanding any limitation set forth in this Section 11(c) regarding the Company's obligation to provide indemnification, Indemnitee shall be entitled under Section 2(b) to receive Expense Advances hereunder with respect to any such Claim unless and until the Reviewing Party determines (or, if applicable, a court of competent jurisdiction makes a final judicial determination as to which all rights of appeal therefrom have been exhausted or lapsed) that Indemnitee has violated said statute.

(d) Dishonesty. To indemnify Indemnitee on account of any Claim made against Indemnitee brought about or contributed to by the active and deliberate dishonesty of Indemnitee seeking payment hereunder. In determining whether any alleged dishonesty was active and deliberate, there shall be taken into consideration any discussion with and instructions from the supervisors of Indemnitee with Indemnitee regarding the acts alleged to constitute the dishonesty.

12. DURATION OF AGREEMENT. This Agreement shall continue until and terminate upon the later of (i) the tenth anniversary after Indemnitee has ceased to occupy any of the positions or have any of the relationships described in Section 1(c) of this Agreement or (ii)(A) the final termination or resolution of all Claims with respect to Indemnitee commenced during such 10-year period and (B) either (x) receipt by Indemnitee of the indemnification to which he is entitled hereunder with respect thereto or (y) a final adjudication or binding arbitration that Indemnitee is not entitled to any further indemnification with respect thereto, as the case may be.

13. AMENDMENTS. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any provision of this Agreement shall be effective unless in a writing signed by the party granting the waiver. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall that waiver constitute a continuing waiver.

14. OTHER SOURCES. Indemnitee shall not be required to exercise any rights that Indemnitee may have against any other Person (for example, under an insurance policy) before Indemnitee enforces his rights under this Agreement. However, to the extent the Company actually indemnifies Indemnitee or advances Indemnitee Expenses, the Company shall be subrogated to the rights of Indemnitee and shall be entitled to enforce any such rights which Indemnitee may have against third parties. Indemnitee shall assist the Company in enforcing those rights if the Company pays Indemnitee’s costs and expenses of doing so. If Indemnitee is actually indemnified or advanced Expenses by any third party, then, for so long as Indemnitee is not required to disgorge the amounts so received, to that extent the Company shall be relieved of its obligation to indemnify Indemnitee or advance Indemnitee Expenses.

15. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), spouses, heirs and personal and legal representatives. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as a director, officer or in another specified capacity of or for the Company or, at the Company’s request, another enterprise, and regardless of whether the Indemnitee left the position with the Company or such other enterprise voluntarily or involuntarily.

16. SEVERABILITY. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term hereof, that provision shall be fully severable; this Agreement shall be construed and enforced as if that illegal, invalid or unenforceable provision had never comprised a part hereof; and the remaining provisions shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of that illegal, invalid or unenforceable provision, there shall be added automatically as a part of this Agreement a provision as similar in terms to the illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

17. GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Texas applicable to contracts made and to be performed in that state without giving effect to the principles of conflicts of laws.

18. HEADINGS. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

19. NOTICES. Whenever this Agreement requires or permits notice to be given by one party to the other, such notice must be in writing to be effective and shall be deemed delivered and received by the party to whom it is sent upon actual receipt (by any means) of such notice. Receipt of a notice by the Secretary or President of the Company shall be deemed receipt of such notice by the Company.

20. COMPLETE AGREEMENT. This Agreement constitutes the complete understanding and agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings between the parties with respect to the subject matter hereof.

21. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but in making proof hereof it shall not be necessary to produce or account for more than one such counterpart.

EXECUTED as of the date first written above.

MATADOR RESOURCES COMPANY

____
Joseph Wm. Foran
Chairman & CEO

INDEMNITEE:

____

Exhibit 10.23

PARTICIPATION AGREEMENT

by and among

**ROXANNA OIL, INC.,
**

**ROXANNA OIL, INC.,
ROXANNA ROCKY MOUNTAINS, LLC,
MRC ROCKIES COMPANY,
MATADOR RESOURCES COMPANY,
MATADOR PRODUCTION COMPANY,
ALLIANCE CAPITAL REAL ESTATE, INC.,
and
ALLIANCEBERNSTEIN L.P.**

May 14, 2010

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Schedule 4.14: List of Third-Party Consents for Assignments of Leases

PARTICIPATION AGREEMENT

THIS PARTICIPATION AGREEMENT (this "Agreement") is entered into as of May 14, 2010, by and among ROXANNA ROCKY MOUNTAINS, LLC, a Texas limited liability company ("Roxanna"), MRC ROCKIES COMPANY, a Texas corporation ("Matador" and together with Roxanna collectively referred to as "Owners"), ROXANNA OIL, INC., a Texas corporation ("ROI"), MATADOR RESOURCES COMPANY, a Texas corporation ("MRC"), MATADOR PRODUCTION COMPANY, a Texas corporation ("Operator"), ALLIANCE CAPITAL REAL ESTATE, INC., a Delaware corporation ("Participant") and ALLIANCEBERNSTEIN L.P., a Delaware limited partnership ("AllianceBernstein"). Roxanna, Matador, ROI, MRC, Operator, Participant and AllianceBernstein are sometimes hereinafter referred to collectively as "Parties" and individually as a "Party".

WITNESSETH:

WHEREAS, Matador has record title to, and Owners have equitable title to, the oil and gas leases (individually a "Lease" and collectively the "Leases") more specifically described in Exhibit A attached hereto covering approximately 140,000 gross acres of land located in Utah, Idaho and Wyoming, and they desire to have Participant participate in the exploration and development of the Leases and, in particular, to provide the funding for the drilling of an exploratory test well on the Leases;

WHEREAS, Participant desires to participate in the exploration and development of the Leases and is willing to agree, subject to the terms and conditions hereinafter set forth, to pay the costs to drill, core and case a test well on the Leases in exchange for (i) an assignment of a 50% working interest in the Leases located within a specified area around such well and (ii) the options to acquire up to a 50% working interest in the remainder of the Leases or participate in the drilling of a subsequent test well on the Leases; and

WHEREAS, the Parties wish to enter into this Agreement to memorialize their rights and obligations.

NOW, THEREFORE, in consideration of the premises, the mutual covenants and benefits herein provided and for other valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

ARTICLE I.

Initial Test Well

1.1 Obligation to Drill, Core and Case Initial Test Well. Operator, as operator under the Operating Agreement (hereinafter defined), agrees to use its commercially reasonable efforts to drill, core and case a vertical well at the location set forth on the map attached hereto as Exhibit B located in Section 35, Township 24 North, Range 120 West, Lincoln County, Wyoming, or such other location as may agreed upon by the Parties (the "Initial Test Well"), before the first anniversary of the date of this Agreement. Operator will use commercially reasonable efforts to cause the Initial Test Well to be drilled to a vertical depth of approximately 9,300 feet or a depth sufficient to test the Meade Peak-Phosphoria Shale Formation (the "Contract Depth") and to cause a conventional whole core to be taken through the Meade Peak-Phosphoria Shale Formation (approximately 200 feet of whole core). The obligations of Operator under this Section 1.1 will be conditioned on Participant's compliance with its obligations hereunder to pay the Initial Commitment Amount (as defined below).

1.2 Payment of Costs of Initial Test Well. Participant will pay 100% of the actual costs to drill, core and case the Initial Test Well up to an aggregate cost of $4,200,000.00 (the "Initial Commitment Amount"), as estimated in the authorization for expenditure ("AFE") for the Initial Test Well, which is agreed upon by the Parties and attached hereto as Exhibit C. Participant shall prepay $1,000,000.00 of the Initial Commitment Amount by depositing such cash amount with Operator within 30 days of the date of this Agreement. Operator shall notify Participant approximately 60 days prior to the expected spud date of the Initial Test Well, and Participant shall prepay the remaining $3,200,000.00 of the Initial Commitment Amount by depositing such cash amount with Operator within 30 days after its receipt of such notice of the expected spud date. If the aggregate actual costs for the Initial Test Well reach the Initial Commitment Amount and the drill, core and case operations have not been concluded, Owners will pay up to an additional $630,000.00 in an attempt to conclude the drill, core and case operations. If the aggregate actual costs of the Initial Test Well reach $4,830,000.00, and the drill, core and case operations have not been concluded, the Parties agree to work together in good faith to determine the best course of action at that time. If the Parties determine to continue operations on the Initial Test Well, it is expected that each of Participant, on the one hand, and Owners, on the other hand, will pay 50% of all subsequent costs of the Initial Test Well. Neither Participant nor Owners will be obligated to pay costs for the Initial Test Well beyond its respective limits as specified in this Section 1.2 in order to conclude the drill, core and case operations on the Initial Test Well. Within 90 days after the conclusion of the drill, core and case operations, any unexpended portion of the prepayment deposits made by Participant with respect to the Initial Commitment Amount, after payment of all actual costs of such operations, will be refunded to Participant.

1.3 No Guarantee of Success. The Parties acknowledge and agree that the Initial Test Well is a rank wildcat, exploratory well and that neither Owners, Operator nor MRC can guarantee the drill, core and case operations will be concluded successfully.

1.4 Assignment of Initial Earned Interest. In consideration for funding up to the Initial Commitment Amount of the costs of the Initial Test Well, Participant will receive a 50% working interest in the Leases insofar and only insofar as they cover 5,760 gross acres of contiguous or non-contiguous land (the "Initial Prospect Area") surrounding the drill site of the Initial Test Well (the "Initial Earned Interest"), as more particularly described on Exhibit D attached hereto. Within 30 days after payment by Participant of the Initial Commitment Amount with respect to the Initial Test Well, Matador will assign to Participant the Initial Earned Interest, subject to the prior assignment to Roxanna of a proportionately reduced 2.5% of 8/8ths overriding royalty interest in the assigned Leases**.** Said assignment will be made without warranty of title, except by, through and under Matador, but to no further extent, and will be subject to the Operating Agreement and the provisions of the assigned Leases. All assignments of interest to Participant will be substantially in the form attached hereto as Exhibit E (the "Assignment"). The net revenue interest acquired by Participant in each assigned Lease will not be less than 50% of the net revenue interest shown for such Leases in Exhibit A attached hereto, subject to Roxanna's overriding royalty interest.

ARTICLE II.

Participant's Options to Purchase or Drill Second Test Well

2.1 Options for Participant. Within 90 days after Participant's receipt of the laboratory analysis of the core data from the Initial Test Well ("Initial Election Period"), Participant will have the option either (A) (herein called "Option A") to purchase up to a 50% working interest in the balance of the Leases, excluding the Initial Earned Interest assigned by Owners to Participant pursuant to Section 1.4 above (the "First Purchase Interest"), or (B) (herein called "Option B") to elect for Owners and Participant, subject to Section 2.3 below, to drill and complete a second test well (the "Second Test Well"), at a location on the Leases to be determined by the Parties, including a production test on the well, as provided in an AFE to be agreed by the Parties. Participant may not elect both Option A and Option B. Participant must exercise Option A or Option B by written notice to Owners within the Initial Election Period.

2.2 Option A Purchase and Assignment. If Participant timely elects Option A, the Parties will consummate the purchase and sale of the First Purchase Interest within 30 days after Owners receive notice of such election. The purchase price payable by Participant to Owners will be $195.00 per net acre, proportionately reduced to the interest acquired. Participant will wire transfer the purchase price to Owners in accordance with written instructions provided by Owners. In exchange for payment of the purchase price, Matador will execute and deliver to Participant an Assignment of the First Purchase Interest, subject to the prior assignment to Roxanna of a proportionately reduced 2.5% of 8/8ths overriding royalty interest in the assigned Leases**.** Said Assignment will be made without warranty of title, except by, through and under Matador, but to no further extent, and will be subject to the Operating Agreement and the provisions of the assigned Leases. The net revenue interest acquired by Participant in each assigned Lease will not be less than Participant's purchased working interest share of the net revenue interest shown for such Leases in Exhibit A attached hereto, subject to Roxanna's overriding royalty interest.

2.3 Option B Second Test Well. If Participant timely elects Option B, Operator will use its commercially reasonable efforts to complete the drilling of the Second Test Well before the first anniversary of the date of Participant's exercise of Option B. The Second Test Well will be drilled to a vertical depth sufficient to test the Meade Peak-Phosphoria Shale Formation. Participant will pay 100% of the actual costs to drill and complete, and to perform a production test of, the Second Test Well up to an aggregate cost of $5,000,000.00 (the "Second Commitment Amount"). Operator shall request payment for the estimated costs of the Second Test Well, and Participant shall prepay such costs, according to the procedures for prepayment of costs set forth in Articles VII.C. and XV.F. of the Operating Agreement. If the aggregate actual costs for the Second Test Well reach the Second Commitment Amount and the drilling, completing and production testing operations have not been concluded, all subsequent costs with respect to the Second Test Well shall be borne and paid 50% by Participant and 50% by Owners. Within 90 days after the conclusion of the drilling, completion and production test operations on the Second Test Well, any unexpended portion of the prepayment deposit made by Participant with respect to the Second Commitment Amount, after payment of all actual costs of such operations, will be refunded to Participant. The obligations of Operator under this Section 2.3 will be conditioned on Participant's compliance with its obligations hereunder to pay the Second Commitment Amount.

2.4 Assignment of Second Earned Interest. In consideration for funding up to the Second Commitment Amount of the costs of the Second Test Well and 50% of all additional costs of the Second Test Well as may be incurred, Participant will receive a 50% working interest in the Leases insofar and only insofar as they cover 5,760 gross acres of contiguous or non-contiguous land (the "Second Prospect Area") surrounding the drill site of the Second Test Well (the "Second Earned Interest"). Within 30 days after payment by Participant of the Second Commitment Amount with respect to the Second Test Well, Matador will execute and deliver to Participant an Assignment of the Second Earned Interest, subject to the prior assignment to Roxanna of a proportionately reduced 2.5% of 8/8ths overriding royalty interest in the assigned Leases**.** Said Assignment will be made without warranty of title, except by, through and under Matador, but to no further extent, and will be subject to the Operating Agreement and the provisions of the assigned Leases. The net revenue interest acquired by Participant in each assigned Lease will not be less than 50% of the net revenue interest shown for such Leases in Exhibit A attached hereto, subject to Roxanna's overriding royalty interest.

2.5 Option C Purchase and Assignment. If Participant elected Option B instead of Option A and the Second Test Well was drilled, completed and production tested, Participant will then have the further option (herein called "Option C") to purchase up to a 50% working interest in the balance of the Leases in which the Initial Earned Interest and Second Earned Interest were not assigned by Owners to Participant pursuant to Sections 1.4 and 2.4 above (the "Second Purchase Interest"). Participant must exercise Option C by written notice to Owners within 90 days after the completion of the production testing of the Second Test Well (the "Second Election Period"). If Participant timely elects Option C, the Parties will consummate the purchase and sale of the Second Purchase Interest within 30 days after Owners receive notice of such election. The purchase price payable by Participant to Owners will be $195.00 per net acre, proportionately reduced to the interest acquired. Participant will wire transfer the purchase price to Owners in accordance with written instructions provided by Owners. In exchange for payment of the purchase price, Matador will execute and deliver to Participant an Assignment of the Second Purchase Interest, subject to the prior assignment to Roxanna of a proportionately reduced 2.5% of 8/8ths overriding royalty interest in the assigned Leases. Said Assignment will be made without warranty of title, except by, through and under Matador, but to no further extent, and will be subject to the Operating Agreement and the provisions of the assigned Leases. The net revenue interest acquired by Participant in each assigned Lease will not be less than Participant's purchased working interest share of the net revenue interest shown for such Leases in Exhibit A attached hereto, subject to Roxanna's overriding royalty interest.

ARTICLE III.

Operating Agreement

3.1 Execution of Operating Agreement. Operator, Matador, Roxanna and Participant agree promptly to execute and deliver the form of Operating Agreement (the "Operating

Agreement”), attached hereto as Exhibit F, naming Matador Production Company as Operator. All operations on the Initial Test Well, the Second Test Well and any subsequent wells drilled on any of the Leases in which Participant, Matador and Roxanna (or their respective successors or assigns) jointly own working interests will be conducted under the terms of the Operating Agreement, subject to this Agreement. Operator, Matador, Roxanna and Participant agree to amend Exhibit “A” to the Operating Agreement by inserting an addendum to reflect the working interest of the Parties with respect to the Leases if Participant elects Option A or Option C and purchases less than a 50% working interest in the balance of the Leases.

3.2 Sharing of Costs and Subsequent Well Elections. Under the terms of the Operating Agreement, after payment of costs (i) by Participant of up to the Initial Commitment Amount and, if applicable, by Owners of up to an additional $630,000.00, for the Initial Test Well, and (ii), if applicable, by Participant up to the Second Commitment Amount for the Second Test Well, the Parties will pay all subsequent costs with respect to the Initial Test Well (subject to Section 1.2) and, if applicable, the Second Test Well on a “heads-up” basis (i.e., Participant paying 50% and Owners paying 50%). The costs for any subsequent wells drilled on the Leases within any area covered by the Operating Agreement will be allocated and paid in accordance with the provisions of the Operating Agreement. All interests of the Parties will be subject to proportionate reduction to the extent, if any, that the Leases do not cover 100% of the mineral interests in the underlying lands covered by the Leases. All elections under the Operating Agreement with respect to the drilling and completing of all subsequent wells after the Initial Test Well and any Second Test Well shall be on an “all in or all out basis” within the Initial Prospect Area, any Second Prospect Area and, if Participant elects Option A or C, any contractual drilling units (“Drilling Units”) established for such subsequent wells in accordance with this Section 3.2. If Participant elects Option A or C, the Parties agree that a Drilling Unit will be established for each such subsequent well (except for a well drilled in a pre-existing Drilling Unit) drilled on the Leases and any other leases in which the Parties own working interests subject to the Operating Agreement (collectively, the “Operating Agreement Leases”), that the size of each of the Drilling Units will be 5,760 acres, or as close to 5,760 acres as is reasonably possible, and that each Drilling Unit shall consist of the Operating Agreement Leases that are as contiguous as reasonably possible but only to the extent they cover the lands within the Drilling Unit. The Parties further agree that such Drilling Units will be established to permit the orderly exploration of the Operating Agreement Leases and will not necessarily conform to any federal, state, production, regulatory, proration or other units that may be established. As such subsequent wells are proposed to be drilled, Drilling Units will continue to be established from time to time, until all of the Operating Agreement Leases are included in a Drilling Unit. For any subsequent well drilled in the Initial Prospect Area or the Second Prospect Area, the Drilling Unit for such well for the purposes of this Section 3.2 will be the Initial Prospect Area or the Second Prospect Area, as applicable. If any of Roxanna, Matador or Participant elects not to participate in the drilling or completion of any subsequent well that is subject to the Operating Agreement, such non-participating Party shall relinquish all of its working interests in all of the Operating Agreement Leases to the extent they cover lands within the Drilling Unit in which the subsequent well is located, including all rights to such subsequent well and the production therefrom, less and except all of such Party’s working interest in such Operating Agreement Leases to the extent they cover lands within any governmental proration unit or units associated with any other wells then existing within such Drilling Unit in which such non-participating Party has participated (such relinquished working interests are referred to as the “Remaining Working Interest”). Within 30 days following its election not to participate, such non-participating Party shall execute and deliver to the participating working interest owners an assignment of all of such Party's Remaining Working Interest, if any, in the Drilling Unit in which the well is located.

3.3 Area Covered by Operating Agreement. The area covered by the Operating Agreement will be (a) initially the Initial Prospect Area, and (b) if and after Participant timely elects Option B, then in addition the Second Prospect Area, and (c) if and after Participant timely elects Option A or Option C and consummates the purchase of an interest in the remaining Leases, thereafter the lands covered by the Leases and by any other oil and gas leases in which Owners and Participant acquire an interest pursuant to the AMI (as defined below). The Operating Agreement will cover all depths owned by Owners and Participant in the Leases and other leases acquired in the future to the extent they cover lands in the foregoing area.

3.4 Conflicts with Operating Agreement. In the event of any conflict between the terms of the Operating Agreement and the terms of this Agreement, the terms of this Agreement will control as between the Parties.

3.5 Area of Mutual Interest. The parties agree that an area of mutual interest ("AMI") shall exist within the boundary of the area as outlined on Exhibit G attached hereto. While the AMI exists and during the period prior to the date when Participant elects Option A or Option C and consummates the purchase of an interest in the remaining Leases, (i) each of Participant and AllianceBernstein agrees that Owners will have the right, but not the obligation, to acquire at cost 50% of any interest in any oil and gas lease Participant or AllianceBernstein directly or indirectly acquires within the AMI, and (ii) Matador, Roxanna, ROI and MRC agree that any oil and gas lease acquired directly or indirectly by them within the AMI shall become part of and added to the Leases described on Exhibit A attached hereto for all purposes of this Agreement; provided, however, that the obligations in this clause (ii) of Matador, Roxanna, ROI and MRC will nevertheless terminate (a) at the end of the Initial Election Period unless Participant has timely exercised Option A or Option B or (b) at the end of the Second Election Period unless Participant has timely exercised Option C and, in either case of (a) or (b), Participant has subsequently complied with its payment obligations regarding the Second Test Well (if Option B was exercised) and its purchase of an interest in the remaining Leases (if Option A or Option C was exercised). If and after Participant timely elects Option A or Option C and consummates the purchase of an interest in the remaining Leases, each of Participant, on the one hand, and Owners, on the other hand, will have the right, but not the obligation, to acquire at cost their respective working interest shares (based on the amount of working interest acquired by Participant pursuant to the exercise of such option) in all interests that may thereafter be renewed or acquired by any of the Parties, directly or indirectly, in any oil and gas lease located within the AMI. If a Party intends to participate in a Federal or State auction of leases in the AMI, such Party shall notify the other Parties in writing at least 15 days before such sale. The AMI will exist for a term of 10 years from the date of this Agreement. Roxanna will be entitled to a proportionately reduced 2.5% of 8/8ths overriding royalty interest in all interests that may be renewed or acquired by any of the Parties, directly or indirectly, in any oil and gas lease located within the AMI. If any Lease (or pooled unit associated with any Lease) is producing or in its primary term or being extended by continuous drilling provisions at the end of the 10-year period, the terms of the AMI will extend beyond the 10-year period only as to such Lease(s) and the lands covered thereby until: (i) the end of its or their primary term; or (ii) operations pursuant to the continuous drilling provisions have ceased and the continuous drilling provisions are no longer in effect; or (iii) a Lease, or the pooled unit associated with such Lease(s), ceases to produce in commercial quantities, as the case may be. Alternatively, the Parties may elect to terminate the AMI at any time upon their mutual agreement.

ARTICLE IV.

Representations and Warranties of Matador, MRC and Operator

Each of Matador, MRC and Operator (each "Matador Entity"), jointly and severally, hereby represents and warrants to Roxanna, ROI, Participant and AllianceBernstein that the statements contained in this Article IV are true and correct as of the date hereof.

4.1 Existence and Qualification. Each Matador Entity is duly incorporated, validly existing and in good standing under the laws of the State of Texas and has all requisite corporate power and authority to own, lease and otherwise hold and operate its properties and to carry on its business as it is now being conducted. Each of Matador and Operator is duly qualified or licensed as a foreign corporation to do business and is in good standing in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing necessary.

4.2 Authority Relative to this Agreement. Each Matador Entity has the corporate power, capacity and authority to execute this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by each Matador Entity, and the consummation by each Matador Entity of the transactions contemplated hereby have been validly authorized by each Matador Entity, and no other action on the part of any Matador Entity is necessary to validly authorize such transactions. This Agreement has been duly and validly executed and delivered by each Matador Entity and, assuming the due authorization, execution and delivery by the other Parties hereto, constitutes the legal, valid and binding obligation of each Matador Entity, enforceable against each of them in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium or similar proceeding affecting creditors' rights generally and subject, as to enforceability, to the effect of general principles of equity.

4.3 No Conflicts. The execution and delivery of this Agreement and the other documents contemplated hereby, the consummation of the transactions contemplated hereunder, and the fulfillment of and compliance with the terms and conditions hereof and thereof will not violate, breach or be in conflict with: (i) any material provision of the governing documents of any Matador Entity; (ii) any material provision of any agreement or instrument to which any Matador Entity is a party, or by which any Matador Entity or any of the Leases is bound; or (iii) any judgment, decree, order, statute, rule or regulation applicable to any Matador Entity, except for consents and approvals of governmental authorities customarily obtained subsequent to a transfer of title.

4.4 Record Title. Matador owns record title to the Leases.

4.5 Liability for Brokers' Fees. No Matador Entity has incurred any liability, contingent or otherwise, for brokers' or finders' fees relating to the transactions contemplated hereunder for which Participant or AllianceBernstein shall have any responsibility whatsoever.

4.6 No Bankruptcy. There are no bankruptcy proceedings pending, being contemplated by, or to the actual knowledge of any Matador Entity, threatened against any Matador Entity or any of their respective affiliates.

4.7 Taxes. No taxes, assessments, or obligations relating thereto (including any interest, fines, penalties or additions to taxes or assessments), pertaining to the Leases based on ownership of such properties for all taxable periods prior to the taxable period in which the date hereof occurs are due or assessable. All returns with respect to such taxes, assessments or obligations that are required to be filed by the owner of the Leases have been filed or will be filed within the applicable time periods, including any lawful extension of such time periods. No audit, litigation or other proceeding with respect to such taxes, assessments or obligations has been commenced or is presently pending. No income taxes, or obligations relating thereto (including any interest, fines, penalties or additions to taxes), are due or assessable which could result in a lien or other claim against any of the Leases.

4.8 Encumbrances. Other than the 2.5% of 8/8ths proportionate overriding royalty interest assigned to Roxanna, Matador has not granted and will not grant any overriding royalty interests, net profits interests, production payments or other burdens on production with respect to the Leases.

4.9 Production. No Matador Entity has entered into any contract committing any production from the Leases, or dedicating any of such acreage, to any particular purchaser.

4.10 Litigation. There is no action, suit, inquiry, claim, investigation or other proceeding pending or, to the actual knowledge of any Matador Entity, threatened against or affecting any Matador Entity or any of the Leases before any federal, state or other governmental court or agency, or before any arbitrator, (i) in which an adverse decision could, either in any single case or in the aggregate, have a material adverse effect on ownership, operation or environmental condition of the Leases or (ii) that impedes or is likely to impede any Matador Entity's ability to consummate the transactions contemplated hereunder, prevents assumption of the liabilities to be assumed by any Matador Entity under this Agreement or limits any Matador Entity's ability to develop the Leases.

4.11 Environment. To the actual knowledge of any Matador Entity, there has been no contamination of groundwater, surface water or soil on the Leases resulting from oil and gas operations conducted by any Matador Entity, which required remediation between the date of acquisition of the Leases and the date of this Agreement under applicable Environmental Laws but which has not been remediated. "Environmental Laws" means, as the same have been amended to the date hereof, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq.; the Clean Air Act, 42 U.S.C. § 7401 et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. § 1471 et seq.; the Toxic Substances Control Act, 15 U.S.C. §§ 2601 through 2629; the Oil Pollution Act, 33 U.S.C. § 2701 et seq.; the Emergency Planning and Community Right to Know Act, 42 U.S.C. § 11001 et seq.; and the Safe Drinking Water Act, 42 U.S.C. §§ 300f through 300j, and all similar Laws as of the date hereof of any governmental authority having jurisdiction over the property in question addressing pollution or protection of the environment or biological or cultural resources and all regulations implementing the foregoing.

4.12 Leases. To the actual knowledge of any Matador Entity, all bonuses, rentals, other payments or obligations due under the Leases have been properly and timely paid. There is no material default under any of the Leases to the extent they are included in the Initial Prospect Area, and to the actual knowledge of any Matador Entity, there is no material default under any of the Leases to the extent they are not included in the Initial Prospect Area. No Matador Entity has received written notice from a lessor of any requirements or demands to drill additional wells on any of the Leases, which requirements or demands have not been resolved.

4.13 Preferential Rights to Purchase and Areas of Mutual Interest. There are no preferential rights to purchase or area of mutual interest obligations which entitle any third party to receive a portion of Matador's interest in the Leases, either upon consummation of the transactions contemplated by this Agreement or otherwise.

4.14 Third-Party Consents. To the actual knowledge of Matador, there are no third-party consents required for Matador's assignment of the Leases to Participant except those typically required on Federal and State leases and those set forth on Schedule 4.14 attached hereto. To the extent that any consents may be required, Matador shall use commercially reasonable efforts to obtain such consents in connection with any assignment of the Leases.

4.15 No Operations. No Matador Entity has conducted any physical oil and gas exploration, development or production operations on any of the Leases.

ARTICLE V.

Representations and Warranties of ROI and Roxanna

Each of Roxanna and ROI (each "Roxanna Entity") hereby represents and warrants to each Matador Entity, Participant and AllianceBernstein that the statements contained in this Article V are true and correct as of the date hereof.

5.1 Existence and Qualification. Each Roxanna Entity is duly incorporated or formed, validly existing and in good standing under the laws of the State of Texas and has all requisite entity power and authority to own, lease and otherwise hold and operate its properties and to carry on its business as it is now being conducted. Each Roxanna Entity is duly qualified or licensed as a foreign corporation or limited liability company to do business and is in good standing in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing necessary.

5.2 Authority Relative to this Agreement. Each Roxanna Entity has the entity power, capacity and authority to execute this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by each Roxanna Entity, and the consummation by each Roxanna Entity of the transactions contemplated hereby have been validly authorized by each Roxanna Entity, and no other action on the part of any Roxanna Entity is necessary to validly authorize such transactions. This Agreement has been duly and validly executed and delivered by each Roxanna Entity and, assuming the due authorization, execution and delivery by the other Parties hereto, constitutes the legal, valid and binding obligation of each Roxanna Entity, enforceable against each of them in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium or similar proceeding affecting creditors' rights generally and subject, as to enforceability, to the effect of general principles of equity.

5.3 No Conflicts. The execution and delivery of this Agreement and the other documents contemplated hereby, the consummation of the transactions contemplated hereunder, and the fulfillment of and compliance with the terms and conditions hereof and thereof will not violate, breach or be in conflict with: (i) any material provision of the governing documents of any Roxanna Entity; (ii) any material provision of any agreement or instrument to which any Roxanna Entity is a party, or by which any Roxanna Entity or any of the Leases is bound; or (iii) any judgment, decree, order, statute, rule or regulation applicable to any Roxanna Entity, except for consents and approvals customarily obtained in connection with or subsequent to a transfer of title.

5.4 Liability for Brokers' Fees. No Roxanna Entity has incurred any liability, contingent or otherwise, for brokers' or finders' fees relating to the transactions contemplated hereunder for which Participant, AllianceBernstein or any Matador Entity shall have any responsibility whatsoever.

5.5 No Bankruptcy. There are no bankruptcy proceedings pending, being contemplated by, or to the actual knowledge of any Roxanna Entity, threatened against any Roxanna Entity or any of their respective affiliates.

5.6 Taxes. No taxes, assessments, or obligations relating thereto (including any interest, fines, penalties or additions to taxes or assessments), pertaining to the Leases based on ownership of such properties for all taxable periods prior to the taxable period in which the date hereof occurs are due or assessable. All returns with respect to such taxes, assessments or obligations that are required to be filed by the owner of the Leases have been filed or will be filed within the applicable time periods, including any lawful extension of such time periods. No audit, litigation or other proceeding with respect to such taxes, assessments or obligations has been commenced or is presently pending. No income taxes, or obligations relating thereto (including any interest, fines, penalties or additions to taxes), are due or assessable which could result in a lien or other claim against any of the Leases.

5.7 Encumbrances. No Roxanna Entity has granted or will grant any overriding royalty interests, net profits interests, production payments or other burdens on production with respect to the Leases.

5.8 Production. No Roxanna Entity has not entered into any contract committing any production from the Leases, or dedicating any of such acreage, to any particular purchaser.

5.9 Litigation. There is no action, suit, inquiry, claim, investigation or other proceeding pending or, to the actual knowledge of any Roxanna Entity, threatened against the Leases or affecting any Roxanna Entity before any federal, state or other governmental court or agency, or before any arbitrator, that impedes or is likely to impede the ability of any Roxanna Entity to consummate the transactions contemplated hereunder or prevents assumption of the liabilities and obligations to be assumed by any Roxanna Entity under this Agreement.

5.10 Leases. To the actual knowledge of any Roxanna Entity, all bonuses, rentals, other payments or obligations due under the Leases have been properly and timely paid. To the actual knowledge of any Roxanna Entity, there is no material default under any of the Leases. No Roxanna Entity has received written notice from a lessor of any requirements or demands to drill additional wells on any of the Leases, which requirements or demands have not been resolved.

5.11 Preferential Rights to Purchase and Areas of Mutual Interest. There are no preferential rights to purchase or area of mutual interest obligations which entitle any third party to receive a portion of Roxanna's interest in the Leases, either upon consummation of the transactions contemplated by this Agreement or otherwise.

5.12 Third-Party Consents. To the actual knowledge of any Roxanna Entity, there are no third-party consents required for Matador's assignment of the Leases to Participant except those typically required on Federal and State leases and those set forth on Schedule 4.14 attached hereto.

5.13 No Operations. No Roxanna Entity has conducted any physical oil and gas exploration, development or production operations on any of the Leases.

ARTICLE VI.

Representations and Warranties of Participant and AllianceBernstein

Each of Participant and AllianceBernstein hereby represents and warrants to each Matador Entity and each Roxanna Entity that the statements contained in this Article VI are true and correct as of the date hereof.

6.1 Existence and Qualification. Each of Participant and AllianceBernstein is duly formed, validly existing and in good standing under the laws of the State of its formation and has all requisite entity power and authority to own, lease and otherwise hold and operate properties and to carry on its business as it is now being conducted. Each of Participant and AllianceBernstein is duly qualified or licensed as a foreign corporation to do business and is in good standing in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing necessary.

6.2 Authority Relative to this Agreement. Each of Participant and AllianceBernstein has the entity power, capacity and authority to execute this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by each of Participant and AllianceBernstein, and the consummation by each of Participant and AllianceBernstein of the transactions contemplated hereby have been validly authorized by each of Participant and AllianceBernstein, and no other action on the part of Participant and AllianceBernstein is necessary to validly authorize such transactions. This Agreement has been duly and validly executed and delivered by each of Participant and AllianceBernstein and, assuming the due authorization, execution and delivery by the other Parties hereto, constitutes the legal, valid and binding obligation of each of Participant and AllianceBernstein, enforceable against each of them in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium or similar proceeding affecting creditors' rights generally and subject, as to enforceability, to the effect of general principles of equity.

6.3 No Conflicts. The execution and delivery of this Agreement and the other documents contemplated hereby, the consummation of the transactions contemplated hereunder, and the fulfillment of and compliance with the terms and conditions hereof and thereof will not violate, breach or be in conflict with: (i) any material provision of the governing documents of Participant and AllianceBernstein; (ii) any material provision of any agreement or instrument to which Participant and AllianceBernstein is a party, or by which Participant and AllianceBernstein or any of the Leases is bound; or (iii) any judgment, decree, order, statute, rule or regulation applicable to Participant and AllianceBernstein, except for consents and approvals customarily obtained in connection with or subsequent to a transfer of title.

6.4 BLM and State Leases. Participant is and will remain qualified to own interests in oil and gas leases in which the United States or any of the states of Utah, Wyoming or Idaho is the lessor.

6.5 Liability for Brokers' Fees. Neither Participant nor AllianceBernstein has incurred any liability, contingent or otherwise, for brokers' or finders' fees relating to the transaction contemplated hereunder for which any Matador Entity or any Roxanna Entity shall have any responsibility whatsoever.

6.6 No Bankruptcy. There are no bankruptcy proceedings pending, being contemplated by, or to Participant's or AllianceBernstein's actual knowledge, threatened against Participant, AllianceBernstein or any of their respective affiliates.

6.7 Litigation. There is no action, suit, inquiry, claim, investigation or other proceeding pending or, to the actual knowledge of Participant or AllianceBernstein, threatened against or affecting Participant or AllianceBernstein before any federal, state or other governmental court or agency, or before any arbitrator, that impedes or is likely to impede Participant's or AllianceBernstein's ability to consummate the transactions contemplated hereunder or prevents assumption of the liabilities and obligations to be assumed by Participant or AllianceBernstein under this Agreement.

6.8 Investment Representation. In acquiring the Leases, Participant is acquiring such interests for its own account for investment purposes only, and not with a view to resale or distribution. Participant and AllianceBernstein recognize that such interest is speculative and involves substantial risk, and that no Matador Entity and no Roxanna Entity have made any guaranty upon which Participant or AllianceBernstein has relied concerning the possibility or probability of profit or loss as a result of Participant's investment in the Leases.

6.9 Financial Ability. Participant and AllianceBernstein have such knowledge and experience in financial and business matters, and in oil and gas exploration projects of the type contemplated in and by this Agreement that Participant and AllianceBernstein are capable of evaluating the merits and risks of an investment in the Leases, and Participant and AllianceBernstein are not in need of the protection afforded investors by the applicable securities laws. In addition, each of Participant and AllianceBernstein is an "accredited investor" as defined in Rule 501(a) of Regulation D promulgated by the Securities Act of 1933, as amended.

ARTICLE VII.

Guarantees by MRC, ROI and AllianceBernstein

7.1 Guarantee by MRC. MRC unconditionally, absolutely and irrevocably guarantees to Participant and AllianceBernstein and to each Roxanna Entity the full payment and performance, as the case may be, of all agreements, covenants, obligations and liabilities of Matador and Operator contained in this Agreement and the Operating Agreement. As the guarantor hereunder, MRC shall be liable, jointly and severally, with Matador and Operator as regards such agreements, covenants, obligations and liabilities, and hereby waives any requirement, substantive or procedural, that AllianceBernstein, Participant or any Roxanna Entity first enforce rights or remedies against Matador or Operator or any other person liable to AllianceBernstein, Participant or any Roxanna Entity for all or any part of the guaranteed obligations, including that a judgment first be rendered against Matador or Operator or that Matador, Operator or such other person should be joined in such cause of action against MRC.

7.2 Guarantee by AllianceBernstein. AllianceBernstein unconditionally, absolutely and irrevocably guarantees to each Matador Entity and each Roxanna Entity the full payment and performance, as the case may be, of all agreements, covenants, obligations and liabilities of Participant contained in this Agreement and the Operating Agreement. As the guarantor hereunder, AllianceBernstein shall be liable, jointly and severally, with Participant as regards such agreements, covenants, obligations and liabilities, and AllianceBernstein hereby waives any requirement, substantive or procedural, that any Matador Entity or Roxanna Entity first enforce rights or remedies against Participant or any other person liable to any of them for all or any part of the guaranteed obligations, including that a judgment first be rendered against Participant or that Participant or such other person should be joined in such cause of action against AllianceBernstein.

7.3 Guarantee by ROI. ROI unconditionally, absolutely and irrevocably guarantees to each Matador Entity, Participant and AllianceBernstein the full payment and performance, as the case may be, of all agreements, covenants, obligations and liabilities of Roxanna contained in this Agreement and the Operating Agreement. As the guarantor hereunder, ROI shall be liable, jointly and severally, with Roxanna as regards such agreements, covenants, obligations and liabilities, and ROI hereby waives any requirement, substantive or procedural, that any Matador Entity, Participant or AllianceBernstein first enforce rights or remedies against Roxanna or any other person liable to any of them for all or any part of the guaranteed obligations, including that a judgment first be rendered against Roxanna or that Roxanna or such other person should be joined in such cause of action against ROI.

ARTICLE VIII.

Tax Matters

8.1 Tax Partnership. The Parties intend and expect that the transactions contemplated by this Agreement, the Operating Agreement and any associated agreements, taken together, will be treated, for purposes of federal income taxation and for purposes of certain state income tax laws that incorporate or follow federal income tax principles, as resulting in (a) the creation of a partnership (the "Tax Partnership") in which Participant and the Owners are treated as partners, with the Tax Partnership being treated for tax purposes as holding equitable title to, and engaging in all activities of the Parties with respect to, the Leases insofar as they cover the Initial Prospect Area and, if Participant elects Option B, the Second Prospect Area, (b) a contribution by the Owners to the Tax Partnership of their interests in the Leases to the extent they cover the Initial Prospect Area and a commitment by Participant to make capital contributions to the Tax Partnership in order to fund the costs allocable to it under Section 1.2 of the Participation Agreement in exchange for a 50% interest in the Tax Partnership, (c) if Participant elects Option B, a contribution by the Owners to the Tax Partnership of their interests in the Leases to the extent they cover the Second Prospect Area and a commitment by Participant to make capital contributions to the Tax Partnership in order to fund the costs allocable to it under Section 2.3 of the Participation Agreement, and (d) the realization by the Tax Partnership of all items of income or gain and the incurrence by the Tax Partnership of all items of costs or expenses attributable to the ownership, operation or disposition of the Leases insofar as they cover the Initial Prospect Area and, if Participant elects Option B, the Second Prospect Area, notwithstanding that such items are realized, paid or incurred by the Parties individually. The governing terms and conditions of the Tax Partnership are set forth in Exhibit H hereto.

8.2 Tax Information. Operator shall provide each of the other Parties, in a timely manner and at each other Party's sole expense, with information with respect to activities and operations under this Agreement and the Operating Agreement as such other Party may reasonably request for preparation of its tax returns or responding to any audit or tax proceeding with respect to taxes.

8.3 Responsibility for Taxes. Each Party shall be responsible for reporting and discharging its own tax measured by the income of the Party and the satisfaction of such Party's share of all contract obligations under this Agreement and the Operating Agreement. Each Party shall protect, defend, and indemnify each other Party from and against any and all losses, costs, and liabilities arising from the indemnifying Party's failure or refusal to report and discharge such taxes or satisfy such obligations.

ARTICLE IX.

Miscellaneous

9.1 Several Liability; Relationship of Parties. The rights, duties, obligations and liabilities of Operator, Matador, Roxanna and Participant hereunder will be several, not joint or collective. It is not the purpose or intention of this Agreement to create any mining partnership, commercial partnership or other partnership relation other than the Tax Partnership created pursuant to Section 8.1.

9.2 Access to Documents. Owners agree, upon reasonable request by Participant, to furnish copies of Leases, instruments, title opinions and other related data contained in its files relating to the Leases. Owners, MRC, ROI and Operator make no representation as to the accuracy or reliability of any information or data furnished to Participant or AllianceBernstein and assumes no responsibility with respect thereto.

9.3 Title Failures. If, on or before the date of the execution and delivery of the Assignment to Participant of the Initial Earned Interest in accordance with Section 1.4 or the execution and delivery of the Assignment to Participant of the Second Earned Interest in accordance with Section 2.4, any of the Leases that would otherwise be included in such Assignment has terminated because of the expiration of its primary term or other title failure, Matador will substitute for the terminated Lease in the Assignment another Lease that is contiguous, or as near to contiguous as is practicable, to the Initial Prospect Area or Second Prospect Area, as applicable, and that is in full force and effect so that the revised Initial Prospect Area or Second Prospect Area, as applicable, containing the substitute Lease (or portion thereof that is assigned) continues to cover 5,760 gross acres. If, on or before the date of the execution and delivery of the Assignment to Participant of Participant's working interest in the balance of the Leases pursuant to Section 2.1 or 2.5, any of the Leases that would otherwise be included in such Assignment has terminated because of the expiration of its primary term or other title failure, such terminated Lease will be excluded from such Assignment, and Participant will not be obligated to pay any purchase price with respect to such terminated Leases. Participant and AllianceBernstein acknowledge and agree that Owners and Operator have no obligation to extend or renew any Lease that may terminate due to expiration of its primary term. The foregoing obligations of Matador in this Section 9.3 represent the sole rights and remedies of Participant and AllianceBernstein under this Agreement with respect to any Lease that has terminated because of the expiration of its primary term or other title failure prior to the execution and delivery by Matador of an Assignment to Participant of an interest in such Lease. After execution and delivery of any of the foregoing Assignments to Participant, renewals and extensions of the Leases covered by such Assignments will be governed by the terms of the Operating Agreement. Should Matador elect to extend or renew any Lease that may terminate due to expiration of its primary term prior to Participant's election of Option A or Option C hereunder, Matador may, in its sole discretion, offer Participant the right to participate for up to a 50% working interest in such extension or renewal of said Lease. Should Participant elect to participate in such extension or renewal and pay its share of the costs thereof, Participant will be assigned its working interest in said Lease within 30 days of the Lease renewal or extension and payment of its share of the costs and will have no further obligation to acquire said Lease under the terms outlined in this Agreement pursuant to Participant's election of Option A or Option C hereunder. Should Participant decline to participate in such extension or renewal of said Lease, Matador retains the right, but not the obligation under this Agreement, to offer and assign said Lease to Participant pursuant to Participant's election of Option A or Option C hereunder.

9.4 Amendment and Waiver. This Agreement may be amended, modified, changed, altered or supplemented only by written instrument duly executed by the Parties specifically for such purpose and which specifically refers to this Agreement. Neither the waiver by any of the Parties hereto of a breach of or a default under any of the provisions of this Agreement, nor the failure of any Party hereto, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder shall thereafter be construed as a waiver of any subsequent breach or default of a similar nature, or as a waiver of any of such provisions, rights or privileges hereunder.

9.5 Notices. Unless otherwise provided in this Agreement, all notices and communications concerning this Agreement shall be in writing and addressed to the other party as follows:

If to ROI or Roxanna:

c/o Roxanna Oil, Inc.
952 Echo Lane, Suite 364
Houston, TX 77024
ATTN: Julie Garvin, President

If to MRC, Matador or Operator:

c/o Matador Resources Company
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, Texas 75240
ATTN: Joseph Wm. Foran, President

If to AllianceBernstein or Participant:

c/o AllianceBernstein L.P.
1345 Avenue of the Americas
New York, NY 10105
ATTN: ____________________

or at such other address as may be designated in writing to the other Parties. Unless otherwise provided herein, notices shall be hand delivered, sent by registered or certified U.S. Mail, postage prepaid, or by commercial overnight delivery service, and shall be deemed served or delivered to the addressee when received at the address for notice specified above when hand delivered, on the first business day after being sent when sent by overnight delivery service, or three (3) United States Postal Service business days after deposit in the mail when sent by U.S. mail.

9.6 Binding Effect; Assignment. This Agreement will be binding upon and inure to the benefit of the Parties hereto and their respective successors and assigns. The rights and obligations of any Party under this Agreement may be assigned, in whole or in part, by a written assignment delivered to the other Parties.

9.7 Further Assurances. The parties agree to execute such other and further instruments and other documents as are reasonably necessary to carry out the commercial purposes of this Agreement.

9.8 Entire Agreement. This Agreement including the Exhibits attached hereto constitutes the entire Agreement between the Parties with respect to the subject matter hereof, superseding all prior discussions, agreements, and understandings relating to the subject matter, including the Letter of Intent dated March 30, 2010 among MRC, ROI and AllianceBernstein, which Letter of Intent is hereby terminated. Nothing in this Agreement, express or implied, is intended to confer upon any third party, other than the Parties hereto, and their respective successors and assigns, any rights, remedies, obligations, or liabilities under or by reason of this Agreement.

9.9 Severability. If any part or portion of this Agreement is held to be invalid, such invalidity of any such part or portion will not affect any remaining part or portion hereof.

9.10 Arbitration of Disputes. Before any claim may be made or submitted to arbitration by any Party concerning an alleged breach of any provision of this Agreement by another Party, the first Party must provide reasonable notice to the second Party of the alleged breach, and the second Party will be allowed a reasonable opportunity to cure such breach. The Parties agree that any and all controversies or claims arising out of or relating to this Agreement, including but not limited to disputes over drilling or completion operations, must be submitted to final and binding 30-day arbitration in Dallas, Texas pursuant to the Commercial Rules of the American Arbitration Association as in effect from time to time, except in the instance where such rules conflict with the provisions hereof. The Parties further agree that in the absence of a governing provision, the arbitration panel is authorized to supply or to decide "reasonable terms" to carry out the purpose of this Agreement, including any modification or change to any existing provision that conflicts or impedes the principal purpose of this Agreement. The decision by a majority of the arbitrators will be reduced to writing and will be final, binding and conclusive; in addition, the right to contest the determination will cease and terminate and be of no further force and effect. Judgment upon any award made by the arbitrators may be enforced in any court having jurisdiction over the person or the assets of the Party against whom the award is made. The Parties agree that any Party requesting arbitration of any Dispute under this Section must give formal written notice of the Party's demand for arbitration ("Arbitration Notice"). There will be three arbitrators, one to be chosen by Owners, one to be chosen by Participant and the third arbitrator to be selected by the two arbitrators so chosen. The Parties will select their respective arbitrators within five (5) days following receipt of the Arbitration Notice, and the two arbitrators will select the third arbitrator within five (5) days following his appointment. If a Party or the arbitrators fails or refuses to timely select an arbitrator, only the arbitrators selected will serve as the arbitrators hereunder. The Parties further agree that each Party may be represented by counsel in any proceeding under this Section, and that all expenses and fees, including attorneys fees, reasonably incurred in connection with any proceeding under this Section will be paid by the non-prevailing party (as determined by the arbitrators). The arbitrators will have thirty (30) days from the date of the last arbitrator's selection to render a decision. Each Party to this Agreement consents, on behalf of itself and its successors and assigns, to such binding arbitration in accordance with the terms of this Section. Furthermore, the Parties agree that venue will reside in Dallas, Texas for all purposes. The duty to arbitrate will survive the termination of this Agreement.

9.11 Representations and Warranties. The representations and warranties of the Parties in Sections 4.1, 4.2, 4.3, 5.1, 5.2, 5.3, 6.1, 6.2 and 6.3 shall survive the date hereof without time limit. All other representations and warranties of the Parties shall expire automatically upon the second anniversary of the date hereof, and no claim may be made with respect to a breach of such representations after the expiration thereof. Notwithstanding the foregoing, the expiration of the representations shall not affect Matador's special warranty of title in any Assignment.

9.12 LIMITATION OF LIABILITY. NONE OF THE PARTIES WILL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, WHETHER ARISING IN TORT, CONTRACT OR OTHERWISE. THE PARTIES INTEND THAT THE LIMITATIONS UNDER THIS SECTION IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE

CAUSE OR CAUSES RELATED THERETO, INCLUDING, WITHOUT LIMITATION, THE NEGLIGENCE OR STRICT LIABILITY OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. PARTICIPANT AND ALLIANCEBERNSTEIN ACKNOWLEDGE THAT OWNERS, OPERATOR, ROI AND MRC HAVE NOT MADE, AND OWNERS, OPERATOR, ROI AND MRC HEREBY EXPRESSLY DISCLAIM AND NEGATE, ANY REPRESENTATION OR WARRANTY, EXPRESS, IMPLIED, AT COMMON LAW, BY STATUTE OR OTHERWISE RELATING TO (i) THE PRESENCE OF, OR THE QUALITY, QUANTITY OR VOLUME OF, THE RESERVES OF HYDROCARBONS, IF ANY, ATTRIBUTABLE TO THE LEASES AND THE LANDS COVERED THEREBY, (b) THE ACCURACY, COMPLETENESS OR MATERIALITY OF ANY INFORMATION, DATA OR OTHER MATERIALS (WRITTEN OR ORAL) NOW, HERETOFORE OR HEREAFTER FURNISHED TO PARTICIPANT OR ALLIANCEBERNSTEIN BY OR ON BEHALF OF OWNERS, OPERATOR, ROI OR MRC, OR (c) THE ENVIRONMENTAL CONDITION OF THE LANDS COVERED BY THE LEASES.

9.13 Headings for Convenience. All the captions, numbering sequences, section and paragraph headings used in this Agreement are inserted for convenience only and shall in no way define, limit or describe the scope or intent of this Agreement or any part thereof; nor have any legal effect other than to aid a reasonable interpretation of this Agreement.

9.14 Independent Representation. Each Party has had the benefit of independent representation with respect to the subject matter of this Agreement. This Agreement, though drawn by one Party, shall be construed fairly and reasonably and not more strictly against one Party than another.

9.15 Costs and Expenses. Unless agreed otherwise in writing, each Party will pay its own costs and expenses incurred in connection with the negotiation and preparation of this Agreement and any related discussions and due diligence.

9.16 Filing. Once an Assignment has been fully executed by the Parties, Matador shall submit such Assignment, at the cost of the Joint Account (as defined in the Operating Agreement), to the proper agency or county for approval or recording.

9.17 Counterparts. This Agreement may be executed in any number of counterparts (including by facsimile or email transmission of copies of executed counterparts), each of which, when so executed and delivered, shall be an original, and all of which counterparts together shall constitute one and the same fully executed instrument.

9.18 Governing Law. This Agreement shall be interpreted and governed by the laws of the State of Texas without application of any conflict of laws rules or principles that might apply the laws of another state.

9.19 Statute of Frauds. The Parties agree and stipulate that the descriptions of the Initial Prospect Area, the Second Prospect Area or other units which may be formed for the Initial Test Well, the Second Test Well or other wells drilled hereunder and all Exhibits attached hereto shall be sufficient for all purposes including the Statute of Frauds.

9.20 Proportionate Reduction. All interests will be proportionately reduced if any Lease does not cover the full mineral estate in the leased premises.

[Remainder of the Page Intentionally Left Blank.
Signature Pages to Follow.]

This Agreement when executed by the undersigned is made effective this 14th day of May, 2010.

MATADOR RESOURCES COMPANY

By: /s/ Joseph Wm. Foran
Name: Joseph Wm. Foran
Title: Chairman, President & CEO

MATADOR PRODUCTION COMPANY

By: /s/ Joseph Wm. Foran
Name: Joseph Wm. Foran
Title: Chairman, President & CEO

MRC ROCKIES COMPANY

By: /s/ Joseph Wm. Foran
Name: Joseph Wm. Foran
Title: Chairman, President & CEO

ROXANNA OIL, INC.

By: /s/ Julia A. Garvin
Name: Julia A. Garvin
Title: President

ROXANNA ROCKY MOUNTAINS, LLC

By: /s/ Julia A. Garvin
Name: Julia A. Garvin
Title: President

ALLIANCEBERNSTEIN, L.P.

By: /s/ Laurence E. Cranch
Name: Laurence E. Cranch
Title: General Counsel

ALLIANCE CAPITAL REAL ESTATE, INC.

By: /s/ Laurence E. Cranch
Name: Laurence E. Cranch
Title: General Counsel

Schedule 4.14

1. None

Exhibit 10.24

ASSIGNMENT, BILL OF SALE AND CONVEYANCE

THE STATE OF TEXAS	§
	§
COUNTY OF ZAVALA	§

This Assignment, Bill of Sale and Conveyance (the "Assignment"), dated effective as of December 1, 2010, at 7:00 a.m. Central Standard Time (the "Effective Time"), is made by **Winn Exploration Co., Inc.**, a Texas corporation, with a notice address of 19th Floor N. Tower, 800 N Shoreline Blvd, Corpus Christi, Texas, 78401; **Pinion Exploration, LLP**, a Texas Limited Liability Partnership, whose address is 5646 Milton St., Suite 716, Dallas, Texas, 75206; **McDay Oil & Gas, Inc.**, a Texas corporation, whose address is 5646 Milton St., Suite 716, Dallas, Texas, 75206; **McDay Energy Corporation**, a Texas corporation, whose address is 5646 Milton St., Suite 716, Dallas, Texas, 75206; (hereinafter collectively called "Assignor"), to **Matador Resources Company**, a Texas corporation (hereinafter called "Assignee"), whose notice address is One Lincoln Centre, 5400 LBJ Freeway, Suite 1500, Dallas, Texas 75240.

For and in consideration of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor does hereby **GRANT, BARGAIN, SELL, CONVEY, ASSIGN, TRANSFER, SET OVER AND DELIVER** unto Assignee, subject to the terms and reservations hereof, all of Assignor's right, title and interest in and to: (i) the oil and gas lease described in the attached Exhibit "A" (the "Lease"); (ii) the wellbores (active, inactive, shut in or otherwise) and production therefrom described in the attached Exhibit "B;" (iii) the water well and salt water disposal well described in the attached Exhibit "C;" (iv) the surface infrastructure and equipment described in the attached Exhibit "D;" (v) all natural gas, casinghead gas, natural gas liquids, condensate products, crude oil and other hydrocarbons, whether gaseous or liquid, produced or severed from or allocable to the Lease as of the Effective Time; (vi) all oil and gas reserves, oil and gas production, pipelines, gathering lines, easements and rights of way (including all easements and rights of way whether on the Conveyed Premises or off the Conveyed Premises but which are incidental to operations on the Conveyed Premises or lands pooled therewith); (vii) all seismic data (subject to any transfer restrictions related thereto), well information, geologic information, lease information, title opinions, abstracts of title, lease records, well logs, well records, pressure data, decline curves, and any related graphical or digital well data; (viii) all production facilities, disposal wells and facilities, equipment and related properties, and all associated personal property; (ix) any and all gas imbalances; (x) all funds attributable to the Lease but held in suspense such as tax reserves or suspense accounts for payment of taxes or royalties, contractual interests, operating interests, pooling and/or unitization interests; and (xi) all other property rights, whether real or personal, which Assignors may hold as of the Effective Time of this Assignment described in Exhibit "A" whether or not such interests are specifically described herein (but excluding any mineral interests, royalty interests, or overriding royalty interest which may be reserved in this Assignment), all of which are collectively referred to in this Assignment as the "Conveyed Premises." Provided, that Assignee does not by its acceptance of this Assignment assume any liability for breaches, if any, of any leases, contracts, or other agreements pertaining to the Conveyed Premises which may have arisen prior to the Effective Time. Assignor does not guarantee the accuracy of the latitude and longitude descriptions shown anywhere in this document. Assignee has had ample opportunity to inspect and has inspected the equipment listed in Exhibit "D" and accepts same in its current condition, as is.

TO HAVE AND TO HOLD the Conveyed Premises unto the said Assignee forever, subject to the following terms and conditions herein set forth:

1. WORKING INTEREST AND NET REVENUE INTEREST: It is the intent of this Assignment for Assignor to deliver Assignee a one hundred percent (100%) working interest and a seventy-five percent (75%) net revenue interest, where applicable, in the Conveyed Premises. In the event the leasehold interest of Assignor is less than the full leasehold interest in the Conveyed Premises, any overriding royalty interest existing and burdening Assignor’s interest as of the Effective Time hereof shall be reduced to the proportion thereof which Assignor’s leasehold interest bears to the full leasehold interest. In the event the Conveyed Premises is included in a pooled spacing or proration unit, any overriding royalty interest existing and burdening Assignor’s interest as of the Effective Time hereof in the production from said unit shall be determined by multiplying said overriding royalty by a fraction, the numerator of which is the net acreage in the Conveyed Premises in said unit and the denominator of which is the entire acreage of such unit.

2. ASSIGNEE’S REPRESENTATIONS AND WARRANTIES: Assignee makes the following representations and warranties in connection with this Assignment and certifies that all are true and correct as of the Effective Time of this Assignment:

A. Organizational Good Standing: Assignee represents and warrants that it is a business entity duly organized, validly existing, qualified to transact business, and in good standing under the laws of the State of Texas. Assignee and its designated representatives signing below have the power to consummate the Assignment contemplated hereunder and that such Assignment has been duly authorized by all necessary corporate, partnership or other such actions on the part of the Assignee.

B. Data Sharing and Meetings: Assignee further represents and warrants that it will share technical information reasonably requested by Assignor in writing regarding the Conveyed Premises and shall affirmatively provide well information as if Assignor were continuing to be a working interest owner, except for proprietary information subject to confidentiality agreements with third parties. Assignee also represents that it will make itself available for meetings with Assignor if such request is reasonably made at least ten (10) business days before the requested meeting date.

3. ASSIGNOR’S REPRESENTATIONS AND WARRANTIES: Assignor makes the following representations and warranties in connection with this Assignment and certifies that all are true and correct as of the Effective Time of this Assignment:

A. Conveyed Premises Free of Liens and Encumbrances: Assignor represents and warrants that title to the Conveyed Premises is being transferred to Assignee free and clear of any and all liens, encumbrances and adverse claims, except for normal royalty and overriding royalty burdens and other Permitted Encumbrances (which shall not include liens securing any debt). All Permitted Encumbrances, except for royalty and overriding royalties, are listed on Exhibit “E” attached hereto.

B. Rentals and Royalties Paid: Assignor further represents that all rentals and royalties and all property, production, severance and similar taxes (excluding current year ad valorem taxes) with respect to the Conveyed Premises and which accrued during the period of time when Assignor owned the Conveyed Premises and prior to the Effective Time of this Assignment, have been fully and properly paid, or are to be included within any suspense amounts delivered to Assignee concurrently with the delivery of this Assignment.

C. Lease is in Good Standing: Assignor further represents that the Lease described on Exhibit “A” and covering the Conveyed Premises is currently in full force and effect and otherwise in good standing and that the Lease has been maintained by continuous operations and/or payment of rentals, royalties or other obligations; and further that Assignor and or its predecessors in interest have operated the Lease in compliance with all its terms and provisions. Assignor further represents that there have been no gaps in production and or continuous operations such that would cause the Lease covering the Conveyed Premises to terminate either on or prior to the Effective Time or within ninety (90) days thereafter. Furthermore, Assignor represents that the Lease is not subject to outstanding drilling, infill drilling, production, marketing, abandonment, use or other operational obligations, the failure to comply with which would or could reasonably be expected to result in or cause a termination or other material impairment of the right, title and interest of Assignor (or Assignee, as successors in interest to Assignor, in and to the Lease (including a reduction in Assignor’s seventy-five percent (75%) net revenue interest) except to the extent that the Lease is not perpetuated in the future due to actions or inactions of Assignee. Assignor further represents that it has not received any written notice that Assignor has failed to timely and properly pay all accrued bonuses, delay rentals, minimum royalties, production royalties or other obligations due with respect to any person's interest in the Lease, in each case in accordance with the Lease and applicable law.

D. No Pending Claims or Lawsuits: Assignor further represents that all pending or threatened claims or lawsuits involving the Conveyed Premises are included in the list of Permitted Encumbrances included in Exhibit "E."

E. In Compliance with Laws: Assignor further represents that Assignor has complied with all laws, rules, regulations, ordinances and orders of all local, tribal, state and federal governmental bodies, authorities and agencies having jurisdiction over Assignor and the Conveyed Premises, noncompliance with which would materially interfere with, prevent, frustrate, or hinder oil and gas operations on the Conveyed Premises.

F. Organizational Good Standing: Assignor further represents that it is a business entity duly organized, validly existing, and in good standing under the laws of the State of Texas, qualified to transact business and own and operate the Conveyed Premises, and that Assignor and its designated representatives signing below have the power to consummate the Assignment contemplated hereunder and that such Assignment has been duly authorized by all necessary corporate, partnership or other such actions on the part of the Assignor.

G. Permits in Good Standing: Except for those wells disclosed on Exhibit "E," Permitted Encumbrances, Assignor further represents that as of the Effective Time, to Assignor's knowledge, it has obtained any and all material and necessary state and federal governmental and quasi-governmental permits and satisfied all requirements, including, but not limited to, obtaining any and all required bonds and/or sureties, to own and operate the Conveyed Premises in the State of Texas; and that all such permits are in full force and effect or otherwise in good standing; and that no facts, circumstances, events or conditions exist with respect to, in connection or associated with, or otherwise affecting the Conveyed Premises, or the ownership or operation of any thereof, which could reasonably be expected to give rise to any claim or assertion that Assignor or the Conveyed Premises, or the ownership or operation of any thereof, is not in compliance with any applicable law or permit, license, Lease provisions, approval, consent, certificate or other authorization. The mechanical condition of the wells listed on Exhibit "E" are described, to the best of Assignor's knowledge, in footnotes on that page.

H. Contracts in Good Standing: Assignor further represents that any and all contracts associated with the operation and/or production of the Conveyed Premises and being transferred to Assignee pursuant to this Assignment are in good standing and in full force and effect except as may be otherwise disclosed on Exhibit "E," Permitted Encumbrances, and that no facts, circumstances, events or conditions exist with respect to, in connection or associated with, or otherwise affecting such contracts which could reasonably be expected to give rise to any claim or assertion that Assignor or the Conveyed Premises, or the ownership or operation of any thereof, is not in compliance or is otherwise in breach of any such contract. Such contracts shall include, but are not limited to, any and all gathering, processing, treating, pipeline, transportation, natural gas or crude oil sales, dehydration, compression, gas balancing, rights of way, easements, road usage, water usage and or any other contracts associated with the operation and/or production of the Conveyed Premises.

I. Required Consents Obtained: Assignor further represents that as of the Effective Time of this Assignment: all preferential rights to purchase, consents to assign, waivers or other third-party consents (governmental or otherwise) which may be required for this Assignment, if any, have been obtained except as may otherwise be disclosed in Exhibit "E," Permitted Encumbrances.

J. No Conflicts: Assignor further represents that the execution and delivery of this Assignment and any other agreements to which it is a party do not, and the consummation of this Assignment will not, conflict with, or result in any violation of, or default under (with or without notice or lapse of time, or both), or give rise to a conflict under: (1) any provision of Assignor’s governing documents; (2) any mortgage, indenture, lease, contract, permit, concession, franchise, license or any other agreement or instrument to which Assignor or any of the Conveyed Premises are subject; or (3) any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Assignor or the Conveyed Premises, except where such conflict will not have a material adverse effect on the Conveyed Premises.

K. No Tax Deficiencies: Assignor further represents that (1) no tax deficiency has been determined adversely to Assignor which has had, nor does Assignor have any knowledge of any tax deficiency which, if determined adversely to Assignor, would burden the Conveyed Premises; (2) it has not elected to be subject to a tax partnership agreement or provision requiring a partnership tax income tax return to be filed under applicable law with respect to the Conveyed Premises; (3) neither Assignor nor its affiliates have received written notice of any pending claim against Assignor or its affiliates (which remains outstanding) from any applicable governmental authority for assessment of taxes with respect to the Conveyed Premises; (4) there are no audits, suits, proceedings, assessments, reassessments, deficiency claims, or other claims relating to any taxes of Assignor which Assignor has received written notice with any applicable governmental authority; and (5) there are no liens for taxes against Assignor on the Conveyed Premises, whether or not filed in the real property records of any applicable governmental authority, other than liens for taxes not yet delinquent or, if delinquent, being contested reasonably and by appropriate actions and for which adequate cash reserves are maintained for the payment thereof and which are being transferred to Assignee under the terms of this Assignment.

L. Insurance: Assignor further represents that until the Effective Time of this Assignment it has carried insurance in sufficient amounts covering its operations on the Conveyed Premises and that Assignor has not received notice of cancellation or non-renewal of such insurance.

M. No Pending Environmental Claims: Save and except those wells and issues listed in Exhibit “E,” which may be relevant to this paragraph, Assignor further represents that it is not aware of any existing environmental conditions on the Conveyed Premises either surface or subsurface, and that it has received no written notice from any applicable governmental authority, or any lessor of the Lease, of any condition on or with respect to the Lease or the Conveyed Premises which, if true, would constitute violation of, or require remediation under environmental laws and/or the Lease. Assignor also represents that: (1) the operation of the Lease and the Conveyed Premises is in full compliance with all applicable environmental laws; (2) all permits, licenses, approvals, consents, certificates and other authorizations required by environmental laws or by any governmental authority or third person with respect to the ownership or operation of the Conveyed Premises (the “Environmental Permits”) have been properly obtained and are being maintained in full force and effect, and the Conveyed Premises are being maintained in compliance with the Environmental Permits; (3) there are and have been no facts, conditions or circumstances in connection with, related to, or associated with the Conveyed Premises, or the ownership or operation of any thereof, that could reasonably be expected to give rise to any claim or other assertion that Assignor, the Conveyed Premises, or the ownership or operation thereof gives rise to any liability under or in connection with any environmental law or Environmental Permits; (4) Assignor has neither entered into, nor is subject to, any agreements, consents, orders, decrees, judgments, licenses, or permit conditions, or other directives from any governmental authority that relate to the future use of the Conveyed Premises and that require remediation or other change in the present condition of the Conveyed Premises; (5) there has been no escape, release, discharge, disposal, or other conditions or circumstances that could reasonably be expected to result in a violation of or liability under any environmental law except as disclosed on Exhibit “E,” Permitted Encumbrances; (6) there has been no claim of exposure to or damage from any pollutants, wastes, contaminants, or hazardous, extremely hazardous, or toxic materials, substances, chemicals or wastes except as disclosed on Exhibit “E,” Permitted Encumbrances; and (7) there is no liability or obligation to perform any remediation, removal, response, restoration, abatement, investigative or monitoring operations except as disclosed on Exhibit “E,” Permitted Encumbrances.

N. No Gas Imbalances: Assignor represents and warrants that there are no gas imbalances due third parties which have resulted from Assignor’s operations on the Conveyed Premises as of the Effective Time except as may be indicated on Exhibit “E,” Permitted Encumbrances.

O. Seventy-Five Percent NRI: Assignor represents and warrants that there are no leasehold burdens or other interests such as would lower the seventy-five percent (75%) net revenue interest in the Conveyed Premises referenced in Section 2 above and to the extent same may exist, they are to be deducted from the overriding royalty being reserved by Assignors in this Assignment.

P. Special Warranty of Title: Assignor agrees to defend title to the interests assigned hereby against all persons claiming or to claim the same by, through, and under Assignor but not otherwise.

4. INDEMNITY: Assignor retains liability and shall be responsible for, and shall defend, indemnify and hold Assignee harmless from, any and all claims arising, asserted or due prior to the Effective Time with respect to the Conveyed Premises, but limited to the time Assignor had the right to be operator of the Conveyed Premises and provided that such claim is asserted in writing prior to or within twelve (12) months after the Effective Time and exceeds $25,000.00. Assignee hereby assumes and shall be responsible for complying with all duties and obligations, express or implied, arising on or after the Effective Time with respect to the Conveyed Premises and shall, in addition, be responsible for, and shall defend, indemnify and hold Assignor harmless from any and all claims arising, asserted or due prior to the Effective Time with respect to the Conveyed Premises if such claim is asserted after the expiration of twelve (12) months after the Effective Time. However, any claim or liability arising, asserted or due with respect to environmental, property damage or personal injury on the Conveyed Premises prior to the Effective Time shall be limited. to the maximum single event limits of Assignor’s general liability insurance policy as of the Effective Time, which in no event will be less than one million dollars, or in the event of an environmental damage, Assignee may request the Assignor to plug or take back control and ownership of the well bore and assume the specific liability. This limit of indemnity shall not apply to any claims or liabilities arising from or in connection with any breach of Assignor’s representation or warranty in this Assignment.

5. DISCLAIMER OF JOINT LIABILITY: It is understood and agreed that this Assignment shall not create the relationship of a partnership or joint venture between Assignor and Assignee.

6. AMENDMENT AND WAIVER: This Assignment may be altered, amended or waived only by a written agreement executed by Assignor and Assignee. No waiver of any provision of this Assignment shall be construed as a continuing waiver of the provision.

7. FURTHER ASSURANCES: Assignor and Assignee further agree that each will, from time to time and upon reasonable request, execute, acknowledge, and deliver in proper form, any permits, regulatory filings, letters in lieu of transfer orders, releases of mortgages or deeds of trust or judgments or other similar encumbrances or title curative which may be requested of or come into Assignor’s possession, Internal Revenue Certifications, Texas Railroad Commission forms, seismic permits or other seismic data or geological data information transfer forms, or any other instruments or documents necessary to effectuate the purposes of this Assignment. Assignor agrees to deliver to Assignee all records and other information or any and all other documentation required by the terms of this Assignment to Assignee within thirty (30) days of the Effective Time at the following address:

Matador Resources Company
Attn: David E. Lancaster, Executive Vice President

One Lincoln Center
5400 LBJ Freeway, Suite 1500
Dallas, Texas 75240

8. **DISPUTES TO BE RESOLVED BY ARBITRATION**: Assignor agrees to give written notice to Assignee of any alleged breach of this Assignment or any provision of the Lease; and Assignee shall then have thirty (30) days to cure the alleged breach before invoking arbitration; it being the intent of Assignor and Assignee that either party shall have the benefit of reasonable notice and an opportunity to cure prior to any event that would lead to the termination of this Assignment or to other remedies by the aggrieved party. Assignor and Assignee further agree that any and all controversies or claims arising out of this Assignment shall be submitted to final and binding thirty (30) day arbitration in Dallas, Texas pursuant to the Commercial Rules of the American Arbitration Association as in effect from time to time, except in the instance where such rules conflict with the provisions hereof. Assignor and Assignee further agree that in the absence of a governing provision, the arbitration panel is authorized to supply or to decide "reasonable terms" to carry out the purpose of this Assignment, including any modification or change to any existing provision that conflicts or impedes the principal purpose of this Assignment. The decision by a majority of the arbitrators will be reduced to writing and will be final, binding and conclusive; in addition, the right to contest the determination will cease and terminate and be of no further force and effect. Judgment upon any award made by the arbitrators may be enforced in any court having jurisdiction over the person or the assets of the party against whom the award is made. Assignor and Assignee agree that any party requesting arbitration of any dispute under this section must give formal written notice of the party's demand for arbitration ("Arbitration Notice"). There will be three arbitrators, one to be chosen by Assignor, one to be chosen by Assignee and the third arbitrator to be selected by the two arbitrators so chosen. Assignor and Assignee will select their respective arbitrators within five (5) days following receipt of the Arbitration Notice, and the two arbitrators will select the third arbitrator within five (5) days following his appointment. If a party or the arbitrators fails or refuses to timely select an arbitrator, only the arbitrators selected will serve as the arbitrators hereunder. Assignor and Assignee further agree that each may be represented by counsel in any proceeding under this section, and that all expenses and fees, including attorneys fees, reasonably incurred in connection with any proceeding under this section will be paid by the non-prevailing party (as determined by the arbitrators). The arbitrators will have thirty (30) days from the date of the last arbitrator's selection to render a decision. Assignor and Assignee consent, on behalf of themselves and their successors and assigns, to such binding arbitration in accordance with the terms of this section. Furthermore, Assignor and Assignee agree that venue will reside in Dallas, Texas for all purposes. The duty to arbitrate will survive the termination of this Assignment.

9. **SUCCESSORS AND ASSIGNS**: The terms, covenants and conditions hereof shall be deemed to be covenants running with the leasehold estate(s) referred to in the attached Exhibit "A," and as such shall extend to, bind and inure to the benefit of Assignor and Assignee, their successors and assigns.

10. **COUNTERPARTS:** This Assignment may be executed in any number of counterparts, through the use of separate signature pages, each of which shall be an original, but all of which together shall constitute one instrument. Executed counterparts of this Assignment may be delivered through telecopy or emails of PDF scanned copies, and such executed counterparts shall be binding on the Assignor and Assignee as though executed originals were delivered.

EXECUTED on the dates set out in the acknowledgments hereto, but effective for all purposes as of the Effective Time.

ASSIGNOR:

Winn Exploration Co., Inc.

By: /s/ Michael W. Calley
Michael W. Calley, Executive Vice President

ASSIGNOR:

Pinion Exploration, LLP

By: /s/ Richard C. McPherson
Richard C. McPherson, Managing Member

ASSIGNOR:

McDay Energy Corporation

By: /s/ Richard C. McPherson
Richard C. McPherson, Vice President

ASSIGNOR:

McDay Oil & Gas, Inc.

By: /s/ Richard C. McPherson
Richard C. McPherson, Vice President

ASSIGNEE:

Matador Resources Company

By: /s/ Matt Hairford
Matt Hairford, Executive Vice President-Operations

THE STATE OF TEXAS }

COUNTY OF ______ }

This Assignment was acknowledged before me this ________ day of December, 2010 by Michael W. Calley, who is Executive Vice President of Winn Exploration Co., Inc., a Texas Corporation.

My Commission expires:

____
Notary Public in for the State of Texas

____

THE STATE OF TEXAS }

COUNTY OF DALLAS }

This Assignment was acknowledged before me this 1st day of December, 2010 by Richard C. McPherson, who is Managing Member of Pinion Exploration, LLP, a Texas Limited Liability Partnership.

My Commission expires:

/s/ Bambi J. Frazer
Notary Public in for the State of Texas

March 5, 2012

THE STATE OF TEXAS }

COUNTY OF DALLAS }

This Assignment was acknowledged before me this 1st day of December, 2010 by Richard C. McPherson, who is Vice President of McDay Energy Corporation, a Texas Corporation.

My Commission expires:

/s/ Bambi J. Frazer
Notary Public in for the State of Texas

March 5, 2012

THE STATE OF TEXAS }

COUNTY OF DALLAS }

This Assignment was acknowledged before me this 1st day of December, 2010 by Richard C. McPherson, who is Vice President of McDay Oil & Gas, Inc., a Texas Corporation.

My Commission expires:

/s/ Bambi J. Frazer
Notary Public in for the State of Texas

March 5, 2012

STATE OF TEXAS }

COUNTY OF DALLAS }

This Assignment was acknowledged before me this ________ day of December, 2010 by Matt Hairford, who is Executive Vice President-Operations of Matador Resources Company, a Texas Corporation.

My Commission expires:

Notary Public in for the State of Texas

____

Exhibit 10.25

PURCHASE, SALE AND PARTICIPATION AGREEMENT

by and between

ORCA ICI DEVELOPMENT, JV,
as Seller,

and

MATADOR RESOURCES COMPANY,
as Buyer

Dated as of May 16, 2011

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Exhibit "B-1" List of Karnes, Gonzales and Wilson Lease Net Revenue Interests, Net Acres and Allocated Values
Exhibit "C" List of Certain Agreements, Contracts, Approvals and Consents
Exhibit "D" Joint Operating Agreement
Exhibit "E" Form of DeWitt Five Percent Reassignment
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PURCHASE, SALE AND PARTICIPATION AGREEMENT

This Purchase, Sale and Participation Agreement (the "**Agreement**") is made this 16th day of May, 2011 (the "Effective Date"), by and between ORCA ICI DEVELOPMENT, JV, a Texas general partnership ("**Seller**"), whose address is 5005 Riverway, Suite 440, Houston, Texas 77056, and MATADOR RESOURCES COMPANY, a Texas corporation, whose address is One Lincoln Centre, 5400 LBJ Freeway, Suite 1500, Dallas, Texas 75240 ("**Buyer**"). Buyer and Seller may be collectively referred to herein as the "**Parties**" and individually as a "**Party**." Buyer and Seller agree as follows:

AGREEMENT

1. **Purchase and Sale**.

(a) **Property Being Sold**. For and in consideration of the Purchase Price and Buyer's agreement to the terms and conditions of this Agreement, including without limitation Buyer's agreement to drill the DeWitt Earning Wells and the KGW Earning Wells, and subject to the terms and conditions of this Agreement, Seller agrees to make the Property exclusively available and subject to Buyer's right to acquire and retain it hereunder. The term "**Property**" (or within context "**Properties**") means:

(i) **DeWitt Leasehold**. An undivided Fifty Percent (50%) of 8/8ths of Seller's right, title and interest in and to the oil, gas and mineral leases and subleases, including renewals, extensions, ratifications and amendments to such leases and subleases, and further including working interests, rights of assignment and reassignment, net revenue interests and undeveloped locations under or in oil, gas and mineral leases, and interests in rights to explore for and produce oil, gas or other minerals covering approximately 2,794.728 gross acres and 2,794.728 net acres in DeWitt County, Texas insofar and only insofar as such rights, titles and interests are described in Exhibit "A" (all references in this Agreement to Exhibit "A" shall be deemed to include Exhibit "A-1") attached and made a part hereof (all of such right, title and interest described in this Section 1(a)(i) being hereinafter referred as the "**DeWitt Leases**" or in some cases "**DeWitt Lease**" if the context requires, but excluding the 220 acres associated with the Lewton #1H well as identified in the Farmout Agreement dated March 18, 2011, by and between Buyer and Seller);

(ii) **Karnes, Gonzales and Wilson Leasehold**. One Hundred Percent (100%) of 8/8ths of Seller's right, title and interest in and to the oil, gas and mineral leases and subleases, including renewals, extensions, ratifications and amendments to such leases and subleases, and further including working interests, rights of assignment and reassignment, net revenue interests and undeveloped locations under or in oil, gas and mineral leases, and interests in rights to explore for and produce oil, gas or other minerals covering approximately 3,938.081 gross acres and 3,938.081 net acres in Karnes, Gonzales and Wilson Counties, Texas insofar and only insofar as such rights, titles and interests are described in Exhibit "B" (all references in this Agreement to Exhibit "B" shall be deemed to include Exhibit "B-1") attached and made a part hereof (all of such right, title and interest described in this Section 1(a)(ii) being hereinafter referred to herein as the “**KGW Leases**” or in some cases “**KGW Lease**” if the context requires; the DeWitt Leases and KGW Leases (or assigned interest therein) being hereinafter referred to collectively as the “**Leases**” or in some cases “**Lease**” if the context requires);

Notwithstanding the foregoing clauses (i) and (ii), the term “**Property**” shall exclude, and Seller shall reserve and except in any assignment thereof, any of Seller’s right, title and interest in the Leases not conveyed and assigned to Buyer as a result of a Title Defect (as defined in Section 6(a)) unless Seller is able to timely cure or remediate such defect as referenced in Section 6(d) or if such defect is waived by Buyer.

(iii) **Rights in Production**. All of Seller’s right, title and interest in and to all reversionary interests, backin interests, overriding royalty interests and production payments relating to all natural gas, casinghead gas, natural gas liquids, condensate, products, crude oil and other hydrocarbons, whether gaseous or liquid, produced and severed from, or allocable to the Leases (the “**Hydrocarbons**”), but only to the extent such right, title and interest are attributable to the Leases;

(iv) **Contract Rights**. All of Seller’s right, title and interest in or derived from unit agreements, orders and decisions of regulatory authorities establishing or relating to units, unit operating agreements, exploration agreements, operating agreements, communitization agreements, gas purchase agreements, oil purchase agreements, gathering agreements, transportation agreements, road use agreements, surface use agreements, processing or treating agreements, farmout agreements and farm in agreements, rights-of-way, easements, seismic agreements, seismic permits, permits, surface leases and any other agreements relating to the Leases and Hydrocarbons to the extent such contracts are assignable without the payment of any compensation (the “**Contracts**”), but only to the extent such right, title and interest are attributable to the Leases, and Hydrocarbons;

2. **Purchase Price**. As part of the consideration to Seller, Buyer agrees to pay to Seller for the Property the sum of THIRTY FOUR MILLION DOLLARS AND NO/100 ($34,000,000.00) (the “**Purchase Price**”). The Purchase Price shall be payable at Closing (as hereinafter defined) to Seller in immediately available funds.

3. **Effective Date and Closing**. The conveyance of the Property to Buyer shall be effective as of and title thereof shall be delivered at the closing, which shall take place on the date that is five (5) business days after the Effective Date (the “**Closing**” or “**Closing Date**”) unless extended by the written agreement of the Parties.

4. **Representations and Warranties of Seller**. Seller represents and warrants to Buyer as of the date hereof and will represent and warrant to Buyer at the Closing, as follows:

(a) **Authority**. Orca ICI Development, JV is a general partnership duly organized, validly existing and in good standing under the laws of the State of Texas and has the requisite power and authority to enter into, deliver and perform this Agreement and carry out the transactions contemplated under this Agreement.

(b) **Valid Agreement**. This Agreement constitutes the legal, valid and binding agreement of Seller on its behalf. At the Closing, all instruments required hereunder to be executed and delivered by Seller shall constitute legal, valid and binding obligations of Seller. The execution and delivery by Seller of this Agreement, the consummation of the transactions set forth herein and the performance by Seller of its obligations hereunder have been duly and validly authorized by all requisite corporate action on the part of Seller and will not, in any material respects, violate, conflict with or result in any violation or breach of any provision of any:

(i) Agreement, contract, mortgage, lease, license or other instrument to which Seller or any of Seller's partners are a party or by which Seller or the Property is bound;

(ii) Governmental franchise, license, permit or authorization or any judgment or order of a judicial or governmental body applicable to Seller or the Property; or

(iii) Law, statute, decree, rule or regulation of any jurisdiction in the United States to which Seller or the Property is subject.

(c) **Authorization**. This Agreement has been duly authorized, executed and delivered by Seller on its behalf. All instruments required to be delivered by Seller at the Closing shall be duly authorized, executed and delivered by Seller. This Agreement and all documents executed by Seller in connection with this Agreement shall constitute legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their terms, subject to the effects of bankruptcy, insolvency, reorganization, moratorium and similar laws from time to time in effect, as well as general principles of equity.

(d) **Leases**. (i) The Leases are in full force and effect and are the valid and legally binding obligations of the parties thereto and are enforceable in accordance with their respective terms, (ii) all royalties, rentals and other payments due under the Leases have been fully, properly and timely paid, or placed in suspense, (iii) Seller has not made any oral or written agreements that would impair or interfere with the ability of Buyer to enter upon and conduct operations on the Leases, amend any of the terms in the Leases, or bind Buyer to any obligations that are not disclosed in the Leases or on the Other Obligations Exhibit attached hereto as Exhibit "K", (iv) all deductions from oil and gas proceeds have been deducted in compliance with all of the terms and conditions of the applicable Leases, other contracts and applicable law, (v) Seller is not in material breach or default with respect to any of its obligations pursuant to any of the Leases and (vi) Seller has received no written or oral notice of default under any of the Leases.

(e) **Prepayments and Wellhead Imbalances**. Except as provided in the Leases, Seller is not obligated, by virtue of a production payment, prepayment arrangement under any contract for the sale of Hydrocarbons containing a "take or pay," advance payment or similar provision, gas balancing agreement or any other arrangement to deliver Hydrocarbons produced from the Property at any time after the Effective Date without then or thereafter receiving full payment therefor.

(f) **Taxes.** All due and payable ad valorem, property, production, severance and similar taxes and assessments based on or measured by the ownership of property on the Property have been timely paid when due and are not in arrears and all such taxes and assessments which become due prior to the Closing Date for any periods prior to the Effective Date, will be properly paid or accounted for at Closing.

(g) **Brokers**. Seller has incurred no obligation or liability, contingent or otherwise, for brokers' or finders' fees with respect to this transaction for which Buyer shall have any obligation or liability.

(h) **Maintenance of Interests**. Seller has maintained and will continue, from the date of this Agreement until the Closing, to maintain the Property in a reasonable and prudent manner, in full compliance with applicable law and orders of any governmental authority, will maintain insurance and bonds, if any, now in force with respect to the Property and will pay when due all costs and expenses coming due and payable in connection with the Property including but not limited to, payment of all rentals, deferred payments, extension payments and any other necessary payments to maintain the Leases in full force and effect.

(i) **Suits and Claims**. Except as disclosed on Schedule 4(i) attached hereto, to Seller's knowledge, no suit, action, claim or other proceeding is now pending or threatened before any court, arbitration panel or governmental agency which might result in the impairment or loss of any of Seller's title to any portion of the Property or a material diminution of the value of any of the Property or that might materially hinder or impede the operation of the Property, and Seller shall promptly notify Buyer of any such proceeding which arises or is threatened prior to the Closing Date.

(j) **Environmental Matters**. To Seller's knowledge, Seller is not in material violation of any environmental laws applicable to the Property, or any material limitations, restrictions, conditions, standards, obligations or timetables contained in any environmental laws. Seller has not received any written notice alleging such a violation is pending or threatened against the Property.

(k) **Obligation to Close**. Seller shall take or cause to be taken all actions necessary or advisable to consummate the transactions contemplated by this Agreement and to assure that as of the Closing Date it will not be under any material, legal, governmental or contractual restriction that would prohibit or delay the timely consummation of such transactions.

(l) **Outstanding AFEs, Well Commitments, Etc.** Except as provided in the Leases, Seller has not, and will not after execution of this Agreement by all Parties, become legally obligated for any future operational commitments requiring an expenditure, if such commitments would be binding on Buyer, of greater than Five Thousand Dollars and No/100 ($5,000.00) net to the Property, without obtaining Buyer's written consent. There are no operations on the Property to which Seller is or was a non-consenting party. There are no obligations to drill additional wells on the Leases, other than those required to maintain the Leases in force and effect.

(m) **Contracts, Consents and Preferential Rights**. Exhibit "C" attached hereto and made a part hereof accurately identifies the following items:

(i) All joint venture and area of mutual interest agreements of which any terms remain executory and affect any Property;

(ii) All gas purchase contracts, oil purchase contracts, gathering contracts, transportation contracts, marketing contracts, disposal or injection contracts and all other contracts affecting any Property which are not, by the terms thereof, subject to termination upon thirty (30) days or less notice;

(iii) All governmental approvals and third party contractual consents required in order to consummate the transactions contemplated by this Agreement; and

(iv) All agreements pursuant to which third parties have preferential rights or similar rights to acquire any portion of the Property upon the transfer of the Property by Seller to the Buyer as contemplated by this Agreement.

(n) **Buyer's Remedy in the Event of a Breach of Warranty by Seller**. If Buyer discovers or is advised by Seller in writing at or prior to Closing that any of Seller's warranties and representations are untrue as of the Closing, then Buyer may either (i) waive objection thereto and close, without reduction of the Purchase Price; or (ii) as Buyer's sole and exclusive remedy, terminate this Agreement, whereupon neither party shall have any further rights or obligations hereunder except as otherwise expressly provided.

5. **Representations and Warranties of Buyer**. Buyer represents and warrants to Seller as of the date hereof and will represent and warrant at the Closing, as follows:

(a) **Authority**. Buyer is a corporation duly organized and in good standing under the laws of the State of Texas and has all the requisite corporate power and authority to enter into and perform this Agreement and carry out the transactions contemplated under this Agreement.

(b) **Valid Agreement**. This Agreement constitutes the legal, valid and binding agreement of Buyer. At the Closing, all instruments required hereunder to be executed and delivered by Buyer shall be duly executed and delivered to Seller and shall constitute legal, valid and binding obligations of Buyer. Buyer's execution and delivery of this Agreement, the consummation of the transactions set forth herein and Buyer's performance of Buyer's obligations hereunder have been duly and validly authorized by all requisite corporate action on the part of Buyer and will not conflict with or result in any violation of any provision of any:

(i) Agreement, contract, mortgage, lease, license or other instrument to which Buyer is a party or by which Buyer is bound;

(ii) Governmental franchise, license, permit or authorization or any judgment or order of a judicial or governmental body applicable to Buyer; or

(iii) Law, statute, decree, rule or regulation of any jurisdiction in the United States to which Buyer is subject.

(c) **Governmental Approvals**. Buyer shall obtain all required local, state, federal governmental and agency permissions, approvals, permits, bonds and consents, as may be required to assume Seller's assigned obligations and responsibilities attributable to the Property.

(d) **Independent Evaluation**. Buyer is an experienced and knowledgeable investor in the oil and gas business. Buyer has been advised by and has relied solely on its own expertise and legal, tax, title, reservoir engineering, environmental and other professional counsel concerning this transaction, the Property, the value thereof and title thereto.

(e) **Obligation to Close**. Buyer shall take or cause to be taken all actions necessary or advisable to consummate the transactions contemplated by this Agreement and to assure that as of the Closing Date it will not be under any material, corporate, legal, governmental or contractual restriction that would prohibit or delay the timely consummation of such transactions.

(f) **Available Funds**. Buyer has readily available sufficient funds to pay the full amount of the Purchase Price.

(g) **Brokers**. Buyer has incurred no obligation or liability, contingent or otherwise, for brokers' or finders' fees with respect to this transaction for which Seller shall have any obligation or liability.

6. **Title Matters**.

(a) **Definitions**.

(i) "**Marketable Title**" means a title that can be deduced from the applicable county, state and federal records and is such that:

- a reasonable and prudent person engaged in the business of the ownership, development and operation of oil and gas properties with the knowledge of all the facts and their legal bearing would be willing to accept title to the Property, and
- the title is free and clear from liens and encumbrances that would reduce, impair or prevent Buyer from receiving payment from the purchasers of production, or which would materially impair or reduce the ability of Buyer to enter upon and conduct operations upon the Property, or which would materially impair or reduce the economic benefit Buyer could reasonably expect from acquiring the Property.

(ii) "**Title Defect**" means: (A) any matter that would cause the title to the Property to fail to qualify as Marketable Title; (B) any matter that reduces the net revenue interest to be conveyed to Buyer in any Lease to less than that which is represented on Exhibit "A-1" or "B-1"; and (C) any matter that reduces the number of net acres to be conveyed with respect to any Lease from that which is represented on Exhibit "A-1" or "B-1"; provided, however, the term "Title Defect" shall not include a Permitted Encumbrance.

(iii) "**Allocated Value**" means the value agreed upon by the Parties for the Properties as set forth on Exhibits "A-1" and "B-1".

(iv) "**Permitted Encumbrance**", as to any Lease, means:

(1) lessors' royalties, overriding royalties, net profits interests, production payments, reversionary interests and similar burdens ("**Lease Burdens**") (payable or in suspense) filed of record as of March 17, 2011 in the county in which such Lease is located, if the net cumulative effect of such Lease Burdens does not operate to reduce (i) the net revenue interest for such Lease below that which is represented on Exhibit "A-1" or "B-1", and (ii) the number of net acres to be conveyed with respect to such Lease from that which is represented on Exhibit "A-1" or "B-1";

(2) liens for taxes or assessments not yet due and delinquent;

(3) all rights to consent by, required notices to, filings with, or other actions by federal, state or local governmental bodies in connection with the conveyance of the applicable Lease if the same are customarily obtained after such conveyance ("**Routine Consents**");

(4) rights of reassignment upon the surrender or expiration of any Lease;

(5) easements, rights-of-way, servitudes, permits, surface leases and other rights with respect to surface operations, on, over or in respect of the lands covered by the Lease or any restriction on access thereto so long as the same do not materially interfere with the operation of the affected Lease and do not materially affect the value thereof;

(6) materialmen's, mechanics', operators' or other similar liens arising in the ordinary course of business incidental to operation if such liens and charges have not been filed pursuant to law or the time for filing such liens and charges has expired; and

(7) all other contracts, agreements, instruments, obligations, defects and irregularities affecting such Lease that individually or in the aggregate are not such as to materially interfere with the ability of Buyer to enter upon and conduct operations upon the Lease or materially interfere with the value or use of such Lease and cannot reasonably be expected to prevent Buyer from receiving the proceeds of production from such Lease; provided, nothing in this Section 6(a)(iv)(7) shall operate to reduce (i) the net revenue interest for such Lease below that which is represented on Exhibit "A-1"or "B-1" and (ii) the number of net acres to be conveyed with respect to such Lease from that which is represented on Exhibit "A-1" or "B-1".

(b) **Examination of Files and Records**. Seller has made and shall continue to make available to Buyer its Leases, title files, easements, contracts and other title information available in Seller's files relating to the Property (collectively "**Data**"). Upon reasonable advance notice from Buyer, all such Data shall be made available at Seller's office during normal working hours. Seller shall also permit Buyer to examine and copy such Data at Buyer's expense. If Closing does not occur, Buyer shall promptly return all such Data, copies of Data and other materials provided by Seller to Buyer hereunder. Buyer shall, and shall cause its affiliates, officers, employees, representatives and agents to, treat as confidential all such Data in accordance with the requirements of Section 15(c) of this Agreement and shall not, and shall cause its affiliates, officers, employees, representatives and agents not to, disclose or otherwise use the Data for any purpose other than its evaluation of the Property prior to the Closing.

(c) **Notice of Title Defect**. Buyer will review title to the Leases prior to Closing and notify Seller in writing of any Title Defect it discovers as soon as reasonably practicable after its discovery, but no later than two (2) business days after the Effective Date. Any notice provided hereunder shall include a description of the Title Defect, the basis for the Title Defect, the Lease affected by the Title Defect and the Allocated Value of the affected Lease. Buyer will be deemed to have conclusively waived any Title Defect about which it fails to notify Seller in writing within the applicable period specified in the preceding sentence.

(d) **Procedure**. If Buyer properly and timely notifies Seller of a Title Defect, Seller shall have the option, but not the obligation, to cure the Title Defect. If Seller elects not to, or is unable to cure a Title Defect prior to Closing, the Purchase Price will be reduced by the Allocated Value of the affected Lease. Further, the Buyer’s obligation to drill the KGW Earning Wells and/or the DeWitt Earning Wells, depending on the location of the affected Lease(s), shall be reduced proportionately to the reduction caused by the affected Lease in relation to the net leasehold acres of the KGW Leases or the DeWitt Leases, as appropriate (provided however, before Buyer’s obligation to drill a KGW Earning Well and/or a DeWitt Earning Well is reduced, the affected Leases must total at least twenty percent (20%) of the total net leasehold acres within the KGW Leases and/or the DeWitt Leases, as appropriate). The affected Lease will not be conveyed to Buyer at the Closing unless, however, Buyer elects to waive the Title Defect, in which case the Purchase Price shall not be reduced and the affected Lease shall be conveyed to Buyer at the Closing. In the event Buyer asserts a Title Defect and Seller elects to cure, no later than 5:00 PM on the business day preceding the Closing Date, Seller shall provide Buyer with a list of Leases with asserted Title Defects that it will undertake to attempt to cure, and in that event, the Purchase Price will be reduced at Closing by the Allocated Value of the affected Leases, and the Buyer’s obligation to drill the DeWitt Earning Wells and the KGW Earning Wells will be reduced under the standards set forth above, and the affected Leases will not be conveyed to Buyer at Closing. Seller will have sixty (60) days following the Closing Date to attempt to cure such asserted Title Defects. If Seller is able to cure a Title Defect to the reasonable satisfaction of Buyer or if Buyer elects to waive the asserted Title Defect, Seller shall make an additional assignment of the affected Lease to Buyer, and Buyer shall pay Seller the Allocated Value deducted from the Purchase Price with respect to such Title Defect within five (5) days thereafter, and any reduction in the Buyer’s obligation to drill the DeWitt Earning Wells and the KGW Earning Wells because of such Leases as set forth above will be reinstated. If an affected Lease is not ever assigned to Buyer pursuant to the foregoing provisions of this paragraph, such Lease will not be considered part of the Property; Seller shall retain such Lease and the Purchase Price shall be deemed permanently reduced by an amount equal to the Allocated Value of the affected Lease, and the Buyer’s obligation to drill the KGW Earning Wells and/or the DeWitt Earning Wells shall be permanently reduced as set forth above.

(e) **Required Consents**. The Parties agree that, under the terms of certain Leases, the consents of the lessors of such Leases (other than Routine Consents) are required to be obtained in connection with the assignment of such Leases from Seller to Buyer (“**Required**

Consents") and that Exhibit "C" attached hereto lists all of the Required Consents. Seller shall use its commercially reasonable efforts to obtain such Required Consents prior to Closing, provided that Seller shall not be required to expend any funds or make any other type of financial commitment as a condition to obtaining such Required Consent. If a Required Consent has not been obtained as of the Closing, then (i) the Lease for which such Required Consent has not been obtained shall not be conveyed at the Closing, (ii) the Allocated Value for that Lease shall not be paid to Seller, (iii) the Buyer's obligation to drill the KGW Earning Wells and/or the DeWitt Earning Wells, depending on the location of the affected Lease(s), shall be reduced proportionately to the reduction caused by the affected Lease in relation to the net leasehold acres of the KGW Leases or the DeWitt Leases, as appropriate (provided however, before Buyer's obligation to drill a KGW Earning Well and/or a DeWitt Earning Well is reduced, the affected Leases must total at least twenty percent (20%) of the total net leasehold acres within the KGW Leases and/or the DeWitt Leases, as appropriate); and (iv) Seller shall use its commercially reasonable efforts to obtain such Required Consent as promptly as practicable following Closing. If a Required Consent has been obtained within sixty (60) days after the Closing, Seller shall convey the affected Lease to Buyer effective as of the Closing Date, and Buyer shall pay Seller the Allocated Value of the affected Lease, and any reduction in the Buyer's obligation to drill the DeWitt Earning Wells and the KGW Earning Wells because of such Leases as set forth above will be reinstated. If such Required Consent has not been obtained within sixty (60) days after the Closing, the affected Lease will not be considered part of the Property; Seller shall retain such Lease; and the Purchase Price shall be deemed permanently reduced by an amount equal to the Allocated Value of the affected Lease, and the Buyer's obligation to drill the KGW Earning Wells and/or the DeWitt Earning Wells shall be permanently reduced as set forth above.

(f) **Termination Right**. Either Party may elect to terminate this Agreement without liability to the other Party by giving the other party written notice of such termination at any time prior to the Closing Date, if (i) the sum of the Title Defects equals or exceeds Twenty Five Percent (25%) of the Purchase Price and Seller elects not to cure such Title Defects; or (ii) the sum of the Required Consents not obtained by Seller equals or exceeds Twenty-Five Percent (25%) of the Purchase Price. However, as a condition to Seller's right to terminate hereunder, Seller shall first make a good faith effort to cure the Title Defects and/or obtain the Required Consent, and, if Seller is unable to cure such Title Defects to the reasonable satisfaction of Buyer, or obtain the Required Consent, then, in the event the remaining uncured Title Defects or Required Consents not obtained by Seller at the Closing Date equal or exceed Twenty Five Percent (25%) of the Purchase Price and Buyer elects not to waive a sufficient number of the Title Defects or un-obtained Required Consents, so that the remaining Title Defects or un-obtained Required Consents are less than Twenty Five Percent (25%) of the Purchase Price, Seller may terminate this Agreement. For the purposes of this Subsection 6(f), the term "good faith effort" shall not require Seller to initiate litigation with respect to any Lease, or incur costs and expenses in connection with a particular Lease in excess of the sum of one percent (1.0%) of the Allocated Value of such Lease.

7. **Right to Participate**.

(a) **Joint Operating Agreement**. The Parties hereby agree that they and any of their successors, transferees and assigns are bound by and subject to the joint operating agreement attached hereto as Exhibit "D" ("**JOA**"). It is contemplated herein that there will be only one JOA between the Parties with respect to the Leases. The Parties agree to amend Exhibit "A" to such JOA by inserting from time to time addenda in which the working interests of Seller, its designees, successors, transferees and/or assigns and Buyer, its designees, successors, transferees and/or assigns in each well drilled thereunder shall be duly noted. In the event of a conflict between the JOA and this Agreement, then, in that case, this Agreement shall govern. The Parties agree to execute and cause to be recorded in the real property records of the counties in which the Properties are located the form of Memorandum of Joint Operating Agreement attached as Exhibit "F" to the JOA. The Parties further agree that any assignment, reassignment and/or other transfer of all or a portion of Buyer's interest in the Properties shall expressly provide that the party acquiring such interest shall be bound by and subject to the JOA and the surviving provisions of this Agreement, and absent such language such assignment shall be null and void and of no force and effect.

(b) **Participation Right – DeWitt**. Under the terms of this Agreement and the JOA, Seller shall be deemed to participate to the full extent of a Fifteen Percent (15%) working interest in each of the first five (5) wells drilled on the DeWitt Leases (the "**DeWitt Earning Wells**"); provided, however, Seller's working interest in each DeWitt Earning Well shall be proportionately reduced to the extent the Leases, or portions thereof, included within such drilling and spacing unit are (i) pooled, spaced, or unitized with other lands, (ii) represent less than One Hundred Percent (100%) of the leasehold in the lands covered by such Leases or (iii) represent less than One Hundred Percent (100%) of the mineral estate in the lands covered by such Leases. Buyer, on behalf of Seller, shall bear and pay One Hundred Percent (100%) of Seller's working interest share of the drilling and completion costs incurred through the tanks, for each DeWitt Earning Well. Buyer will be entitled to receive Eighty Five Percent (85%) of the production attributable to each DeWitt Earning Well until such time as it has reached Payout (as defined below). "**Payout**" shall occur when Buyer has recouped One Hundred Percent (100%) of the costs to acquire, drill, complete, equip and produce a well. For the purposes of this Agreement, the costs used to determine when Payout has occurred shall be those costs and expenses described in Exhibit "C" to the JOA which the operator thereunder may properly charge to the non-operators, and inclusive of Buyer's lease acquisition costs. Once each DeWitt Earning Well has reached Payout, Seller will have the right, but not the obligation, to back-in for an additional Thirty-Five Percent (35%) working interest (proportionately reduced to the extent the Leases, or portions thereof, included within such drilling and spacing unit are (i) pooled, spaced, or unitized with other lands, (ii) represent less than One Hundred Percent (100%) of the leasehold in the lands covered by such Leases or (iii) represent less than One Hundred Percent (100%) of the mineral estate in the lands covered by such Leases) in the DeWitt Earning Wells on a well-by-well basis, for no additional consideration. No later than twenty (20) days after reaching Payout on a particular DeWitt Earning Well, Buyer shall give written notice thereof to Seller. Upon receipt of the Buyer's notice of reaching Payout with respect to a DeWitt Earning Well, Seller shall have a period of thirty (30) days in which to elect in writing to participate. In addition, under the terms of this Agreement and the JOA, Seller shall have the right to participate, on a well-by-well basis, for a Fifty Percent (50%) working interest (proportionately reduced in the same manner as for the DeWitt Earning Wells) in all wells drilled on the DeWitt Leases or on lands and other leases unitized, communitized or pooled with the DeWitt Leases to the extent such wells are not DeWitt Earning Wells ("**Subsequent DeWitt Wells**"). If Seller makes such an election to participate, Seller shall pay its working interest share of the drilling, completion, testing and equipping costs for all Subsequent DeWitt Wells in accordance with the

JOA. Seller's rights to participate and working interest obligations under this Section 7(b) shall also apply with respect to any renewals and extensions of any DeWitt Lease acquired at any time prior to the expiration of such DeWitt Lease. Provided that any assignment, transfer or security interest is made specifically subject to the terms and conditions of this Agreement and the JOA, Seller (i) may assign or otherwise transfer its rights to participate arising under this Agreement with the consent of the Buyer, which consent may not be unreasonably withheld, (ii) may create a security interest in such rights and (iii) may mortgage and create a lien or security interest in any interest that it earns or receives hereunder and has been assigned from Buyer in accordance with Section 7(d) below.

(c) **Participation Right – KGW**. Buyer shall bear and pay One Hundred Percent (100%) of the drilling and completion costs incurred through the tanks, for each of the first five (5) wells drilled on the KGW Leases by Buyer (the "**KGW Earning Wells**"). Buyer will be entitled to receive One Hundred Percent (100%) of the production attributable to each KGW Earning Well until Payout. Once each KGW Earning Well has reached Payout, Seller will have the right, but not the obligation, to back-in for a Twenty Five Percent (25%) working interest (proportionately reduced in the same manner as for the DeWitt Earning Wells) in the KGW Earning Wells on a well-by-well basis, for no additional consideration. No later than twenty (20) days after reaching Payout on a particular KGW Earning Well, Buyer shall give written notice thereof to Seller. Upon receipt of the Buyer's notice of reaching Payout with respect to a KGW Earning Well, Seller shall have a period of thirty (30) days in which to elect in writing to participate. Subsequent to the drilling and completion of all five (5) KGW Earning Wells, Seller will have a one-time election to acquire a Twenty Five Percent (25%) leasehold interest (proportionately reduced) in the KGW Leases for a one-time payment to Buyer of Five Million, Five Hundred Ten Thousand Nine Hundred Ninety Nine Dollars ($5,510,999.56) (the "**Orca Participation Paymen**t"), said election and Orca Participation Payment will be due within Thirty (30) days of written notification by Buyer that all five (5) KGW Earning Wells have been drilled and completed. Should Seller fail to elect and make the Orca Participation Payment within Thirty (30) days then it will be deemed to have forfeited all of its rights and interests contemplated by the one-time election. Upon Seller's election and payment of the Orca Participation Payment, Seller will acquire the right to participate in all subsequent wells on the KGW Leases or on lands and other leases unitized, communitized or pooled with the KGW Leases to the extent such wells are not KGW Earning Wells ("**Subsequent KGW Wells**"). If Seller makes such an election, Seller shall pay its working interest share of the drilling, completion, testing and equipping costs for all Subsequent KGW Wells in accordance with the JOA. Seller's rights to participate and working interest obligations under this Section 7(c) shall also apply with respect to any renewals and extensions of any KGW Lease acquired at any time prior to the expiration of such KGW Lease. Provided that any assignment, transfer or security interest is made specifically subject to the terms and conditions of this Agreement and the JOA, Seller (i) may assign or otherwise transfer its rights to participate arising under this Agreement with the consent of the Buyer, which consent may not be unreasonably withheld, (ii) may create a security interest in such rights and (iii) may mortgage and create a lien or security interest in any interest that it earns or receives hereunder and has been assigned from Buyer in accordance with Section 7(d) below.

(d) **Reassignment**.

(i) If the cumulative production from any DeWitt Earning Well reaches 500,000 Barrels of Oil Equivalent, then no later than twenty (20) days thereafter, Buyer shall assign to Seller, by delivery of an Assignment in the form attached hereto as Exhibit "E" (the "**DeWitt Five Percent Reassignment**"), an undivided Five Percent (5%) working interest, proportionately reduced, in (i) the DeWitt Leases insofar and only insofar as they provide rights in and to the wellbore for such well, (ii) the Hydrocarbons produced from such well, (iii) the equipment used or obtained in connection with such well and (iv) other rights and agreements relating to or used in connection with such well, all as more particularly described and set forth in the form of the DeWitt Five Percent Reassignment.

(ii) If the cumulative production from any DeWitt Earning Well reaches 750,000 Barrels of Oil Equivalent, then no later than twenty (20) days thereafter, Buyer shall assign to Seller, by delivery of an Assignment in the form attached hereto as Exhibit "F" (the "**DeWitt Fifteen Percent Reassignment**"), an undivided Fifteen Percent (15%) working interest, proportionately reduced, in (i) the DeWitt Leases insofar and only insofar as they provide rights in and to the wellbore for such well, (ii) the Hydrocarbons produced from such well, (iii) the equipment used or obtained in connection with such well and (iv) other rights and agreements relating to or used in connection with such well, all as more particularly described and set forth in the form of the DeWitt Fifteen Percent Reassignment.

(iii) Upon Payout of any KGW Earning Well, and election by Seller to back-in to such well, then no later than twenty (20) days thereafter, Buyer shall assign to Seller, by delivery of an Assignment in the form attached hereto as Exhibit "G" (the "**KGW Earning Well Reassignment**"), an undivided Twenty Five Percent (25%) working interest, proportionately reduced, in (i) the KGW Leases insofar and only insofar as they provide rights in and to the well and 110 acres surrounding the wellbore for such well in the form of a rectangle with the wellbore in the center, (ii) the Hydrocarbons produced from such well, (iii) the equipment used or obtained in connection with such well and (iv) other rights and agreements relating to or used in connection with such well, all as more particularly described and set forth in the form of the KGW Earning Well Reassignment.

(iv) Upon the payment of the Orca Participation Payment, then no later than twenty (20) days thereafter, Buyer shall assign to Seller, by delivery of an Assignment in the form attached hereto as Exhibit "H" (the "**Orca Participation Reassignment**"), an undivided Twenty Five Percent (25%) interest, proportionately reduced, in the KGW Leases as more particularly described and set forth in the form of the Orca Participation Reassignment.

(e) **Lease Burdens**. The Parties hereby agree that Seller's working interest in all wells contemplated hereby shall be burdened by and shall bear its proportionate share of the Lease Burdens but shall not be burdened by any overriding royalties, liens, encumbrances, mortgages or other burdens which do not exist as of March 17, 2011.

(f) **Rights of Ingress and Egress**. To the extent not included in the Property and except to the extent prohibited by law or by the terms of the particular rights-of-way, easements, licenses, servitudes, surface rights agreements or other applicable agreements, upon reasonable request from Buyer and subject to the negotiation of a mutually acceptable license agreement or agreements without requiring payment of any monetary consideration, Seller shall agree to license to Buyer the right to use, in connection with the ownership and operation after the Closing of the Property, particular rights-of-way, easements, licenses, servitudes, or other surface rights owned by Seller and used in connection with the ownership and operation of the Property, if any. In such case, such license agreements will require the licensee to contribute to any maintenance and repair obligations related to, and to comply with all of the terms and conditions of, the rights-of-way, easements, licenses, servitudes, surface rights agreements and other applicable agreements, cooperate with all reasonable requests by the counterparties thereto and use commercially reasonable efforts to preserve the good relations of Seller with such counterparties.

8. **Feasibility Period; Inspections**.

a. Physical Due Diligence. Commencing on the Effective Date and continuing until the Closing, Buyer shall have reasonable access to the Property at all reasonable times during normal business hours, for the purpose of conducting reasonably necessary tests, evaluations and inspections, provided that (i) Buyer must give Seller two full Business Days' prior telephone or written notice of any such inspection or test, and (ii) prior to performing any physical inspection or test for which Buyer or any agent of Buyer enters upon any of the real property described in the Leases, Buyer must deliver a certificate of insurance to Seller evidencing that Buyer and its contractors, agents and representatives have in place (and Buyer and its contractors, agents and representatives shall maintain during the pendency of this Agreement) (1) commercial general liability insurance with limits of at least One Million Dollars ($1,000,000) for bodily or personal injury or death, (2) property damage insurance in the amount of at least One Million Dollars ($1,000,000), (3) contractual liability insurance with respect to Buyer's obligations hereunder, and (4) workers' compensation insurance in accordance with applicable law, all covering any accident arising in connection with the presence of Buyer, its contractors, agents and representatives on the Property, which insurance shall (A) name as additional insureds thereunder Seller and such other parties holding insurable interests as Seller may designate and (B) be written by a reputable insurance company. Buyer shall bear the cost and risk of all such inspections or tests and shall be responsible for and act as the generator with respect to any wastes generated by those tests, which obligation shall survive the termination of this Agreement.

b. No Representation or Warranty by Seller. Buyer acknowledges that, except as expressly set forth in this Agreement, Seller has not made and does not make any warranty or representation regarding the Property. Buyer shall rely solely upon its own investigation with respect to the Property, including, without limitation, the Property's physical, environmental or economic condition, compliance or lack of compliance with any ordinance, order, permit or regulation or any other attribute or matter relating thereto.

c. Buyer's Responsibilities. In conducting any inspections, investigations or tests of the Property, Buyer and its agents and representatives shall: (i) not damage any part of the Property or any personal property owned or held by any third party; (ii) comply with all applicable laws; (iii) promptly pay when due the costs of all tests, investigations, and examinations done with regard to the Property; (iv) not permit any liens to attach to any of the

Property by reason of the exercise of its rights hereunder; and (v) repair any damage to the Property resulting directly or indirectly from any such inspection or tests.

d. Buyer’s Agreement to Indemnify. **Buyer hereby agrees to indemnify, defend and hold Seller harmless from and against any and all liens, claims, causes of action, damages, liabilities and expenses (including reasonable attorneys’ fees) arising out of Buyer’s inspections or tests permitted under this Agreement or any violation of the provisions of this Section 8. Buyer’s obligations under this Section 8(d) shall survive the termination of this Agreement and shall survive the Closing.**

9. **Covenants of Seller Prior to Closing**.

(a) **Operations**. Until Closing, Seller agrees to do the following:

(i) Operate the Property in a good and workmanlike manner and in substantially the same manner as it previously operated the Property;

(ii) Maintain insurance now in force with respect to the Property;

(iii) Notify Buyer of any claim or demand received by Seller which might materially adversely affect title to or operation of the Property;

(iv) Pay taxes, costs and expenses attributable to the Property as they become due; and

(v) Pay all delay rentals, maintenance payments, deferred payments and/or extension payments as they become due under the Leases.

(b) **Negative Covenants**. Until Closing, Seller shall not do any of the following with regard to the Property without Buyer’s consent:

(i) Release all or any portion of a Lease, Contract or easement;

(ii) Commence or consent to an operation if the estimated cost of the operation exceeds Five Thousand Dollars and No/100 ($5,000.00) net to the Seller’s interest;

(iii) Create a lien, overriding royalty interest or other burden, security interest or other encumbrance on the Property;

(iv) Dispose of the Property;

(v) Amend a Lease, Contract or easement or enter into any new contracts affecting the Property; or

(vi) Waive, compromise or settle any claim that would materially affect ownership, operation or value of any of the Property.

10. **Closing**.

(a) **Time and Place**. The Closing shall be held at 11:00 A.M., Texas time on the date that is five (5) business days following the Effective Date, at Buyer's offices located at One Lincoln Centre, 5400 LBJ Freeway, Suite 1500, Dallas, Texas 75240, or at such other time and place as the Parties shall mutually agree.

(b) **Preliminary Closing Settlement Statement**. Seller shall provide Buyer five (5) days prior to Closing with a "**Preliminary Closing Settlement Statement**" that shall include the respective adjustments to the Purchase Price (except any adjustments relating to Title Defects and Environmental Defects) along with supporting detail, and the portion of the adjusted Purchase Price due Seller, prepared in accordance with customary accounting principles used in the oil and gas industry. Seller shall additionally provide Buyer with wiring instructions designating the account or accounts to which the Closing funds are to be delivered.

(c) **Agreed Closing Settlement Statement**. One (1) day prior to Closing, Buyer and Seller shall agree upon a "**Closing Settlement Statement**" that shall include adjustments to the Purchase Price, which are known as of the Closing Date, as follows (the following adjustments shall apply only to the extent they are attributable to the Property):

(i) All ad valorem, property, production, severance and similar taxes and assessments on the Property (collectively "**Property Taxes**") with respect to the tax period in which the Effective Date occurs shall be apportioned as of the Effective Date between the Seller and the Buyer. No later than one (1) year following the Closing Date, the Parties shall make a post-Closing settlement of all Property Taxes upon receipt of the notice of Property Taxes due for the tax period in which the Effective Date occurs.

(ii) A proportionate decrease in the Purchase Price in the aggregate amount of the adjustments for Title Defects in accordance with Section 6, if any;

(iii) An increase in the Purchase Price in the proportionate amount of any lease maintenance payments and other expenses paid by Seller attributable to the period after the Effective Date as permitted by this Agreement, if any; and

(iv) Any other adjustments agreed to by Buyer and Seller.

(d) **Seller's Deliveries**. At the Closing, Seller shall deliver the following:

(i) An Assignment, Conveyance and Bill of Sale executed and acknowledged by Seller containing a special warranty of title by, through and under Seller, but not otherwise, the form of which is attached hereto as Exhibit "I" (the "**Assignment**");

(ii) The additional releases, termination statements, ratifications, consents and waivers from third parties listed on Exhibit "C" attached hereto;

(iii) An executed statement described in Treasury Regulation 1.445-2(b)(2) certifying that Seller is not a foreign person within the meaning of the Internal Revenue Code.

(iv) An instrument terminating Orca Assets GP, LLC's right, title and interest in and to the overriding royalty interests reserved in (1) that certain Assignment of Oil and Gas Leases dated November 30, 2010, and recorded in Volume 1037, Page 36, Gonzales County Deed records; (2) that certain Assignment of Oil and Gas Leases dated October 30, 2010, and recorded at Volume 949, Page 439, Karnes County Deed Records; (3) that certain Assignment of Oil and Gas Leases dated October 30, 2010, recorded at Volume 1581, Page 816, Wilson County Deed Records; and (4) that certain Assignment of Oil and Gas Leases dated October 30, 2010, recorded at Volume 330, Page 618, DeWitt County Deed Records.

(e) **Buyer's Deliveries**. At the Closing, Buyer shall deliver the following:

(i) The Purchase Price, as adjusted pursuant to this Section 10, to Seller by wire transfer pursuant to wire instructions provided to Buyer by Seller;

(ii) The Assignment executed and acknowledged by Buyer.

(f) **Copies of Data and Recorded Assignment**. Promptly following the Closing, Seller shall deliver copies of any Data not previously provided to Buyer. Buyer shall record the Assignment in the applicable counties at its sole cost and expense and shall deliver copies of the recorded Assignment to Seller no later than sixty (60) days after the Closing.

(g) **Sales and Transfer Taxes**. The Final Purchase Price (as hereinafter defined) does not include any sales, transfer or use taxes or other taxes in connection with the sale of the Property pursuant to this Agreement. If a determination is ever made that a sales or use tax or other transfer tax applies, Buyer shall be liable for such tax. Buyer shall also be liable for any applicable conveyance, transfer and recording fees, and real estate transfer stamps or taxes imposed on any transfer of the Property pursuant to this Agreement.

11. **Post-Closing Obligations**.

(a) **Final Settlement Statement**. Subject to the provisions of Section 10(c)(i) with respect to Property Taxes, not more than seventy five (75) days after the Closing, Seller shall prepare and deliver to Buyer, in accordance with this Agreement, a "**Final Settlement Statement**" setting forth each adjustment or payment which was not finally determined as of the Closing (after taking into account any Title Defect and Environmental Defect adjustments and any cure or remediation of any such defects) and showing the calculation of such adjustments and showing the aggregate amount that should have been payable by Buyer to Seller in connection with the Closing, after taking into account all such adjustments and any post-Closing curative and remediation activity as though such activity had preceded the Closing (the "**Final Purchase Price**"), prepared in accordance with customary accounting principles used in the oil and gas industry. As soon as practicable, but not later than twenty (20) days after receipt of the Final Settlement Statement, Buyer shall deliver to Seller a written report containing any changes which Buyer proposes be made to the Final Settlement Statement and Final Purchase Price. The Parties shall agree on the Final Settlement Statement and Final Purchase Price no later than ninety five (95) days after Closing. The date upon which such agreement is reached or upon which the Final Purchase Price is established shall be called the "**Final Settlement Date**." If the Parties are unable to agree as to the Final Settlement Statement and Final Purchase Price within ninety five (95) days after Closing, the Parties will follow the dispute resolution provisions of Section 14 below.

(b) **Payment of Final Settlement Amounts**. If the Final Purchase Price is more than the aggregate of the amounts paid by Buyer to Seller at Closing and pursuant to Sections 6(d), Buyer shall pay to Seller in immediately available funds the amount of such difference based on instructions provided by Seller. If the Final Purchase Price is less than the aggregate of the amounts paid by Buyer to Seller at Closing and pursuant to Sections 6(d), Seller shall pay to Buyer in immediately available funds the amount of such difference. Payment by Buyer or Seller shall be made within five (5) business days of the Final Settlement Date.

(c) **Additional Payments Received**. After the Final Settlement Date, Seller shall promptly deliver to Buyer, from time to time as and when received by it, any cash, checks with appropriate endorsements (using its reasonable efforts not to convert such checks into cash), or other property that it may receive which properly belongs to Buyer, and shall account to Buyer for all such receipts.

(d) **Revenues and Expenses.** For all purposes, including Purchase Price adjustments, Seller and Buyer will properly allocate revenues and expenses before and after the Effective Date and will make payments to each other to the extent necessary for such proper allocation. All expenses (capital and operating) incurred in the operation of the Property before the Effective Date will be borne by Seller.

(e) **Drilling and Completion of Earning Wells.** Buyer shall drill and complete, or cause to be drilled and completed, at its sole cost and expense, the DeWitt Earning Wells and the KGW Earning Wells no later than the date that is twenty-two (22) months after the Closing Date (the "**Completion Date**"), provided, however, Buyer shall not be in default under this Section 11(e) if Buyer has commenced the drilling of all the Earning Wells as of the Completion Date and is diligently and continuously pursuing the completion of the same. For the purposes hereof, a Dewitt Earning Well or a KGW Earning Well shall be deemed to be completed only if such Earning Well shall: at a minimum contain five thousand (5,000.00) feet of 5 1/2" casing, cemented laterally in the Eagle Ford Shale formation, defined as the interval from 12,790' to 12,960' on the electric log of the Frances Lewton 1-H pilot hole included on Exhibit "J" attached hereto, and contain a minimum of fifteen (15) fracturing stages. Notwithstanding the foregoing, if the preceding standards are not permitted by the terms of a particular Lease, prohibited by applicable rule or regulation, or are not reasonably practicable, then if Buyer and Seller cannot agree on a commercially reasonable substitute standard(s), then Buyer and Seller shall each shall designate a registered petroleum engineer who collectively shall determine a commercially reasonable replacement standard. In the event Buyer shall fail to drill and complete all of the DeWitt Earning Wells and the KGW Earning Wells on or before the Completion Date in accordance with this Agreement, then as a condition precedent to Seller commencing any legal action or arbitration seeking damages as a result of Buyer's breach of this Section 11(e), Seller shall be required to drill and complete, or cause to be drilled and completed, the KGW Earning Wells and/or DeWitt Earning Wells that Buyer failed or refused to drill and complete.

(f) **Identification of Wells.** All wells drilled on the Leases, including but not limited to the DeWitt Earning Wells and the KGW Earning Wells shall contain the name “Orca”, and be identified with “Orca” in the name of the well in all filings and correspondence with any regulatory agency, governmental body, or trade association, unless objected to by a Lessor or a regulatory body. This provision shall only apply to wells in which Seller has or may acquire a participating interest.

12. **Indemnification**.

(a) **By Seller**. Except as specifically provided herein, Seller agrees to indemnify and hold Buyer, its officers, directors, employees and agents (“**Buyer Group**”) harmless from all claims, losses, costs, liabilities and expenses, including without limitation reasonable attorneys’ fees (“**Claims**”), arising out of or resulting from Seller’s ownership or operation of the Properties prior to the Closing Date, but subject to the ordinary rules of applicable statutes of limitation. Seller’s indemnity hereunder shall not extend to matters for which Buyer has agreed to indemnify Seller hereunder. **THE FOREGOING INDEMNIFICATIONS SHALL APPLY WHETHER OR NOT SUCH DUTIES, OBLIGATIONS OR LIABILITIES, OR SUCH CLAIMS, LIABILITIES, LOSSES, COSTS OR EXPENSES, ARISE OUT OF (i) NEGLIGENCE (INCLUDING SOLE NEGLIGENCE, SIMPLE NEGLIGENCE, CONCURRENT NEGLIGENCE, ACTIVE OR PASSIVE NEGLIGENCE, BUT EXPRESSLY NOT INCLUDING GROSS NEGLIGENCE OR WILLFUL MISCONDUCT) OF ANY INDEMNIFIED PARTY OR (ii) STRICT LIABILITY. THE PARTIES AGREE THAT THE FOREGOING COMPLIES WITH THE EXPRESS NEGLIGENCE RULE AND IS CONSPICUOUS.**

(b) **By Buyer**. Except as specifically provided herein, Buyer agrees to indemnify and hold Seller and its partners, and their respective partners, members, managers, owners, directors, officers, employees and agents (“**Seller Group**”) harmless from all Claims arising out of or resulting from (i) any misrepresentations or breach of any warranty, covenant or agreement of Buyer contained in this Agreement and (ii) Buyer’s operations on the Properties after the Closing Date, but subject to the ordinary rules of applicable statutes of limitation. **THE FOREGOING INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH DUTIES, OBLIGATIONS OR LIABILITIES, OR SUCH CLAIMS, LIABILITIES, LOSSES, COSTS OR EXPENSES ARISE OUT OF (i) NEGLIGENCE (INCLUDING SOLE NEGLIGENCE, SIMPLE NEGLIGENCE, CONCURRENT NEGLIGENCE, ACTIVE OR PASSIVE NEGLIGENCE, BUT EXPRESSLY NOT INCLUDING GROSS NEGLIGENCE OR WILLFUL MISCONDUCT) OF ANY INDEMNIFIED PARTY OR (ii) STRICT LIABILITY. THE PARTIES AGREE THAT THE FOREGOING COMPLIES WITH THE EXPRESS NEGLIGENCE RULE AND IS CONSPICUOUS.**

13. **Area of Mutual Interest**. The Parties agree to establish an area of mutual of interest consisting of Karnes County, Wilson County, Dewitt County and Gonzales County, Texas (the “**AMI**”). If either Party should acquire an oil and gas lease or leasehold interest therein with Marketable Title, covering lands located in the AMI, and such lease or leasehold interest contains or covers at least twenty-five (25) acres or is adjacent to and contiguous with an existing Lease, then such Party (the “**Offering Party**”) may elect to offer the other Party (the “**Acquiring Party**”) the right, but not the obligation, to acquire up to an undivided Fifty Percent

(50%) interest, but not less than an undivided Ten Percent (10%) interest, to be designated by the Acquiring Party, in the interest acquired by Offering Party in said oil and gas lease (the “**AMI Interest**”). Upon receipt of notice from the Offering Party, the Acquiring Party shall have a period of five (5) business days in which to elect in writing to purchase an interest in the interest being offered and to deliver payment for the same, as provided below. The Acquiring Party will pay the Offering Party a minimum of $5,000.00 per net mineral acre for the AMI Interest. However, if the Offering Party’s Lease Acquisition Costs (as defined below) exceed $3,000.00 per net mineral acre then the Acquiring Party shall pay its proportionate share of the Lease Acquisition Costs plus an additional $2,000.00 per net mineral acre included in the AMI Interest. The “**Lease Acquisition Costs**” shall be defined as the Offering Party’s lease bonus payment, cash consideration paid, out-of-pocket lease brokerage costs, title research and review costs, and attorney’s fees. The Offering Party may require the execution of a commercially reasonable confidentiality agreement as a condition to presenting any such leasehold interest to the Acquiring Party. Such AMI Interest shall be bound and subject to the JOA attached hereto as Exhibit “D”.

14. **Dispute Resolution.** The Parties agree to resolve all disputes concerning this Agreement pursuant to the provisions of this Section 14.

(a) **Mediation**.

(i) If a dispute arises out of or in connection with this Agreement or the alleged breach thereof, or if a dispute arises out of the operations contemplated in this Agreement, and if the dispute cannot be settled through negotiation, the Parties hereby agree to submit all disputes, controversies, claims and matters of differences (“**Disputes**”) to mandatory mediation under the Commercial Mediation Rules of the American Arbitration Association (“**AAA**”). The party desiring mediation shall so notify the other Party identifying in reasonable detail the matters to be mediated and the relief sought.

(ii) The Parties agree to use a mediator mutually agreed to by the Parties. In the event the Parties cannot agree to a mediator within two (2) weeks of a Party’s notice seeking mediated relief, the Parties shall each choose a mediator who together shall agree on a third and final mediator. The mediator shall be entitled to a fee commensurate with his or her fees for professional services requiring similar time and effort. Each Party shall be required to share the cost of the mediator and to bear its own costs of mediation. All matters mediated hereunder shall be mediated in San Antonio, Texas; shall be governed by Texas law, without reference to any choice of law rules; and shall be conducted in accordance with the Commercial Mediation Rules of the AAA. The mediator shall conduct the mediation no later than thirty (30) days after submission of the matter to mediation. Any agreement reached in the mediation shall be memorialized in writing and signed by both Parties.

(b) **Arbitration**.

(i) If mediation is unsuccessful, the Parties agree to submit all Disputes to binding arbitration in San Antonio, Texas, such arbitration to be conducted pursuant to the AAA Commercial Arbitration rules (but need not be filed with or administered by the AAA if the parties agree such that the filing fees with the AAA can be avoided).

(ii) The arbitration shall be governed by Texas law. The arbitration shall be before a three-person panel of arbitrators (the "**Arbitrators**"). Not later than five (5) days after the submission of the matter to arbitration, each Party shall select an Arbitrator and request the two selected Arbitrators to select a third neutral Arbitrator. If the two Arbitrators fail to select a third on or before the 10th day after the second Arbitrator was selected, either Party is entitled to request the AAA to appoint the third neutral Arbitrator in accordance with its rules. Before beginning the hearings, each Arbitrator must provide an oath or undertaking of impartiality.

(iii) Either Party is entitled to seek from any court having jurisdiction any interim or provisional relief that is necessary to protect the rights or property of that Party. By doing so, that Party does not waive any right or remedy under this Agreement. The interim or provisional relief is to remain in effect until the arbitration award is rendered or the controversy is resolved.

(iv) Any disputes over the scope of discovery shall be determined by the Arbitrators. The Arbitrators shall conduct a hearing no later than sixty (60) days after submission of the matter to arbitration, and the Arbitrators shall render a written decision within thirty (30) days of the hearing. At the hearing, the Parties shall present such evidence and witnesses as they may choose, with or without counsel. Adherence to formal rules of evidence shall not be required, but the Arbitrators shall consider any evidence and testimony that they determine to be relevant, in accordance with procedures that they determine to be appropriate. Any award entered in the arbitration shall be made by a written opinion stating the reasons and basis for the award made and any payment due pursuant to the arbitration shall be made within fifteen (15) days of the decision by the Arbitrators. The Arbitrators will have no authority to award punitive damages or other damages not measured by the prevailing Party's actual damages.

(v) The final award and decision of the Arbitrators shall be binding on the Parties, final and may be filed in a court of competent jurisdiction and may be enforced by any Party as a final judgment of such court. Each Party shall bear its own costs and expenses of the arbitration; provided, however, that the costs of employing the Arbitrators shall be borne Fifty Percent (50%) by Seller and Fifty Percent (50%) by Buyer. However, the Arbitrators may, in their discretion, award fees (including reasonable attorneys' fees) and costs to the prevailing Party, including reasonable attorneys' fees and costs associated with any action which the Prevailing Party may be required to take in order to enforce the Arbitrators' award through judicial or other legal process.

15. **Miscellaneous**.

(a) **Further Assurances**. The Parties agree to execute any documents, whether before or after the Closing, to aid the other Party in fulfilling the purpose of this Agreement.

(b) **Entire Agreement**. This Agreement, together with the Exhibits and Schedules attached hereto and the Assignment and other documents to be delivered pursuant to the terms hereof, shall constitute the complete agreement between the Parties hereto and shall supersede and terminate all prior agreements, whether written or oral, including that certain letter agreement between the Parties dated as of March 17, 2011, and any representations or conversations with respect to the Property.

(c) **Confidentiality**. The Parties agree to hold in confidence and not disclose the terms and conditions of this Agreement to any third party; provided, however, either Party may disclose such terms and conditions to its directors, partners, officers, employees, attorneys, auditors, consultants, lenders, agents and shareholders, or otherwise as may be required by applicable law, securities or stock exchange regulation or pursuant to court order, subpoena or other legal process. Prior to the Closing and for a period of one (1) year from the Closing Date, except as required by applicable law, Buyer and Seller shall hold in strict confidence all information, including the Data, furnished or made available by the Parties relating to the Property, unless such Data is traded or divulged pursuant to an existing agreement or pursuant to an exchange of like data in the ordinary course of business. Furthermore, if the Closing does not occur, Buyer shall return to Seller all the information, including the Data, furnished or made available by Seller to Buyer hereunder or in contemplation hereof, shall keep such information strictly confidential, shall destroy all notes, reports, studies or analyses and all data and information generated by Buyer to the extent based on or incorporating such information furnished or made available by Seller and shall not use or permit the use of any of such information to Buyer's advantage or in competition with or in a manner that damages Seller. The obligations of Buyer to retain in confidence such information shall not apply to the extent such information:

(i) was already in the public domain, not as a result of disclosure by Buyer;

(ii) was already known to Buyer;

(iii) is developed by Buyer independently from the information supplied by Seller; or

(iv) is furnished to Buyer by a third party independently of Buyer's investigation related to the transaction contemplated by this Agreement.

Buyer shall use reasonable commercial efforts to cause its affiliates, officers, employees, consultants, representatives and agents to comply with the foregoing confidentiality covenants and requirements.

(d) **Notices**. All communications required or permitted under this Agreement shall be in writing and may be sent by facsimile delivery; electronic mail (e-mail); certified United States Mail, return receipt requested; or commercial overnight delivery service. Such communication shall be deemed made upon (i) the earlier of actual delivery or refusal of delivery, if sent by commercial overnight delivery service; (ii) two (2) business days after deposit in the U.S. Mail, if sent by certified mail; (iii) upon receipt if sent by facsimile, provided such receipt occurs between the hours of 8:00 a.m. and 6:00 p.m. on a day other than a weekend or holiday (facsimile deliveries occurring after such hours or on a weekend or holiday shall be deemed received the next business day); and (iv) email notice shall be deemed when received provided notice is also given according to one of the other methods set forth in this Section

15(d). Either party may, by written notice to the other, change the address for mailing such notices.

Notices to Seller:

Orca ICI Development, JV
5005 Riverway, Suite 440
Houston, Texas 77056
Attn: Lawrence Berry
Telephone: 713-963-9112
Facsimile: 713-623-2382

Notices to Buyer:

Matador Resources Company
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, Texas 75240
Attn: David E. Lancaster
Telephone: 972-371-5200
Facsimile: 972-371-5201

(e) **Binding Effect**. This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto, and their successors and assigns. No assignment of this Agreement by either Party shall be made without the prior written consent of the other Party, which consent may be withheld in such party's sole discretion. Notwithstanding the foregoing, Buyer may assign its rights under this Agreement to an affiliate only upon the following conditions: (1) the assignee of Buyer must be an entity controlling, controlled by, or under common control with Buyer, (2) all of the Purchase Price must have been delivered in accordance herewith, (3) the Feasibility Period shall be deemed to have ended, (4) the assignee of Buyer shall expressly assume all obligations of Buyer hereunder, but Buyer shall remain primarily liable for the performance of Buyer's obligations, (5) Buyer shall deliver written notice to Seller of the assignee name, notice address and signature block prior to such assignment being effective and (6) a copy of the fully-executed written assignment and assumption agreement shall be delivered to Seller within five (5) days of the effective date of such assignment.

(f) **Counterparts**. This Agreement may be executed in any number of counterparts, which taken together shall constitute one instrument and each of which shall be considered legally enforceable.

(g) **Law Applicable; Jurisdiction and Venue**. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without regard to its choice of law principles. **ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST THE PARTIES ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR ANY OBLIGATIONS HEREUNDER, SHALL BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN BEXAR COUNTY, TEXAS. BY EXECUTING AND DELIVERING THIS AGREEMENT, THE PARTIES IRREVOCABLY (I) ACCEPT GENERALLY AND UNCONDITIONALLY THE EXCLUSIVE JURISDICTION AND VENUE OF THESE COURTS; (II) WAIVE ANY OBJECTIONS WHICH SUCH PARTY MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTIONS OR PROCEEDINGS ARISING OUT OF OR**

IN CONNECTION WITH THIS AGREEMENT BROUGHT IN THE COURTS REFERRED TO IN CLAUSE (I) ABOVE AND HEREBY FURTHER IRREVOCABLY WAIVE AND AGREE NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(h) **Survival**. All representations and warranties of this Agreement shall expire at Closing, except (i) the special warranty of title which is incorporated in the Assignment; (ii) Section 11 "Post Closing Obligations" shall survive until such provisions are fully satisfied; (iv) Section 12 "Indemnification" shall survive as set forth therein; (v) Section 7 "Right to Participate;" Sub-Section 15(g) "Law Applicable; Jurisdiction and Venue" and the JOA shall survive Closing and remain in effect for as long as any of the Leases remain in force and effect.

(i) **Headings**. The headings of the articles and sections of this Agreement are for guidance and convenience of reference only and shall not limit or otherwise affect any of the terms and provisions of this Agreement.

(j) **Timing**. Time is of the essence in this Agreement.

(k) **Expenses**. All fees, costs and expenses incurred by the Parties in negotiating this Agreement and in consummating the transactions contemplated by this Agreement shall be paid by the Party that incurred such fees, costs and expenses.

(l) **Amendment and Waiver**. This Agreement may be altered, amended or waived only by a written agreement executed by Buyer and Seller. No waiver of any provision of this Agreement shall be construed as a continuing waiver of the provision.

(m) **Announcements**. Except as otherwise permitted by the first sentence of Section 15(c), no Party shall publicly announce or otherwise publicize the existence of this Agreement, its terms and conditions or the transactions contemplated hereby without first providing the other Party the opportunity to review the proposed announcement and obtaining the other Party's prior written consent to such proposed announcement, which consent shall not be unreasonably withheld.

(n) **Third-Party Beneficiaries**. Unless expressly stated to the contrary, no third party is intended to have any rights, benefits or remedies under this Agreement.

(o) **Severance**. If any provision of this Agreement is found to be illegal or unenforceable, the other terms of this Agreement shall remain in effect and this Agreement shall be construed as if the illegal or unenforceable provision had not been included.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK
– SIGNATURE PAGE FOLLOWS]**

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed below by their duly authorized representatives.

Seller:

ORCA ICI DEVELOPMENT, JV

By: ORCA ASSETS G.P., LLC,
its Managing Partner

By: /s/ Lawrence Berry
Lawrence Berry
President

Buyer:

MATADOR RESOURCES COMPANY

By: /s/ Joseph Wm. Foran
Joseph Wm. Foran
Chairman, President & CEO

EXHIBIT 16.1

November 14, 2011

U.S. Securities and Exchange Commission
Office of the Chief Accountant
100 F Street, N.E.
Washington, DC 20549

Re: Matador Resources Company

Dear Sir or Madam

We have read the statements made by Matador Resources Company under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Changes in Accountants” in the accompanying Amendment No. 1 to the Registration Statement on Form S-1, which is being filed with the Securities and Exchange Commission on November 14, 2011, and agree with the statements concerning our firm contained therein.

Very truly yours,

/s/ GRANT THORNTON, LLP

EXHIBIT 16.2

November 14, 2011

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Ladies and Gentlemen,

We have read the statements under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Changes in Accountants” in the accompanying Amendment No. 1 to the Registration Statement on Form S-1 dated November 14, 2011 of Matador Resources Company and are in agreement with 1) the last sentence of paragraph two and 2) the first and third sentences of paragraph four therein. We have no basis to agree or disagree with the other statements of the registrant contained therein.

/s/ Ernst & Young LLP

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated August 12, 2011, with respect to the consolidated financial statements of Matador Resources Company and subsidiaries contained in the Registration Statement and Prospectus. We consent to the use of the aforementioned report in the Registration Statement and Prospectus, and to the use of our name as it appears under the caption “Experts.”

/s/ GRANT THORNTON LLP

Dallas, TX
November 14, 2011

EXHIBIT 23.2

CONSENT OF INDEPENDENT PETROLEUM ENGINEERS

We hereby consent to the use in this Registration Statement on Form S-1 of Matador Resources Company (the "Registration Statement") of the name LaRoche Petroleum Consultants, Ltd., to the references to our audit reports of Matador Resources Company's proved oil and natural gas reserves estimates and future net revenue at December 31, 2008, and the inclusion of our corresponding audit report, dated March 13, 2009 in the Registration Statement as Exhibit 99.4. We also consent to all references to us contained in such Registration Statement, including in the prospectus under the heading "Experts".

LAROCHE PETROLEUM CONSULTANTS, LTD.

By:	/s/ William M. Kazmann
Name:	William M. Kazmann
Title:	Partner

Dallas, Texas
November 14, 2011

EXHIBIT 23.3

CONSENT OF INDEPENDENT PETROLEUM ENGINEERS

We hereby consent to the use in this Registration Statement on Form S-1 of Matador Resources Company (the “Registration Statement”) of the name Netherland, Sewell & Associates, Inc., to the references to our audits of Matador Resources Company’s proved oil and natural gas reserves estimates and future net revenue at June 30, 2011 and December 31, 2010, and 2009, and the inclusion of our corresponding audit reports, dated September 8, 2011, May 6, 2011, and February 18, 2010, in the Registration Statement as Exhibits 99.1, 99.2, and 99.3, respectively. We also consent to all references to us contained in such Registration Statement, including in the prospectus under the heading “Experts”.

NETHERLAND, SEWELL & ASSOCIATES, INC.

By: /s/ C.H. (Scott) Rees III
C.H. (Scott) Rees III, P.E.
Chairman and Chief Executive Officer

Dallas, Texas
November 14, 2011

Exhibit 99.1

NSAI NETHERLAND, SEWELL & ASSOCIATES, INC.
WORLDWIDE PETROLEUM CONSULTANTS
ENGINEERING • GEOLOGY • GEOPHYSICS • PETROPHYSICS

CHAIRMAN & CEO
C.H. (SCOTT) REES III
PRESIDENT & COO
DANNY D. SIMMONS
EXECUTIVE VP
G. LANCE BINDER

EXECUTIVE COMMITTEE
P. SCOTT FROST - DALLAS
J. CARTER HENSON, JR. - HOUSTON
DAN PAUL SMITH - DALLAS
JOSEPH J. SPELLMAN - DALLAS
THOMAS J. TELLA II - DALLAS

September 8, 2011

Mr. Indranil (Neil) Barman, P.E.
Matador Resources Company
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, Texas 75240

Dear Mr. Barman:

In accordance with your request, we have audited the estimates prepared by Matador Resources Company (Matador), as of June 30, 2011, of the proved reserves and future revenue to the Matador interest in certain gas and oil properties located in Louisiana, New Mexico, and Texas. It is our understanding that the proved reserves estimates shown herein constitute all of the proved reserves owned by Matador. We have examined the estimates with respect to reserves quantities, reserves categorization, future producing rates, future net revenue, and the present value of such future net revenue, using the definitions set forth in U.S. Securities and Exchange Commission (SEC) Regulation S-X Rule 4-10(a). The estimates of reserves and future revenue have been prepared in accordance with the definitions and guidelines of the SEC and, with the exception of the exclusion of future income taxes, conform to the FASB Accounting Standards Codification Topic 932, Extractive Activities—Oil and Gas. We completed our audit on or about the date of this letter. This report has been prepared for Matador's use in filing with the SEC; in our opinion the assumptions, data, methods, and procedures used in the preparation of this report are appropriate for such purpose.

The following table sets forth Matador's estimates of the net reserves and future net revenue, as of June 30, 2011, for the audited properties:

	Net Reserves		Future Net Revenue (M$)	
Category	Gas (MMCF)	Oil (MBBL)	Total	Present Worth at 10%
Proved Developed Producing	49,517	394	143,014	92,902
Proved Developed Non-Producing	1,566	7	3,510	1,762
Proved Undeveloped	101,414	478	157,352	49,765
Total Proved	152,497	878	303,875	144,429

Totals may not add because of rounding.

Gas volumes are expressed in millions of cubic feet (MMCF) at standard temperature and pressure bases. The oil reserves shown include crude oil and condensate. Oil volumes are expressed in thousands of barrels (MBBL); a barrel is equivalent to 42 United States gallons.

When compared on a field-by-field basis, some of the estimates of Matador are greater and some are less than the estimates of Netherland, Sewell & Associates, Inc. (NSAI). However, in our opinion the estimates of Matador's proved reserves and future revenue shown herein are, in the aggregate, reasonable and have been prepared in accordance with the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers (SPE Standards). Additionally, these estimates are within the recommended 10 percent tolerance threshold set forth in the SPE Standards. We are satisfied with the methods and procedures used by Matador in preparing the June 30, 2011, estimates of reserves and future revenue, and we saw nothing of an unusual nature that would cause us to take exception with the estimates, in the aggregate, as prepared by Matador.

The estimates shown herein are for proved reserves. Matador's estimates do not include probable or possible reserves that may exist for these properties, nor do they include any value for undeveloped acreage beyond those tracts for which undeveloped reserves have been estimated. Reserves categorization conveys the relative degree of certainty; reserves subcategorization is based on development and production status. The estimates of reserves and future revenue included herein have not been adjusted for risk.

Prices used by Matador are based on the 12-month unweighted arithmetic average of the first-day-of-the-month price for each month in the period July 2010 through June 2011. For gas volumes, the average Henry Hub spot price of $4.209 per MMBTU is adjusted by lease for energy content, transportation fees, and regional price differentials. For oil volumes, the average West Texas Intermediate posted price of $86.60 per barrel is adjusted by lease for quality, transportation fees, and regional price differentials. All prices are held constant throughout the lives of the properties. The average adjusted product prices weighted by production over the remaining lives of the properties are $3.37 per MCF of gas and $85.16 per barrel of oil.

Lease and well operating costs used by Matador are based on historical operating expense records. For nonoperated properties, these costs include the per-well overhead expenses allowed under joint operating agreements along with estimates of costs to be incurred at and below the district and field levels. Lease and well operating costs for the operated properties include direct lease- and field-level costs and Matador's estimate of the portion of its headquarters general and administrative overhead expenses necessary to operate the properties. Lease and well operating costs are held constant throughout the lives of the properties. Matador's estimates of capital costs are included as required for workovers, new development wells, and production equipment. The future capital costs are held constant to the date of expenditure.

The reserves shown in this report are estimates only and should not be construed as exact quantities. Proved reserves are those quantities of oil and gas which, by analysis of engineering and geoscience data, can be estimated with reasonable certainty to be economically producible. Estimates of reserves may increase or decrease as a result of market conditions, future operations, changes in regulations, or actual reservoir performance. In addition to the primary economic assumptions discussed herein, estimates of Matador and NSAI are based on certain assumptions including, but not limited to, that the properties will be developed consistent with current development plans, that the properties will be operated in a prudent manner, that no governmental regulations or controls will be put in place that would impact the ability of the interest owner to recover the reserves, and that projections of future production will prove consistent with actual performance. If the reserves are recovered, the revenues therefrom and the costs related thereto could be more or less than the estimated amounts. Because of governmental policies and uncertainties of supply and demand, the sales rates, prices received for the reserves, and costs incurred in recovering such reserves may vary from assumptions made while preparing these estimates.

It should be understood that our audit does not constitute a complete reserves study of the audited oil and gas properties. Our audit consisted primarily of substantive testing, wherein we conducted a detailed review of all properties. In the conduct of our audit, we have not independently verified the accuracy and completeness of information and data furnished by Matador with respect to ownership interests, oil and gas production, well test data, historical costs of operation and development, product prices, or any agreements relating to current and future operations of the properties and sales of production. However, if in the course of our examination something came to our attention that brought into question the validity or sufficiency of any such information or data, we did not rely on such information or data until we had satisfactorily resolved our questions relating thereto or had independently verified such information or data. Our audit did not include a review of Matador's overall reserves management processes and practices.

We used standard engineering and geoscience methods, or a combination of methods, including performance analysis, volumetric analysis, and analogy, that we considered to be appropriate and necessary to establish the conclusions set forth herein. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore, our conclusions necessarily represent only informed professional judgment.

Supporting data documenting this audit, along with data provided by Matador, are on file in our office. The technical persons responsible for conducting this audit meet the requirements regarding qualifications, independence, objectivity, and confidentiality set forth in the SPE Standards. We are independent petroleum engineers, geologists, geophysicists, and petrophysicists; we do not own an interest in these properties nor are we employed on a contingent basis.

Sincerely,

NETHERLAND, SEWELL & ASSOCIATES, INC.
Texas Registered Engineering Firm F-2699

By: /s/ C.H. (Scott) Rees III
C.H. (Scott) Rees III, P.E.
Chairman and Chief Executive Officer

By: /s/ G. Lance Binder
G. Lance Binder, P.E. 61794
Executive Vice President

Date Signed: September 8, 2011

GLB:JTE

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CERTIFICATION OF QUALIFICATION

I, G. Lance Binder, Registered Professional Engineer, 4500 Thanksgiving Tower, 1601 Elm Street, Dallas, Texas, hereby certify:

That I am an employee of Netherland, Sewell & Associates, Inc. in the position of Executive Vice President.

That I do not have, nor do I expect to receive, any direct or indirect interest in the securities of Matador Resources Company or its subsidiaries.

That I attended Purdue University and graduated in 1978 with a Bachelor of Science Degree in Chemical Engineering; that I am a Registered Professional Engineer in the State of Texas, United States of America; and that I have in excess of 33 years experience in petroleum engineering studies and evaluations.

By: /s/ G. Lance Binder
G. Lance Binder, P.E.
Texas Registration No. 61794

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