

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

Amendment No. 2
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
(State or other jurisdiction of
incorporation or organization)

1311
(Primary Standard Industrial
Classification Code Number)
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, Texas 75240
(972) 371-5200

27-4662601
(I.R.S. Employer
Identification No.)

(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
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(972) 371-5200

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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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, and — shares to be sold by certain selling shareholders.

(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 December 30, 2011)

PROSPECTUS Issued —, 2012

• 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 20.

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 —, 2012.

RBC CAPITAL MARKETS

CITIGROUP

—, 2012

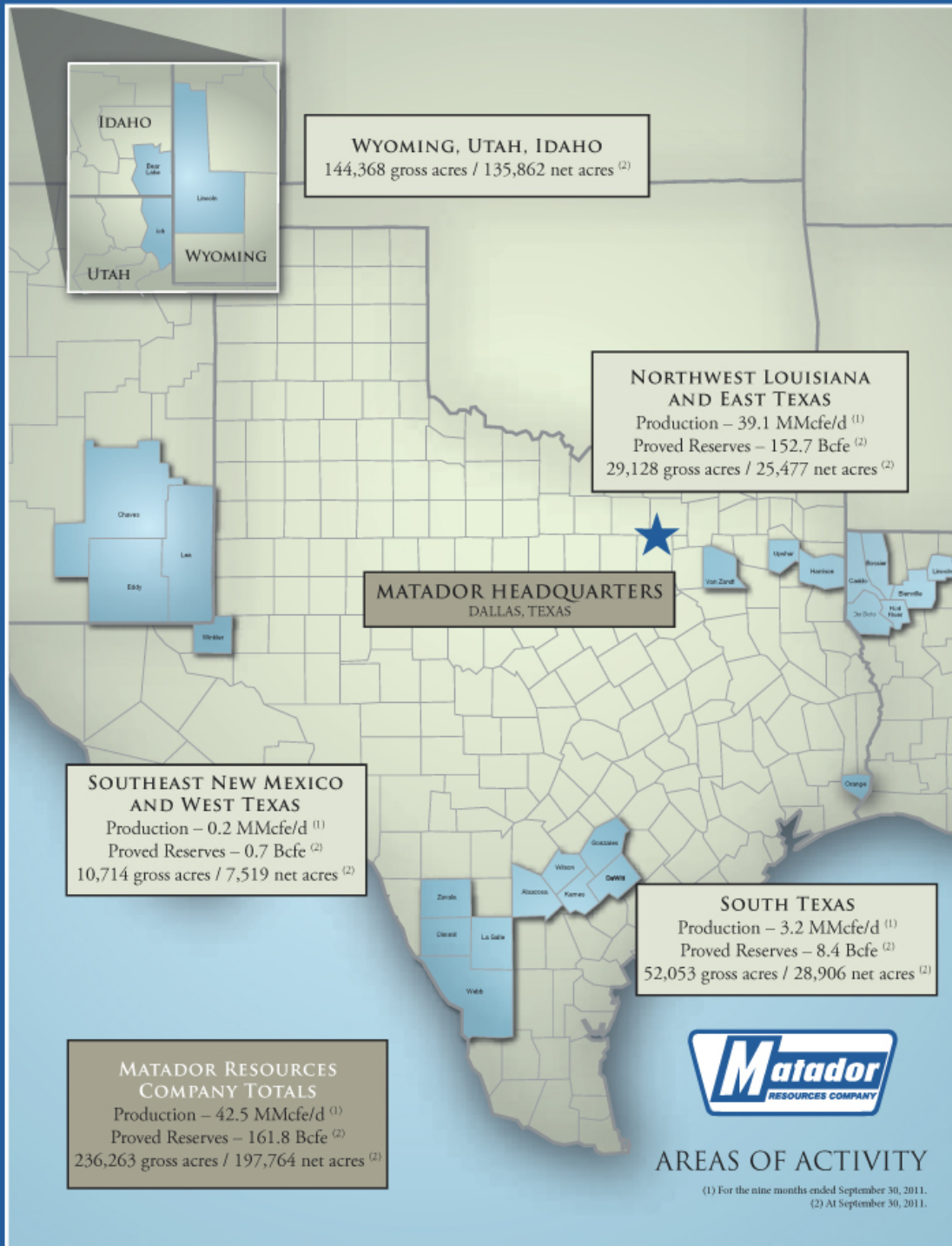


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You should rely only on the information contained in this prospectus and any free writing prospectus prepared by or on behalf of us or to which we have referred you. Neither we nor the selling shareholders have authorized anyone to provide you with 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 —, 2012, 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 on August 9, 2011 and Matador Holdco, Inc. and its subsidiaries after the completion of our corporate reorganization on August 9, 2011. Prior to August 9, 2011, Matador Holdco, Inc. was a wholly owned subsidiary of Matador Resources Company, now known as MRC Energy Company. Pursuant to the terms of our corporate reorganization, former Matador Resources Company became a wholly owned subsidiary of Matador Holdco, Inc. and changed its corporate name to MRC Energy Company, and Matador Holdco, Inc. changed its corporate name to Matador Resources Company. See “Organizational Structure” on page 12 and “Corporate Reorganization” on page 164 of this prospectus.

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.” In addition, in this prospectus, we have assumed that 285,000 shares of common stock will be issued to certain holders of stock options immediately prior to consummation of this offering in connection with the sale of these shares by the option holders as selling shareholders in this offering.

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 213 wells through September 30, 2011, including 83 Haynesville and six Eagle Ford wells. From December 31, 2008 through September 30, 2011, we grew our estimated proved reserves from 20.0 Bcfe to 161.8 Bcfe. At September 30, 2011, 35% of our estimated proved reserves were proved developed reserves and 96% 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 new wells that were completed in 2011, our daily production for the nine months ended September 30, 2011 averaged approximately 42.5 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 \$0.90 per Mcfe for the nine months ended September 30, 2011, or a decrease of approximately 53%.

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

	Net Acreage	Producing Wells		Total Identified Drilling Locations ⁽¹⁾		Estimated Net Proved Reserves		Avg. Daily Production (MMcfe)
		Gross	Net	Gross	Net	Bcfe ⁽²⁾	% Developed	
South Texas:								
Eagle Ford	28,906	5.0	3.4	197.0	157.1	8.4	51.0	3.2
Austin Chalk	14,849	—	—	16.0	16.0	—	—	—
Area Total ⁽³⁾	28,906	5.0	3.4	213.0	173.1	8.4	51.0	3.2
NW Louisiana/E Texas:								
Haynesville	14,705	83.0	10.6	545.0	103.9	136.6	25.4	32.1
Cotton Valley ⁽⁴⁾	23,236	108.0	71.7	60.0	36.0	16.1	100.0	7.0
Area Total ⁽⁵⁾	25,477	191.0	82.3	605.0	139.9	152.7	33.3	39.1
SW Wyoming, NE Utah, SE Idaho	135,862	—	—	—	—	—	—	—
SE New Mexico, West Texas	7,519	13.0	5.7	—	—	0.7	100.0	0.2
Total	197,764	209.0	91.4	818.0	313.0	161.8	34.5	42.5

- (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 September 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 95 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 September 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 September 30, 2011, our properties included approximately 52,000 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 December 2011, we completed our first seven operated wells in this area (see “— Recent Developments”). We have identified 197 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 September 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 September 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 September 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. Just over 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 September 30, 2011, we have identified 545 gross locations and 104 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 545 gross locations identified for future drilling, 470 of these locations (53 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 September 30, 2011, these identified potential future drilling locations in the Haynesville shale play included 95 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 and completed drilling and coring operations on this well in November 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 213 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 80% of our Eagle Ford and 70% of our Haynesville acreage, including approximately 22% 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.

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Our net proceeds from this offering, after repaying the then outstanding borrowings under our revolving credit agreement (\$113.0 million at December 30, 2011, excluding \$1.3 million in outstanding letters of credit), 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 (none of which have been identified). 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 net proceeds of this offering. See "Use of Proceeds."

The following table presents our 2012 anticipated capital expenditure budget of approximately \$313.0 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	13.0	15.0	28.0	11.8	13.8	25.6	\$ 122.3	\$ 134.9	\$257.2
Austin Chalk	2.0	—	2.0	2.0	—	2.0	11.3	—	11.3
Area Total	15.0	15.0	30.0	13.8	13.8	27.6	133.6	134.9	268.5
NW Louisiana / E Texas									
Haynesville	6.0	19.0	25.0	0.2	1.3	1.5	1.9	11.6	13.5
Cotton Valley	—	—	—	—	—	—	—	—	—
Area Total	6.0	19.0	25.0	0.2	1.3	1.5	1.9	11.6	13.5
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	<u>22.0</u>	<u>34.0</u>	<u>56.0</u>	<u>14.4</u>	<u>15.1</u>	<u>29.5</u>	<u>\$ 163.0</u>	<u>\$ 150.0</u>	<u>\$313.0</u>

(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 84% 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 about 94% of our 2012 anticipated capital expenditure budget to opportunities prospective for oil and liquids production. While we have budgeted \$313.0 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, just over 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 December 2011, we amended and restated our senior secured revolving credit agreement. This amendment increased the maximum facility amount from \$150 million to \$400 million. Borrowings are limited to the lesser of \$400 million or the borrowing base, which will be \$100 million immediately following this offering.

In November and December 2011, we completed three additional operated Eagle Ford horizontal wells, the Martin Ranch #2H, #3H and #5H in northeastern LaSalle County, Texas. During initial flow tests on these wells, the Martin Ranch #2H tested at approximately 1,310 Bbls of oil and 1.8 MMcf of natural gas per day, the Martin Ranch #3H tested at approximately 620 Bbls of oil and 0.5 MMcf of natural gas per day, and the Martin Ranch #5H tested at approximately 810 Bbls of oil and 0.6 MMcf of natural gas per day. All three wells were turned to sales in late December 2011. We are the operator and have a 100% working interest in these three wells.

In August 2011, we completed our fourth operated Eagle Ford horizontal well, the Lewton #1H in DeWitt County, Texas. This well tested at approximately 2.7 MMcf of natural gas and 1,040 Bbls of condensate per day during an initial flow test and began producing to sales in late 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.

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 November 2011, this well produced at an average daily rate of 4.5 MMcf of natural gas per day, and through November 30, 2011, had produced approximately 1.7 Bcf of natural gas. 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. During November 2011, this well produced at an average daily rate of 0.9 MMcf of natural gas and 70 Bbls of oil per day. 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 November 2011, the well produced at an average daily rate of approximately 520 Bbls of oil and 0.6 MMcf of natural gas per day, and through November 30, 2011, had produced a total of approximately 111,000 Bbls of oil and 135 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 November 2011, the well produced at an average daily rate of approximately 0.6 MMcf of natural gas and 12 Bbls of condensate per day, and through November 30, 2011, had produced a total of approximately 416 MMcf of natural gas and 10,900 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 November 2011, the well produced at an average daily rate of approximately 1.9 MMcf of natural gas per day, and through November 30, 2011, had produced a total of approximately 900 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 November 2011, the well produced at an average daily rate of approximately 10.0 MMcf of natural gas per day, and through November 30, 2011, had produced a total of approximately 3.2 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 84% of our 2012 capital expenditure budget to the exploration, development and acquisition of additional interests in the Eagle Ford shale play.

Since just over 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 about 94% 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 818 gross and 313 net drilling locations, including 197 gross and 157 net locations in the Eagle Ford shale play and 545 gross and 104 net locations in the Haynesville shale play. At September 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 95 gross and 15 net locations to which we have assigned proved undeveloped reserves in the Haynesville shale play. We have identified 28 gross and 26 net locations in the Eagle Ford shale play and 25 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 5% of our identified gross drilling locations in these two areas at September 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 the then outstanding borrowings under our credit agreement (\$113.0 million outstanding, excluding \$1.3 million in outstanding letters of credit, at December 30, 2011), we expect to have at least \$— million in cash, cash equivalents and certificates of deposit and at least \$98.7 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 net 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 potential borrowings, 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;

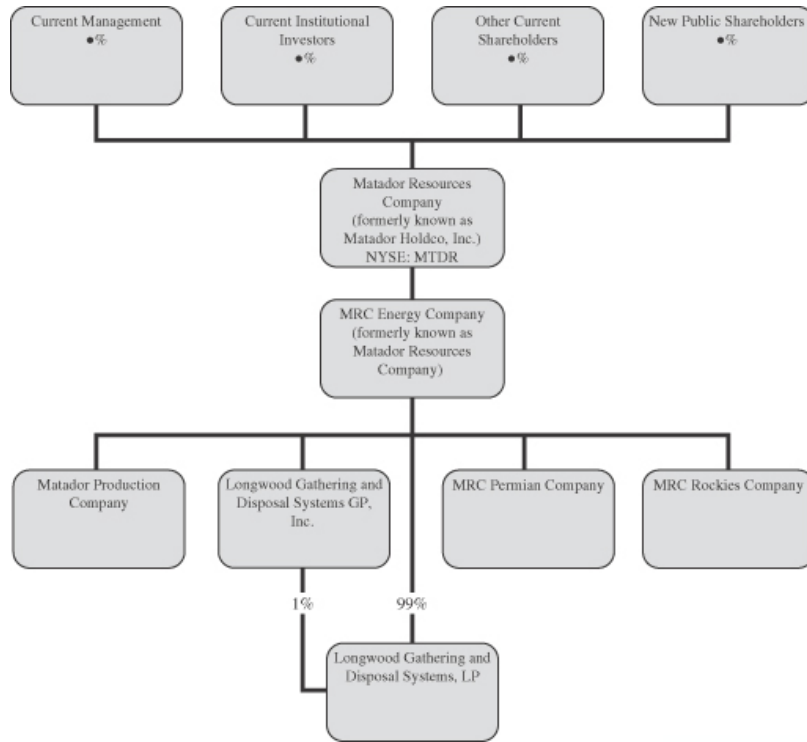
- Drilling locations that we decide to drill may not yield oil or natural gas in commercially viable quantities;
- We may have accidents, equipment failures or mechanical problems while drilling or completing wells or in production activities, which could adversely affect our business;
- We have limited control over activities on properties we do not operate;
- Approximately 67% of our total proved reserves at September 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 —, 2012.



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
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 —, 2012 and excludes — additional shares that are authorized for future issuance under our equity incentive plans, of which — shares may be issued subsequent to the offering 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 the net proceeds we receive from this offering to repay the then outstanding borrowings under our credit agreement (\$113.0 million outstanding, excluding \$1.3 million in outstanding letters of credit, at December 30, 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 20 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 nine months ended September 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 nine months ended September 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,			Nine Months Ended September 30,	
	2010	2009	2008	2011 (Unaudited)	2010 (Unaudited)
(In thousands, except per share data)					
Statement of operations data:					
Revenues:					
Oil and natural gas revenues	\$34,042	\$ 19,039	\$ 30,645	\$ 52,009	\$ 25,182
Realized gain (loss) on derivatives	5,299	7,625	(1,326)	4,237	2,988
Unrealized gain (loss) on derivatives	3,139	(2,375)	3,592	1,534	5,813
Total revenues	42,480	24,289	32,911	57,780	33,983
Expenses:					
Production taxes and marketing	1,982	1,077	1,639	4,801	1,235
Lease operating	5,284	4,725	4,667	5,639	3,801
Depletion, depreciation and amortization	15,596	10,743	12,127	22,578	10,931
Accretion of asset retirement obligations	155	137	92	158	107
Full-cost ceiling impairment	-	25,244	22,195	35,673	-
General and administrative	9,702	7,115	8,252	9,395	6,793
Total expenses	32,719	49,041	48,972	78,244	22,867
Operating income (loss)	9,761	(24,752)	(16,061)	(20,464)	11,116
Other:					
Other (expense) income	137	402	139,962 ⁽¹⁾	(213)	300
Income (loss) before income taxes	9,898	(24,350)	123,901	(20,677)	11,416
Net income (loss)	\$ 6,377	\$(14,425)	\$103,878	\$ (13,725)	\$ 7,373

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	Year Ended December 31,			Nine Months Ended September 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	\$ (0.33)	\$ 0.18
Class B ⁽²⁾	\$ 0.42	\$ (0.10)	\$ 2.77	\$ (0.13)	\$ 0.38
Weighted average common shares outstanding (basic)					
Class A	40,007	40,123	41,385	42,702	40,880
Class B ⁽²⁾	40,007	39,093	40,355	41,671	39,849
	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 September 30,		
	2010	2009	2008	2011	As Adjusted ⁽¹⁾	
				Actual	Adjusted ⁽¹⁾	(Unaudited)
				(Unaudited)	(Unaudited)	(Unaudited)
(In thousands)						
Balance sheet data:						
Cash and cash equivalents	\$ 21,060	\$ 104,230	\$ 150,768	\$ 7,768	\$ 31,768	\$ 38,618
Certificates of deposit	2,349	15,675	20,782	2,085	2,085	7,429
Net property and equipment	303,880	142,078	125,261	350,279	350,279	227,052
Total assets	346,382	277,400	314,539	383,244	407,244	291,423
Current liabilities	30,097	8,868	35,475	50,102	25,102	19,396
Long term liabilities	34,408	4,210	2,059	64,604	4,604	8,125
Total shareholders' equity	\$ 281,877	\$ 264,321	\$ 277,005	\$ 268,538	\$ 405,538	\$ 263,902

- (1) As adjusted 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 the then outstanding borrowings under our credit agreement (\$113.0 million, excluding \$1.3 million in outstanding letters of credit, at December 30, 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,			Nine Months Ended September 30,	
	2010	2009	2008	2011	2010
				(Unaudited)	(Unaudited)
(In thousands)					
Other financial data:					
Net cash provided by operating activities	\$ 27,273	\$ 1,791	\$ 25,851	\$ 34,443	\$ 21,390
Net cash (used in) provided by investing activities	(147,334)	(49,415)	115,481	(107,772)	(78,718)
Oil and natural gas properties capital expenditures	(159,050)	(54,244)	(104,119)	(104,733)	(86,031)
Expenditures for other property and equipment	(1,610)	(307)	(3,012)	(3,303)	(934)
Net cash provided by (used in) financing activities	36,891	1,086	419	60,037	(8,284)
Adjusted EBITDA ⁽¹⁾	\$ 23,635	\$ 15,184	\$ 18,411	\$ 37,550	\$ 17,133

- (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

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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,			Nine Months Ended September 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	\$ (13,725)	\$ 7,373
Interest expense	3	-	-	461	-
Total income tax provision (benefit)	3,521	(9,925)	20,023	(6,952)	4,043
Depletion, depreciation and amortization	15,596	10,743	12,127	22,578	10,931
Accretion of asset retirement obligations	155	137	92	158	107
Full-cost ceiling impairment	-	25,244	22,195	35,673	-
Unrealized (gain) loss on derivatives	(3,139)	2,375	(3,592)	(1,534)	(5,812)
Stock option and grant expense	824	622	605	855	466
Restricted stock grants	74	34	60	36	25
Net (gain)/loss on asset sales and inventory impairment	224	379	(136,977)	-	-
Adjusted EBITDA	<u>\$ 23,635</u>	<u>\$ 15,184</u>	<u>\$ 18,411</u>	<u>\$ 37,550</u>	<u>\$ 17,133</u>

	Year Ended December 31,			Nine Months Ended September 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	\$ 34,443	\$ 21,390
Net change in operating assets and liabilities	(2,230)	15,717	(17,888)	2,692	(2,846)
Interest expense	3	-	-	461	-
Current income tax (benefit) provision	(1,411)	(2,324)	10,448	(46)	(1,411)
Adjusted EBITDA	<u>\$ 23,635</u>	<u>\$ 15,184</u>	<u>\$ 18,411</u>	<u>\$ 37,550</u>	<u>\$ 17,133</u>

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 September 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.

	<u>At December 31,</u>			<u>At September 30,</u>
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2011</u>
Estimated proved reserves:^{(1) (2)}				
Natural gas (Bcf)	127.4	63.9	19.2	155.3
Oil (MBbls)	152	103	131	1,083
Total (Bcfe)	128.3	64.5	20.0	161.8
Developed proved reserves (Bcfe)	44.1	26.0	20.0	55.8
Percent developed	34.3%	40.3%	100.0%	34.5%
Undeveloped proved reserves (Bcfe)	84.3	38.6	-	106.0
PV-10 (in thousands) ⁽³⁾	\$ 119,869	\$ 70,359	\$ 44,069	\$ 155,217
Standardized Measure (in thousands) ⁽⁴⁾	\$ 111,077	\$ 65,061	\$ 43,254	\$ 143,372

(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 October 2010 to September 2011 were \$91.00 per Bbl for oil and \$4.158 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 September 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 September 30, 2011 were, in thousands, \$815, \$5,298, \$8,792 and \$11,845, 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.

[Table of Contents](#)**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 nine month periods ended September 30, 2011 and 2010.

	Year Ended December 31,			Nine Months Ended September 30,	
	2010	2009	2008	2011	2010
Production:					
Natural gas (Bcf)	8.4	4.8	3.1	10.9	5.9
Oil (MBbls)	33	30	37	113	24
Total natural gas equivalents (Bcfe) ⁽¹⁾	8.6	5.0	3.3	11.6	6.0
Average net daily production (MMcfe)	23.6	13.7	9.0	42.5	22.0
Average sales price (per Mcfe):					
Average sales price (including effects of hedging)	\$ 4.58	\$ 5.33	\$ 8.86	\$ 4.85	\$ 4.68
Average sales price (before effects of hedging)	\$ 3.96	\$ 3.81	\$ 9.27	\$ 4.48	\$ 4.19
Operating expenses (per Mcfe):					
Production taxes and marketing	\$ 0.23	\$ 0.22	\$ 0.50	\$ 0.41	\$ 0.21
Lease operating	\$ 0.61	\$ 0.94	\$ 1.41	\$ 0.49	\$ 0.63
Depletion, depreciation and amortization	\$ 1.81	\$ 2.15	\$ 3.67	\$ 1.95	\$ 1.82
General and administrative	\$ 1.13	\$ 1.42	\$ 2.50	\$ 0.81	\$ 1.13

(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.

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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, 94% of our production during the nine month period ended September 30, 2011 and 96% of our proved reserves at September 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 84% 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 197 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

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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.

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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

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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 September 30, 2011 Consisted of Undeveloped and Developed Non-Producing Reserves, and Those Reserves May Not Ultimately Be Developed or Produced.

At September 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 Potential Borrowings, 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 credit agreement or otherwise 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;

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- 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.

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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

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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.

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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 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.

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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

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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 oil and natural gas hedges will expire at various times during 2012 and 2013.

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;

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- 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. In addition, in December 2011, the EPA published an unrelated draft report concluding that hydraulic fracturing caused groundwater pollution of a natural gas field in Wyoming, although this study remains subject to review and public comments. 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,

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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.

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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 September 30, 2011, we had leasehold interests in approximately 122,000 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

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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 available borrowings of approximately \$98.7 million under our credit agreement (after giving effect to outstanding letters of credit). Our borrowing base under our credit agreement immediately following the offering will be limited to \$100 million. Our borrowing base is determined semi-annually by our lenders based primarily on the estimated value of our existing and future acquired oil and gas reserves. Our credit agreement is secured by substantially all of our interests in our oil and gas properties and other assets and contains covenants restricting our ability to incur additional indebtedness,

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which may limit our ability to obtain additional financing. In addition, the borrowing base under our credit agreement is subject to periodic redeterminations, and we could be forced to repay a portion of our 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.

Borrowings under our credit agreement bear interest at a variable rate of 3.25% plus a Eurodollar-based rate per annum, which equated to approximately 3.6% per annum at December 30, 2011. In the future, we may incur significant amounts of additional indebtedness, including under our credit agreement, 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

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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;

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- 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.

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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 repay the then outstanding borrowings under our credit agreement and to fund a portion of our anticipated 2012 capital expenditure budget. To the extent we repay borrowings under our credit agreement, additional borrowings will be available to be used to fund our 2012 capital expenditure budget. 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 or additional borrowings under our credit agreement 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;

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- 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

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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 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 —, 2012, 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 (after taking into account the shares sold by the 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 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.

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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 4,739,500 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.”

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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.

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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 the then outstanding borrowings under our credit agreement (\$113.0 million outstanding, excluding \$1.3 million in outstanding letters of credit, at December 30, 2011). Following the application of the net proceeds we receive from this offering, we will have approximately \$98.7 million available for potential future borrowings under our credit agreement (after giving effect to outstanding letters of credit). We intend to use the remaining net proceeds from this offering, our cash from operations and available borrowings under our credit agreement to fund our 2012 capital expenditure requirements. Although we have no current plans or proposals, pending application of the portion of our net proceeds to fund our 2012 capital expenditure requirements, we may be presented with other opportunities for acquisitions of interests or acreage. In that case, we may decide to use a portion of the net proceeds to finance these acquisitions and use cash flows from operations or additional borrowings under our credit agreement to fund our 2012 capital expenditure requirements, when necessary.

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

<u>Use of Net Proceeds</u>	<u>Amount (in millions)</u>
Repayment of senior secured revolving credit agreement	\$ —
Payment of a portion of 2012 capital expenditure requirements	—
Total net proceeds	\$ —

In December 2011, we amended and restated our senior secured revolving credit agreement. This amendment increased the maximum facility amount from \$150 million to \$400 million. Borrowings are limited to the lesser of \$400 million or the borrowing base, which will be \$100 million immediately following this offering. Comerica Bank serves as administrative agent of our credit agreement, which matures in December 2016. Our borrowings under the credit agreement bear interest at a variable rate of 3.25% plus a Eurodollar-based rate per annum, which equated to approximately 3.6% per annum at December 30, 2011. For more information regarding our amended and restated credit agreement, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Credit Agreement."

Borrowings under the credit agreement were incurred from December 2010 through December 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 will have available borrowings under our credit agreement to finance our capital expenditure requirements. 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 net proceeds of this offering.

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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 net proceeds from this offering in the manner described above, including for potential acquisitions of interests and/or acreage (although we have no current plans to do so), 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. We intend to invest any net proceeds from this offering that exceed the pay off amount of our credit agreement as described above in U.S. treasury bonds or investment grade instruments until otherwise needed.

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, limitations on the payment of dividends on our common stock are imposed under our credit agreement.

In addition, prior to consummation of this offering, the holders of our 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. For the years ended December 31, 2010 and 2009, we declared dividends on our outstanding shares of Class B common stock totaling \$274,853 in each year. For the nine months ended September 30, 2011, we declared dividends on our outstanding shares of Class B common stock totaling \$206,140. Upon the automatic conversion of the outstanding shares of Class B common stock at the closing of this offering, the right of the holders of Class B common stock 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.

CAPITALIZATION

The following table sets forth our capitalization at September 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 then outstanding borrowings under our credit agreement (\$113.0 million outstanding, excluding \$1.3 million in outstanding letters of credit, at December 30, 2011), with the balance being added to cash and cash equivalents until it is used to fund capital requirements, the issuance of 285,000 shares of common stock by us to certain holders of stock options immediately prior to consummation of this offering in connection with the exercise of their stock options at an exercise price of \$9.00 per share and the conversion of our Class B common stock into Class A common stock upon consummation of this offering.

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.

(In thousands except for shares)	At September 30, 2011	
	Actual	As Adjusted
Cash and cash equivalents	\$ 7,768	\$ —
Certificates of deposit	2,085	—
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; 42,907,843 shares issued and 41,728,668 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	263,933	—
Retained earnings	14,931	—
Treasury stock, at cost, 1,179,175 shares	(10,765)	—
Total shareholders’ equity	<u>\$268,538</u>	<u>\$ —</u>
Total capitalization	<u>\$328,538</u>	<u>\$ —</u>

(1) At December 30, 2011, the borrowing base under our credit agreement was \$125.0 million, and we had \$113.0 million in borrowings outstanding, excluding \$1.3 million in outstanding letters of credit. Approximately \$10.7 million remained available for additional borrowings. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — 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 September 30, 2011 was approximately \$269 million, or \$6.28 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 September 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 September 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 September 30, 2011, the total number of shares of common stock owned by existing shareholders (assuming (i) the issuance by us of 285,000 shares of common stock to certain holders of stock options immediately prior to consummation of this offering in connection with the exercise of their stock options at an exercise price of \$9.00 per share and (ii) 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 per Share
	Number	Percent	Amount	Percent	
Existing shareholders	42,759,368	—	—	—	—
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 September 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 nine months ended September 30, 2011 and 2010 and the consolidated balance sheet data at September 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 nine month periods ended September 30, 2011 and 2010, and the notes thereto included herewith.

	Year Ended December 31,					Nine Months Ended September 30,	
	2010	2009	2008	2007	2006	2011 (Unaudited)	2010 (Unaudited)
(In thousands)							
Statement of operations data:							
Revenues:							
Oil and natural gas revenues	\$34,042	\$ 19,039	\$ 30,645	\$13,988	\$ 14,678	\$ 52,009	\$ 25,182
Realized gain (loss) on derivatives	5,299	7,625	(1,326)	213	-	4,237	2,988
Unrealized gain (loss) on derivatives	3,139	(2,375)	3,592	(211)	-	1,534	5,813
Total revenues	42,480	24,289	32,911	13,990	14,678	57,780	33,983
Expenses:							
Production taxes and marketing	1,982	1,077	1,639	779	896	4,801	1,235
Lease operating	5,284	4,725	4,667	3,099	3,075	5,639	3,801
Depletion, depreciation and amortization	15,596	10,743	12,127	7,889	10,950	22,578	10,931
Accretion of asset retirement obligations	155	137	92	70	55	158	107
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	9,395	6,793
Total expenses	32,719	49,041	48,972	17,026	76,887	78,244	22,867
Operating income (loss)	9,761	(24,752)	(16,061)	(3,036)	(62,209)	(20,464)	11,116
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	248	300
Interest expense	(3)	-	-	-	-	(461)	-
Total other income (expense)	137	402	139,962	2,736	2,063	(213)	300
Net income (loss)	\$ 6,377	\$(14,425)	\$103,878	\$ (300)	\$(60,146)	\$ (13,725)	\$ 7,373

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	At December 31,					At September 30,		
	2010	2009	2008	2007	2006	2011	As Adjusted ⁽¹⁾	2010
						Actual (Unaudited)	(Unaudited)	(Unaudited)
(In thousands)								
Balance sheet data:								
Cash and cash equivalents	\$ 21,060	\$104,230	\$ 150,768	\$ 9,017	\$ 43,183	\$ 7,768	\$ 31,768	\$ 38,618
Certificates of deposit	2,349	15,675	20,782	–	–	2,085	2,085	7,429
Short-term investments	–	–	–	57,925	–	–	–	–
Net property and equipment	303,880	142,078	125,261	105,814	63,062	350,279	350,279	227,052
Total assets	346,382	277,400	314,539	179,152	112,628	383,244	407,244	291,423
Current liabilities	30,097	8,868	35,475	5,541	5,878	50,102	25,102	19,396
Long term liabilities	34,408	4,210	2,059	1,568	878	64,604	4,604	8,125
Total shareholders' equity	\$281,877	\$264,321	\$ 277,005	\$ 172,043	\$ 105,872	\$ 268,538	\$ 405,538	\$ 263,902

	Year Ended December 31,					Nine Months Ended September 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	\$ 34,443	\$ 21,390
Net cash (used in) provided by investing activities	(147,334)	(49,415)	115,481	(108,296)	(49,501)	(107,772)	(78,718)
Oil and natural gas properties capital expenditures	(159,050)	(54,244)	(104,119)	(50,310)	(51,932)	(104,733)	(86,031)
Expenditures for other property and equipment	(1,610)	(307)	(3,012)	(1,300)	(3,127)	(3,303)	(934)
Net cash provided by (used in) financing activities	36,891	1,086	419	66,250	73,876	60,037	(8,284)
Adjusted EBITDA ⁽²⁾	\$ 23,635	\$ 15,184	\$ 18,411	\$ 8,091	\$ 7,582	\$ 37,550	\$ 17,133

(1) As adjusted 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 the then outstanding borrowings under our credit agreement (\$113.0 million outstanding, excluding \$1.3 million in outstanding letters of credit, at December 30, 2011), with the balance being added to cash and cash equivalents to fund capital requirements, the issuance of 285,000 shares of common stock by us to certain holders of stock options immediately prior to consummation of this offering in connection with the exercise of their stock options at an exercise price of \$9.00 per share and the conversion of our Class B common stock into Class A common stock upon consummation of this offering.

(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 213 wells through September 30, 2011, including 83 Haynesville and six Eagle Ford wells. At September 30, 2011, based on the reserves audit by our independent reservoir engineers, we had 161.8 Bcfe of estimated proved reserves with a PV-10 of \$155.2 million and a Standardized Measure of \$143.4 million. At September 30, 2011, 35% of our estimated proved reserves were proved developed reserves and 96% 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 nine months ended September 30, 2011 was approximately 42.5 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

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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.

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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,			Nine Months Ended September 30,	
	2010	2009	2008	2011 (Unaudited)	2010 (Unaudited)
Operating Results:					
Revenues (in thousands):					
Oil	\$ 2,506	\$ 1,719	\$ 3,653	\$ 10,468	\$ 1,831
Natural gas	31,535	17,320	26,992	41,541	23,351
Total oil and natural gas revenues	34,042	19,039	30,645	52,009	25,182
Realized gain (loss) on derivatives	5,299	7,625	(1,326)	4,237	2,988
Unrealized gain (loss) on derivatives	3,139	(2,375)	3,592	1,534	5,813
Total revenues	\$42,480	\$24,289	\$32,911	\$ 57,780	\$ 33,983
Net Production Volumes:					
Oil (MBbls)	33	30	37	113	24
Natural gas (Bcf)	8.4	4.8	3.1	10.9	5.9
Total natural gas equivalents (Bcfe)	8.6	5.0	3.3	11.6	6.0
Average net daily production (MMcfe/d)	23.6	13.7	9.0	42.5	22.0
Average Sales Prices:					
Oil (per Bbl)	\$ 76.39	\$ 57.72	\$ 98.59	\$ 92.71	\$ 74.59
Natural gas, with realized derivatives (per Mcf)	\$ 4.38	\$ 5.17	\$ 8.32	\$ 4.19	\$ 4.49
Natural gas, without realized derivatives (per Mcf)	\$ 3.75	\$ 3.59	\$ 8.75	\$ 3.80	\$ 3.98

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

Oil and natural gas revenues. Our oil and natural gas revenues increased by \$26.8 million to \$52.0 million, or an increase of about 107%, for the nine months ended September 30, 2011, as compared to the nine months ended September 30, 2010. This doubling in oil and natural gas revenues corresponds with an increase of about 93% in our oil and natural gas production to 11.6 Bcfe for the nine months ended September 30, 2011 from 6.0 Bcfe for the nine months ended September 30, 2010. This increased production was 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. A portion of the increased oil and natural gas revenues was also attributable to the approximate five-fold increase in our oil production for the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010, as well as to the increase of about \$18.00 per Bbl in the average price we received for this oil production during the nine months ended September 30, 2011 as compared to the same period in 2010.

Realized gain (loss) on derivatives. Our realized gain on derivatives increased by approximately \$1.2 million to \$4.2 million for the nine months ended September 30, 2011 from \$3.0 million for the nine months ended September 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 \$0.91 per MMBtu hedged on all of our open natural gas costless collar contracts during the nine months ended September 30, 2011 as compared to \$0.68 per MMBtu hedged on all of our open natural gas costless collar contracts during the nine months ended September 30, 2010.

Unrealized gain (loss) on derivatives. Our unrealized gain on derivatives was \$1.5 million for the nine months ended September 30, 2011, compared to an unrealized gain of \$5.8 million for the nine months

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ended September 30, 2010. During the period from December 31, 2010 to September 30, 2011, the net fair value of our open natural gas costless collar contracts increased from \$4.1 million to \$5.6 million, resulting in an unrealized gain on derivatives of \$1.5 million for the nine months ended September 30, 2011. This increase in the net fair value of our open natural gas costless collar contracts was due primarily to a decrease in natural gas prices during the first nine months of 2011 as compared to the comparable period in 2010, as well as an increase in the total number of our open contracts at September 30, 2011 as compared to December 31, 2010. During the period from December 31, 2009 to September 30, 2010, the net fair value of our open natural gas costless collar contracts increased from \$1.0 million to \$6.8 million, resulting in an unrealized gain on derivatives of \$5.8 million for the nine months ended September 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

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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

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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.

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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,			Nine Months Ended September 30,	
	2010	2009	2008	2011 (Unaudited)	2010 (Unaudited)
(In thousands, except expenses per Mcfe)					
Expenses:					
Production taxes and marketing	\$ 1,982	\$ 1,077	\$ 1,639	\$ 4,801	\$ 1,235
Lease operating	5,284	4,725	4,667	5,639	3,801
Depletion, depreciation and amortization	15,596	10,743	12,127	22,578	10,931
Accretion of asset retirement obligations	155	137	91	158	107
Full-cost ceiling impairment	–	25,244	22,195	35,673	–
General and administrative	9,702	7,115	8,252	9,395	6,793
Total expenses	32,719	49,041	48,972	78,244	22,867
Operating income (loss)	9,761	(24,752)	(16,061)	(20,464)	11,116
Other income (expense):					
Net gain (loss) on asset sales and inventory impairment	(224)	(379)	136,978	–	–
Interest and other income	364	781	2,984	248	300
Interest expense	(3)	–	–	(461)	–
Total other income (expense)	137	402	139,962	(213)	300
Income (loss) before income taxes	9,898	(24,350)	123,901	(20,677)	11,416
Total income tax provision (benefit)	3,521	(9,925)	20,023	(6,952)	4,043
Net income (loss)	\$ 6,377	\$ (14,425)	\$ 103,878	\$ (13,725)	\$ 7,373
Expenses per Mcfe:					
Production taxes and marketing	\$ 0.23	\$ 0.22	\$ 0.50	\$ 0.41	\$ 0.21
Lease operating	\$ 0.61	\$ 0.94	\$ 1.41	\$ 0.49	\$ 0.63
Depletion, depreciation and amortization	\$ 1.81	\$ 2.15	\$ 3.67	\$ 1.95	\$ 1.82
General and administrative	\$ 1.13	\$ 1.42	\$ 2.50	\$ 0.81	\$ 1.13

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

Production taxes and marketing. Our production taxes and marketing expenses increased by \$3.6 million to \$4.8 million, or an increase of approximately 289% for the nine months ended September 30, 2011, as compared to the nine months ended September 30, 2010. The increase in our production taxes and marketing expenses reflects the increases in both our oil and natural gas production and revenues by 93% and 107%, respectively, during the nine months ended September 30, 2011 as compared to the nine months ended September 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 nine 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 nine 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 September 30, 2011. Thus, we have paid and/or accrued for

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the associated production taxes on these wells during the first nine 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 nine months ended September 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 \$1.8 million to \$5.6 million, or an increase of about 48%, for the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010. During these respective periods, however, our oil and natural gas production increased 93% from 6.0 Bcfe to 11.6 Bcfe. As a result, our lease operating expenses per unit of production decreased by 22% to \$0.49 per Mcfe for the nine months ended September 30, 2011 as compared to \$0.63 per Mcfe for the nine months ended September 30, 2010. During the first nine 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 \$11.6 million to \$22.6 million, or an increase of about 107%, for the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010. The increase in our depletion, depreciation and amortization expenses was due primarily to an increase of approximately 93% in our oil and natural gas production from 6.0 Bcfe to 11.6 Bcfe during the respective time periods. A portion of this increase was also due to a 7% increase in our depletion, depreciation and amortization expenses on a unit-of-production basis from \$1.82 per Mcfe for the nine months ended September 30, 2010 to \$1.95 per Mcfe for the nine months ended September 30, 2011. This increase reflects increases in drilling and completion costs for wells drilled to the Haynesville shale during the past year. This increase was 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 \$51,000 to approximately \$158,000, or an increase of about 48%, for the nine months ended September 30, 2011 as compared to the nine months ended September 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 September 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 nine months ended September 30, 2011.

General and administrative. Our general and administrative expenses increased by \$2.6 million to \$9.4 million, or an increase of about 38%, for the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010. The increase in our general and administrative expenses was due

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primarily to increased cash and non-cash compensation expenses and increased accounting and legal expenses for the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010. As a result of our increased oil and natural gas production, however, our general and administrative expenses decreased by 28% on a unit-of-production basis to \$0.81 per Mcfe for the nine months ended September 30, 2011 as compared to \$1.13 per Mcfe for the nine months ended September 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 nine months ended September 30, 2011 or during the nine months ended September 30, 2010.

Interest expense. At September 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 approximately \$1.2 million. We capitalized \$756,000 of our interest expense on certain qualifying projects for the nine months ended September 30, 2011 and expensed the remaining \$461,000 to operations. At September 30, 2011, the interest rate on the term loan was approximately 5.3% and the interest rate on the other outstanding borrowings was approximately 2.2%. We had no borrowings under the credit agreement at September 30, 2010 and, as a result, we incurred no interest expense for the nine months ended September 30, 2010.

Interest and other income. Our interest and other income decreased by approximately \$52,000 to approximately \$248,000, or a decrease of about 17%, for the nine months ended September 30, 2011 as compared to the nine months ended September 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 approximately \$9.9 million at September 30, 2011 from approximately \$46.0 million at September 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 nine months ended September 30, 2011 as compared to a total income tax provision of approximately \$4.0 million for the nine months ended September 30, 2010. The total income tax benefit for the nine months ended September 30, 2011 reflected deferred income taxes almost entirely, with the exception of a state of Louisiana income tax refund of approximately \$46,000 recorded during this period. 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 \$0.8 million at September 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. The total income tax provision for the nine months ended September 30, 2010 included a deferred income tax provision of approximately \$5.4 million and 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. For the nine months ended September 30, 2010, the deferred income tax provision was consistent with our

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income before income taxes, which included approximately \$5.8 million in unrealized hedging gains. We had a net loss for the nine months ended September 30, 2011, and our effective tax rate for the nine months ended September 30, 2010 was 35.42%.

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.

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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.

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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

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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, borrowings under our credit agreement 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 December 2011, we amended and restated our senior secured revolving credit agreement for which Comerica Bank serves as administrative agent. This amendment increased the maximum facility amount from \$150 million to \$400 million. Borrowings are limited to the lesser of \$400 million or the borrowing base. At December 30, 2011, the borrowing base was \$125 million, and we had \$113.0 million of outstanding indebtedness, excluding \$1.3 million in outstanding letters of credit. Following this offering and after application of the net proceeds, our borrowing base will be reduced to \$100 million. The new amended credit agreement matures in December 2016. Our borrowings bear interest at a variable rate of 3.25% plus a Eurodollar-based rate per annum, which equated to approximately 3.6% per annum at December 30, 2011.

We previously entered into the credit agreement in March 2008 and amended and restated it for the first time in May 2011. At September 30, 2011, the agreement provided for a borrowing base of \$80.0 million and our outstanding revolving borrowings under the credit agreement bore interest at the rate of 2.2%. 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 was due and payable on December 31, 2011, and there was no penalty for prepayment. The term loan bore interest at an annual rate of 5% plus a Eurodollar-based rate, which equated to approximately 5.3% at September 30, 2011. This term loan was refinanced by revolving borrowings under the amended and restated credit agreement in December 2011. For more information regarding our amended and restated credit agreement, 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 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 for 2013 and subsequent years may require additional sources of financing, which may not be available. 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 net proceeds of this offering. See “Use of Proceeds.”

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

(In thousands)	Year Ended December 31,			Nine Months Ended September 30,	
	2010	2009	2008	2011 (Unaudited)	2010 (Unaudited)
Net cash provided by operating activities	\$ 27,273	\$ 1,791	\$ 25,851	\$ 34,443	\$ 21,390
Net cash provided by (used in) investing activities	(147,334)	(49,415)	115,481	(107,772)	(78,718)
Net cash provided by (used in) financing activities	36,891	1,086	419	60,037	(8,284)
Net change in cash and cash equivalents	\$ (83,170)	\$(46,538)	\$141,751	\$ (13,292)	\$ (65,612)

Cash Flows Provided by Operating Activities

Net cash provided by operating activities increased by \$13.0 million to \$34.4 million for the nine months ended September 30, 2011 as compared to net cash provided by operating activities of \$21.4 million for the nine months ended September 30, 2010. Net cash provided by oil and natural gas operations increased significantly to \$37.1 million for the nine months ended September 30, 2011 from \$18.5 million for the nine months ended September 30, 2010. This increase reflects primarily the 93% increase in our oil and natural gas production to 11.6 Bcfe from 6.0 Bcfe between the respective periods. This increase in cash flows provided by oil and natural gas operations was offset partially by changes in our operating assets and liabilities totaling approximately \$5.6 million between September 30, 2010 and September 30, 2011. Our accounts payable and accrued liabilities increased to approximately \$21.4 million at September 30, 2011 from approximately \$15.2 million at September 30, 2010 due to our increased operating activity in south Texas. Our accounts receivable increased to \$14.1 million at September 30, 2011 as compared to \$7.5 million at September 30, 2010 due primarily to the increase in our oil and natural gas production and associated revenues.

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

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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 \$29.1 million to \$107.8 million for the nine months ended September 30, 2011 from \$78.7 million for the nine months ended September 30, 2010. This increase in net cash used in investing activities reflected primarily an increase of \$18.7 million in our oil and natural gas properties capital expenditures for the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010. The increased oil and natural gas properties capital expenditures for the nine months ended September 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 nine months ended September 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 \$313.0 million in capital for acquisition, exploration and development activities in 2012 as follows:

	Amount (in millions)
Exploration and development drilling and associated infrastructure	\$ 284.5
Leasehold acquisition	24.0
Other capital expenditures, 2-D and 3-D seismic data and recompletions of existing wells	4.5
Total	<u>\$ 313.0</u>

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

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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 \$60.0 million for the nine months ended September 30, 2011 as compared to net cash used in financing activities of \$8.3 million for the nine months ended September 30, 2010. The net cash provided by financing activities for the nine months ended September 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 nine months ended September 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 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 December 2011, we amended and restated our senior secured revolving credit agreement for which Comerica Bank serves as administrative agent. Among other things, this amendment increased the size of the facility and extended the term until December 2016. MRC Energy Company is the borrower under the new amended credit agreement. Borrowings are secured by mortgages on substantially all of our oil and natural gas properties and by the equity interests of certain of MRC Energy Company's wholly owned subsidiaries. In addition, all obligations under the credit agreement are guaranteed by Matador Resources Company, the parent corporation.

The amount of the borrowings under our amended and restated credit agreement is limited to the lesser of \$400.0 million or the borrowing base, which is determined semi-annually on May 1 and November 1 by the lenders based primarily on the estimated value of our existing and future acquired oil and gas reserves, but also on external factors, such as the lenders' lending policies and the lenders' estimates of future oil and natural gas prices, over which we have no control. At December 30, 2011, the borrowing base was \$125.0 million. After repayment of the then outstanding borrowings under our credit agreement with the net proceeds of this offering, the borrowing base will be reduced to \$100.0 million until any subsequent redetermination of the borrowing base under the agreement. Both we and the lenders may each request an unscheduled redetermination of the borrowing base twice during the first year of the credit agreement and once during any 12-month period thereafter. In the event of a borrowing base increase, we are required to pay a fee to the lenders equal to a percentage of the amount of the increase, which will be determined based on market conditions at the time of the borrowing base increase. Except as set forth in the following sentence, 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 lenders 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, however, our outstanding borrowings under the credit agreement exceed \$100.0 million on the earlier of December 31, 2012 or the date on which we inform the lenders that the borrowing base is equal to \$100.0 million, then we will be required to immediately repay such excess amount.

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 plus (iii) an amount from 0.75% to 2.25% of such outstanding loan depending on the level of borrowings under the agreement. 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 1.75% to 3.25% of such outstanding loan depending on the level of borrowings under the agreement. The interest period for Eurodollar borrowings may be one, two, three or six months as designated by us. An unused facility fee of 0.375% to 0.50%, 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.

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Our 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%. Prior to the December 2011 amendment, the outstanding revolving borrowings under our credit agreement were scheduled to mature in March 2013.

In addition to our revolving borrowings under our credit agreement, in May 2011, we 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 was due and payable on December 31, 2011, and there was no penalty for prepayment. The term loan bore interest at an annual rate of 5% plus a Eurodollar-based rate, which equated to approximately

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5.3% at September 30, 2011, and while any principal and interest under the term loan was outstanding, the revolving borrowings under the credit agreement bore interest at the maximum annual rate of 1.875% plus a Eurodollar-based rate which equated to approximately 2.2% at September 30, 2011. The term loan was refinanced by borrowings under the amended and restated credit agreement in December 2011. At December 30, 2011, the borrowing base available for revolving borrowings was \$125.0 million, and we had \$113.0 million in revolving borrowings outstanding under the credit agreement, excluding \$1.3 million in outstanding letters of credit. We intend to repay all then outstanding borrowings under our credit agreement with the net proceeds we receive from this offering. 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 net proceeds of this offering.

Obligations and Commitments

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

(in thousands)	Payments Due by Period				
	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	144	1,150	1,186	3,763
Non-operated drilling commitments ⁽²⁾	1,700	1,700	–	–	–
Drilling rig contracts ⁽³⁾	5,100	5,100	–	–	–
Geological and geophysical contracts ⁽⁴⁾	310	310	–	–	–
Employee bonuses	1,240	–	1,240	–	–
Asset retirement obligations	4,305	332	461	957	2,555
Total contractual cash obligations	\$105,161	\$ 33,849	\$62,851	\$ 2,143	\$ 6,318

(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 was scheduled to mature on December 31, 2011, and our borrowings under our credit agreement were scheduled to mature in March 2013. All such amounts are now included as revolving borrowings under our credit agreement. These amounts do not include estimated interest on the obligations, because our revolving borrowings had short-term interest periods, and we are unable to determine what our borrowing costs may be in future periods. We incurred \$28.0 million in additional borrowings in November and December 2011 under our credit agreement to fund certain capital expenditures.

(2) At September 30, 2011, we had outstanding commitments to participate in the drilling and completion of various non-operated wells in the Haynesville shale play. Our working interest in these wells varies from 0.03% to 0.4%, and most of these wells were in progress at September 30, 2011. If all these wells are drilled and completed, we estimate that we will have a minimum outstanding aggregate capital commitment for our participation in these wells of approximately \$1.7 million at September 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 the second rig began 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 or if the drilling contractor were unable to secure work for both rigs at the same daily rates being charged to us prior to the end of their respective contract terms, we would incur termination obligations for either or both rigs. Our maximum outstanding aggregate capital commitment on these contracts was 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.

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. Our unaudited condensed consolidated financial statements at September 30, 2011 include the accounts of Matador Resources Company and its wholly owned subsidiary, MRC Energy Company, as well as the accounts of MRC Energy Company's four wholly owned subsidiaries, Matador Production Company, Longwood Gathering and Disposal Systems GP, Inc., MRC Permian Company and MRC Rockies Company, and the accounts of Longwood Gathering and Disposal Systems, LP.

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.

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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.

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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 oil and 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.

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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.

Our 2012 Long-Term Incentive Plan has been adopted, effective January 1, 2012. This plan permits 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 and at September 30, 2011, 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,

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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 December 30, 2011, our 2007, 2008 and 2009 income and franchise tax returns were under examination by the state of Louisiana. As a result of preliminary findings received by us from the state of Louisiana, we recorded an income tax refund of \$45,636, a franchise tax assessment of \$91,995 and an associated interest expense of \$12,429 for the three and nine months ended September 30, 2011.

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 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

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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 September 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.

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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.

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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 oil and 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 September 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

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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 natural gas costless collar contracts at November 30, 2011:

<u>Commodity</u>	<u>Calculation Period</u>	<u>Notional Quantity</u> (MMBtu/month)	<u>Price Floor</u> (\$/MMBtu)	<u>Price Ceiling</u> (\$/MMBtu)	<u>Fair Value of Asset</u> (thousands)
Natural Gas	01/01/2010 — 12/31/2011	50,000	5.25	8.10	\$ 94
Natural Gas	01/01/2010 — 12/31/2011	50,000	5.50	7.65	107
Natural Gas	01/01/2010 — 12/31/2011	50,000	5.00	8.65	82
Natural Gas	01/01/2010 — 12/31/2011	50,000	5.50	7.70	107
Natural Gas	01/01/2011 — 12/31/2011	90,000	5.50	7.85	192
Natural Gas	07/01/2011 — 12/31/2012	300,000	4.50	5.60	3,392
Natural Gas	07/01/2011 — 07/31/2013	150,000	4.50	5.75	2,210
Natural Gas	01/01/2012 — 12/31/2012	150,000	4.25	6.17	1,200
Total					\$ 7,384

All of our existing natural gas derivative contracts will expire at varying times during 2011, 2012 and 2013. In November and December 2011, we entered into various costless collar transactions to mitigate our exposure to oil price volatility for the first time. The following table is a summary of our open oil costless collar contracts at November 30, 2011.

<u>Commodity</u>	<u>Calculation Period</u>	<u>Notional Quantity</u> (Bbl/month)	<u>Price Floor</u> (\$/Bbl)	<u>Price Ceiling</u> (\$/Bbl)	<u>Fair Value of Asset</u> (thousands)
Oil	12/01/2011 — 12/31/2012	20,000	90.00	104.20	\$ (346)
Oil	01/01/2013 — 12/31/2013	20,000	85.00	102.25	(220)
Total					\$ (566)

For each calculation period, the specified price for determining the realized gain or loss to us pursuant to any of these oil hedging transactions is the arithmetic average of the settlement prices for the NYMEX West Texas Intermediate oil futures contract for the first nearby month corresponding to the calculation period's calendar month. When the settlement price is below the price floor established by these collars, we receive from Comerica Bank, as counterparty, an amount equal to the difference between the settlement price and the price floor multiplied by the contract oil volume hedged. When the settlement price is above the price ceiling established by these collars, we pay Comerica Bank, as counterparty, an amount equal to the difference between the settlement price and the price ceiling multiplied by the contract oil volume hedged.

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

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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 had \$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% per annum 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 bore interest at an annual rate of 5% plus a Eurodollar-based rate, which equated to approximately 5.3% at September 30, 2011. The term loan was refinanced through revolving borrowings in December 2011 under our amended and restated credit agreement. Borrowings under our amended and restated credit agreement bear interest at a variable rate of 3.25% plus a Eurodollar-based rate per annum, which equated to approximately 3.6% per annum at December 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

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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 September 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

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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 213 wells through September 30, 2011, including 83 Haynesville and six Eagle Ford wells. From December 31, 2008 through September 30, 2011, we grew our estimated proved reserves from 20.0 Bcfe to 161.8 Bcfe. At September 30, 2011, 35% of our estimated proved reserves were proved developed reserves and 96% 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 new wells that were completed in 2011, our daily production for the nine months ended September 30, 2011 averaged approximately 42.5 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 \$0.90 per Mcfe for the nine months ended September 30, 2010, or a decrease of approximately 53%.

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

	Net Acreage	Producing Wells		Total Identified Drilling Locations ⁽¹⁾		Estimated Net Proved Reserves		Avg. Daily Production (MMcfe)
		Gross	Net	Gross	Net	Bcfe ⁽²⁾	% Developed	
South Texas:								
Eagle Ford	28,906	5.0	3.4	197.0	157.1	8.4	51.0	3.2
Austin Chalk	14,849	—	—	16.0	16.0	—	—	—
Area Total ⁽³⁾	28,906	5.0	3.4	213.0	173.1	8.4	51.0	3.2
NW Louisiana/E Texas:								
Haynesville	14,705	83.0	10.6	545.0	103.9	136.6	25.4	32.1
Cotton Valley ⁽⁴⁾	23,236	108.0	71.7	60.0	36.0	16.1	100.0	7.0
Area Total ⁽⁵⁾	25,477	191.0	82.3	605.0	139.9	152.7	33.3	39.1
SW Wyoming, NE Utah, SE Idaho								
	135,862	—	—	—	—	—	—	—
SE New Mexico, West Texas								
	7,519	13.0	5.7	—	—	0.7	100.0	0.2
Total	197,764	209.0	91.4	818.0	313.0	161.8	34.5	42.5

(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 September 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 95 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 September 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 September 30, 2011, our properties included approximately 52,000 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 December 2011, we completed our first seven operated wells in this area (see “ — Recent Developments”). We have identified 197 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

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authorities and surface considerations, among others. At September 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 September 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 September 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. Just over 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 September 30, 2011, we have identified 545 gross locations and 104 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 545 gross locations identified for future drilling, 470 of these locations (53 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 September 30, 2011, these identified potential future drilling locations included 95 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 and completed drilling and coring operations on this well in November 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 213 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 80% of our Eagle Ford and 70% of our Haynesville acreage, including approximately 22% 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.

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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 repaying the then outstanding borrowings under our revolving credit agreement (\$113.0 million at December 30, 2011, excluding \$1.3 million in outstanding letters of credit) 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 (none of which have been identified). 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 net proceeds of this offering. See “Use of Proceeds.”

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The following table presents our 2012 anticipated capital expenditure budget of approximately \$313.0 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		
	Gross Wells ⁽¹⁾			Net Wells ⁽¹⁾			(in millions) ⁽²⁾		
	Exploration	Development	Total	Exploration	Development	Total	Exploration	Development	Total
South Texas									
Eagle Ford	13.0	15.0	28.0	11.8	13.8	25.6	\$ 122.3	\$ 134.9	\$257.2
Austin Chalk	2.0	—	2.0	2.0	—	2.0	11.3	—	11.3
Area Total	15.0	15.0	30.0	13.8	13.8	27.6	133.6	134.9	268.5
NW Louisiana / E Texas									
Haynesville	6.0	19.0	25.0	0.2	1.3	1.5	1.9	11.6	13.5
Cotton Valley	—	—	—	—	—	—	—	—	—
Area Total	6.0	19.0	25.0	0.2	1.3	1.5	1.9	11.6	13.5
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	22.0	34.0	56.0	14.4	15.1	29.5	\$ 163.0	\$ 150.0	\$313.0

(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 84% 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 about 94% of our 2012 anticipated capital expenditure budget to opportunities prospective for oil and liquids production. While we have budgeted \$313.0 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, just over 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 84% of our 2012 capital expenditure budget to the exploration, development and acquisition of additional interests in the Eagle Ford shale play. Since just over 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 about 94% 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 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 818 gross and 313 net drilling locations, including 197 gross and 157 net locations in the Eagle Ford shale play and 545 gross and 104 net locations in the Haynesville shale play. At September 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 95 gross and 15 net locations to which we have assigned proved undeveloped reserves in the Haynesville shale play. We have identified 28 gross and 26 net locations in the Eagle Ford shale play and 25 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 5% of our identified gross drilling locations in these two areas at September 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 the then outstanding borrowings under our credit agreement (\$113.0 million outstanding, excluding \$1.3 million in outstanding letters of credit, at December 30, 2011), we expect to have at least \$— million in cash, cash equivalents and certificates of deposit and at least \$98.7 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 net 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 December 2011, we amended and restated our senior secured revolving credit agreement. This amendment increased the maximum facility amount from \$150 million to \$400 million. Borrowings are limited to the lesser of \$400 million or the borrowing base, which will be \$100 million immediately following this offering.

In November and December 2011, we completed three additional operated Eagle Ford horizontal wells, the Martin Ranch #2H, #3H and #5H in northeastern LaSalle County, Texas. During initial flow tests on these wells, the Martin Ranch #2H tested at approximately 1,310 Bbls of oil and 1.8 MMcf of natural gas per day, the Martin Ranch #3H tested at approximately 620 Bbls of oil and 0.5 MMcf of natural gas per day, and the Martin Ranch #5H tested at approximately 810 Bbls of oil and 0.6 MMcf of natural gas per day. All three wells were turned to sales in late December 2011. We are the operator and have a 100% working interest in these three wells.

In August 2011, we completed our fourth operated Eagle Ford horizontal well, the Lewton #1H in DeWitt County, Texas. This well tested at approximately 2.7 MMcf of natural gas and 1,040 Bbls of condensate per day during an initial flow test and began producing to sales in late 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.

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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 November 2011, this well produced at an average daily rate of 4.5 MMcf of natural gas per day, and through November 30, 2011, had produced approximately 1.7 Bcf of natural gas. 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. During November 2011, this well produced at an average daily rate of 0.9 MMcf of natural gas and 70 Bbls of oil per day. 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 November 2011, the well produced at an average daily rate of approximately 520 Bbls of oil and 0.6 MMcf of natural gas per day, and through November 30, 2011, had produced a total of approximately 111,000 Bbls of oil and 135 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 November 2011, the well produced at an average daily rate of approximately 0.6 MMcf of natural gas and 12 Bbls of condensate per day, and through November 30, 2011, had produced a total of approximately 416 MMcf of natural gas and 10,900 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 November 2011, the well produced at an average daily rate of approximately 1.9 MMcf of natural gas per day, and through November 30, 2011, had produced a total of approximately 900 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 November 2011, the well produced at an average daily rate of approximately 10.0 MMcf of natural gas per day, and through November 30, 2011, had produced a total of approximately 3.2 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

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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 November 2011, the well produced at an average daily rate of approximately 10.0 MMcf of natural gas per day, and through November 30, 2011, had produced a total of approximately 3.2 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.

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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 and completed drilling and coring operations on this well in November 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 November 2011, the well produced at an average rate of approximately 4.5 MMcf of natural gas per day and, through November 30, 2011, had produced approximately 1.7 Bcf of natural gas. 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 December 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.

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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 September 30, 2011, our aggregate leasehold interests consisted of approximately 52,000 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 23,000 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 December 30, 2011, we had drilled and completed seven Eagle Ford wells on our operated properties, and all of these wells are producing to sales. 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 November 2011, the well produced at an average daily rate of approximately 0.6 MMcf of natural gas and 12 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 November 2011, the well produced at an average daily rate of approximately 520 Bbls of oil and 0.6 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. During November 2011, the well produced at an average daily rate of 0.9 MMcf of natural gas and 70 Bbls of oil per day. In August 2011, we completed our fourth operated Eagle Ford horizontal well, the Lewton #1H in DeWitt County, Texas. This well tested at approximately 2.7 MMcf of natural gas and 1,040 Bbls of condensate per day during an initial flow test. The Lewton well began producing to sales in late December 2011.

In November and December 2011, we completed three additional operated Eagle Ford horizontal wells, the Martin Ranch #2H, #3H and #5H in northeastern LaSalle County, Texas. During initial flow tests on these

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wells, the Martin Ranch #2H tested at approximately 1,310 Bbls of oil and 1.8 MMcf of natural gas per day, the Martin Ranch #3H tested at approximately 620 Bbls of oil and 0.5 MMcf of natural gas per day, and the Martin Ranch #5H tested at approximately 810 Bbls of oil and 0.6 MMcf of natural gas per day. All three wells were turned to sales in late December 2011. 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 September 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 nine months ended September 30, 2011 about 76% of our daily production, or 32.1 MMcfe per day, was produced from the Haynesville shale, with another 16%, or 7.0 MMcfe per day, produced from the Cotton Valley and other shallower formations in this area. At September 30, 2011, approximately 84% of our proved reserves, or 136.6 Bcfe, was attributable to the Haynesville shale underlying this acreage with another 10% of our proved reserves, or 16.1 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. Just over 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 September 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 November 2011, the well produced at an average daily rate of approximately 10.0 MMcf of natural gas per day, and through November 30, 2011, had produced a total of approximately 3.2 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 November 2011, this well produced at an average daily rate of 4.5 MMcf of natural gas per day and, through November 30, 2011, had produced approximately 1.7 Bcf of natural gas. 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.

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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 87 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 September 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 September 30, 2011, our production from these wells averaged approximately 19 MMcf 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 porosities 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 November 2011, this well produced at an average daily rate of approximately 1.9 MMcf of natural gas per day and through November 30, 2011, had produced a total of approximately 900 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 and completed drilling and coring operations on this well in November 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

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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 7,700 gross and 4,900 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 nine months ended September 30, 2011 and 2010:

Unaudited Production Data	Year Ended December 31,			Nine Months Ended September 30,	
	2010	2009	2008	2011	2010
Net Production Volumes:					
Oil (MBbls)	33	30	37	113	24
Natural gas (Bcf)	8.4	4.8	3.1	10.9	5.9
Total natural gas equivalents (Bcfe) ⁽¹⁾	8.6	5.0	3.3	11.6	6.0
Average daily production (MMcfe/d)	23.6	13.7	9.0	42.5	22.0
Average Sales Prices:					
Oil (per Bbl)	\$ 76.39	\$ 57.72	\$ 98.59	\$ 92.71	\$ 74.59
Natural gas, with realized derivatives (per Mcf)	\$ 4.38	\$ 5.17	\$ 8.32	\$ 4.19	\$ 4.49
Natural gas, without realized derivatives (per Mcf)	\$ 3.75	\$ 3.59	\$ 8.75	\$ 3.80	\$ 3.98
Operating Expenses (per Mcfe):					
Production taxes and marketing	\$ 0.23	\$ 0.22	\$ 0.50	\$ 0.41	\$ 0.21
Lease operating	\$ 0.61	\$ 0.94	\$ 1.41	\$ 0.49	\$ 0.63
Depletion, depreciation and amortization	\$ 1.81	\$ 2.15	\$ 3.67	\$ 1.95	\$ 1.82
General and administrative	\$ 1.13	\$ 1.42	\$ 2.50	\$ 0.81	\$ 1.13

(1) Estimated using a conversion ratio of one Bbl per six Mcf.

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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 (Mcf/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 nine months ended September 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 (Mcf/d)		
South Texas:					
Eagle Ford	1,320	316	3,214	877	7.6
Austin Chalk ⁽¹⁾	—	—	—	—	—
Area Total	1,320	316	3,214	877	7.6
NW Louisiana/E Texas:					
Haynesville	32,074	1	32,082	8,758	75.5
Cotton Valley ⁽²⁾	6,538	70	6,958	1,900	16.4
Area Total	38,612	71	39,040	10,658	91.9
SW Wyoming, NE Utah, SE Idaho ⁽¹⁾	—	—	—	—	—
SE New Mexico, West Texas	71	27	230	63	0.5
Total	40,003	414	42,484	11,598	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 11.6 Bcfe for the nine months ended September 30, 2011, was an increase of 93% over our total production of 6.0 Bcfe for the nine months ended September 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

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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 new wells that were completed in 2011, our daily production for the nine months ended September 30, 2011 averaged approximately 42.5 MMcfe per day.

Producing Wells

The following table sets forth information relating to producing wells at September 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	2.0	2.0	3.0	1.4	5.0	3.4
Austin Chalk ⁽¹⁾	—	—	—	—	—	—
Area Total	2.0	2.0	3.0	1.4	5.0	3.4
NW Louisiana/E Texas:						
Haynesville	83.0	10.6	—	—	83.0	10.6
Cotton Valley ⁽²⁾	106.0	69.7	2.0	2.0	108.0	71.7
Area Total	189.0	80.3	2.0	2.0	191.0	82.3
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	192.0	82.9	17.0	8.5	209.0	91.4

(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.

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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 September 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 September 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 September 30,
	2010	2009	2008	2011
Estimated Proved Reserves Data:⁽²⁾				
Estimated proved reserves:				
Natural gas (Bcf)	127.4	63.9	19.2	155.3
Oil (MBbls)	152	103	131	1,083
Total (Bcfe)	<u>128.3</u>	<u>64.5</u>	<u>20.0</u>	<u>161.8</u>
Estimated proved developed reserves:				
Natural gas (Bcf)	43.1	25.4	19.2	52.6
Oil (MBbls)	152	103	131	518
Total (Bcfe)	<u>44.1</u>	<u>26.0</u>	<u>20.0</u>	<u>55.8</u>
Percent developed	34.3%	40.3%	100.0%	34.5%
Estimated proved undeveloped reserves:				
Natural gas (Bcf)	84.3	38.6	—	102.7
Oil (MBbls)	—	—	—	565
Total (Bcfe)	<u>84.3</u>	<u>38.6</u>	<u>—</u>	<u>106.0</u>
PV-10 ⁽³⁾ (in thousands)	\$ 119,869	\$ 70,359	\$ 44,069	\$ 155,217
Standardized Measure ⁽⁴⁾ (in thousands)	\$ 111,077	\$ 65,061	\$ 43,254	\$ 143,372

(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 October 2010 to September 2011 were \$91.00 per Bbl for oil and \$4.158 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 September 30, 2011 may be reconciled to

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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 September 30, 2011 were, in thousands, \$815, \$5,298, \$8,792 and \$11,845 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 September 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 October 2010 through September 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 161.8 Bcfe at September 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 1,083 MBbls at September 30, 2011 is attributable to proved oil reserves added due to our drilling operations in the Eagle Ford shale play. Our proved reserves at September 30, 2011 were made up of approximately 96% natural gas and 4% oil. Our proved developed reserves increased from 44.1 Bcfe at December 31, 2010 to 55.8 Bcfe at September 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 518 MBbls at September 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 106.0 Bcfe at September 30, 2011 due primarily to our drilling operations in the Haynesville shale. The increase in our proved undeveloped oil reserves specifically from zero to 565 MBbls at September 30, 2011 is attributable to our drilling operations in the Eagle Ford shale play. The net increase of 21.7 Bcfe in our proved undeveloped reserves from December 31, 2010 to September 30, 2011 is composed of (1) additions of 25.4 Bcfe to proved undeveloped reserves identified through drilling operations, less (2) the conversion of 1.4 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 September 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

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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 September 30, 2011:

	Net Proved Reserves ⁽¹⁾			PV-10 ⁽²⁾ (in millions)	Standardized Measure ⁽³⁾ (in millions)
	Oil (MBbls)	Gas (Bcf)	Gas Equivalent (Bcfe)		
South Texas:					
Eagle Ford	910	3.0	8.4	37.2	34.4
Austin Chalk ⁽⁴⁾	—	—	—	—	—
Area Total	910	3.0	8.4	37.2	34.4
NW Louisiana/E Texas:					
Haynesville	—	136.6	136.6	92.6	85.6
Cotton Valley ⁽⁵⁾	81	15.6	16.1	23.2	21.4
Area Total	81	152.2	152.7	115.8	107.0
SW Wyoming, NE Utah, SE Idaho ⁽⁴⁾	—	—	—	—	—
SE New Mexico, West Texas	92	0.1	0.7	2.2	2.0
Total	1,083	155.3	161.8	155.2	143.4

(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 September 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 September 30, 2011 were approximately \$11.8 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 September 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.

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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 nine month period ended September 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.

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Acreage Summary

The following table sets forth the approximate acreage in which we held a leasehold, mineral or other interest at September 30, 2011. At that date, only about 11% 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	1,696	1,422	50,357	27,484	52,053	28,906
Austin Chalk	–	–	24,454	14,849	24,454	14,849
Area Total ⁽¹⁾	1,696	1,422	50,357	27,484	52,053	28,906
NW Louisiana/E Texas:						
Haynesville	18,760	10,645	4,337	4,060	23,097	14,705
Cotton Valley ⁽²⁾	21,039	17,901	5,502	5,335	26,541	23,236
Area Total ⁽³⁾	23,080	19,696	6,048	5,781	29,128	25,477
SW Wyoming, NE Utah, SE Idaho	–	–	144,368	135,862	144,368	135,862
SE New Mexico, West Texas	1,160	1,038	9,554	6,481	10,714	7,519
Total	25,936	22,156	210,327	175,608	236,263	197,764

- (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 September 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	1,341	279	15,815	4,353	14,345	9,092
Austin Chalk	597	120	6,051	1,122	3,848	2,644
Area Total ⁽¹⁾	1,341	279	15,815	4,353	14,345	9,092
NW Louisiana/E Texas:						
Haynesville	173	125	815	487	118	118
Cotton Valley	186	138	921	493	118	118
Area Total ⁽²⁾	186	138	921	493	118	118
SW Wyoming, NE Utah, SE Idaho	–	–	102,678	93,356	8,461	8,301
SE New Mexico, West Texas	7,362	2,723	1,725	92	8,454	2,715
Total	8,889	3,140	121,139	98,294	31,378	20,226

- (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.

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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 nine months ended September 30, 2011:

	Year Ended December 31,						Nine Months Ended September 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	18	0.4
Dry	-	-	-	-	-	-	-	-
Exploration Wells								
Productive	36	3.4	15	6.0	12	8.6	15	5.5
Dry	-	-	2	2.0	1	1.0	-	-
Total Wells								
Productive	41	5.1	18	7.3	37	21.3	33	5.9
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

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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 September 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

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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.

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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

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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.

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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

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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

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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.

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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.”

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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 28,743 square feet of office space in One Lincoln Centre, 5400 LBJ Freeway, Suite 1500, Dallas, Texas. In April 2011, we entered into a third amended and restated office lease agreement pursuant to which our office space was increased from 20,849 to 28,743 square feet and the term of our lease was extended from July 1, 2011 to 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 December 30, 2011, we had 41 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 December 1, 2011:

<u>Name</u>	<u>Age</u>	<u>Positions Held With Us</u>
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
Wade Massad	44	Executive Vice President — Capital Markets
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

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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

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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 including, most recently in the summer of 2011, the Stanford Graduate School of Business flagship six week Stanford Executive Program (SEP).

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. Wade Massad. Mr. Massad joined Matador Resources Company in December 2011 as Executive Vice President, Capital Markets, after working as an advisor to the Matador Board of Directors since September 2010. Mr. Massad is the Co-Founder and Co-Managing Member of Cleveland Capital Management L.L.C., a registered investment advisor and General Partner of Cleveland Capital L.P., a private investment fund focused on micro-cap public and private equity securities, since October 1996. Previously, Mr. Massad was an investment banker with Keybank Capital Markets and RBC Capital Markets where he was the head of U.S equity institutional sales from 1997 to 1998 and the head of U.S Capital Markets business from 1999 to 2003. He also served on the firm's executive committee at RBC. Mr. Massad has served on multiple public and private company boards and currently is a board member of 4Kids Entertainment. Mr. Massad received a Bachelor of Arts in business management from Baldwin-Wallace College in 1989 and currently serves on its Board of Trustees.

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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

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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 Jenkins & Gilchrist, a Professional Corporation, from 1977 to 2003 and was managing partner of the Jenkins & Gilchrist law firm from 1990 to 2002. During his tenure as Managing Partner, Jenkins & 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

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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

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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

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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

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- 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, Mitchell 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

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- 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, Laney and Mitchell, 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, Mitchell and Ryan, and Mr. Foran is chairman of the Financial Committee.

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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 and 2012 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;

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- 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

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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 were 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:

<u>Executive Officer</u>	<u>2010 Base Salary</u>
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

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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:

<u>Executive Officer</u>	<u>2010 Stock Options</u>
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;

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- 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.

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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.

<u>Executive Officer</u>	<u>2010 Bonus</u>
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 —, 2012 (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;

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- 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 we originally anticipated would 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 2011 compensation 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

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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. The data regarding the peer comparison is based on information presented in their 2010 filings regarding compensation for the year ended December 31, 2009 except for Contango Oil and Gas Co., which had a June 30, 2010 year-end.

As an overall compensation philosophy for 2011, we 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 for 2011, we 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. Initially for 2011, all elements of direct compensation, including base salary, annual incentive compensation and long-term incentive compensation were targeted for most of our Named Executive Officers to provide pay opportunities in the range of the 25th percentile of our peer companies; however, as described below, based on the timing of this offering, the Nominating, Compensation and Planning Committee and the Independent Directors (both of which are currently comprised of the same members) modified the timing of the increases in certain base salaries, determined not to use a formulaic cash incentive program for 2011 and determined not to make any equity grants to Named Executive Officers for 2011.

2011 Base Salary

For most of 2011, except for Mr. Robinson, the base salaries for our Named Executive Officers remained at their 2010 levels. Mr. Robinson's base salary was increased effective January 1, 2011 to \$225,000. Originally, the base salaries for the Named Executive Officers other than Mr. Robinson were to be increased to the following amounts upon the completion of this offering:

- Mr. Foran — \$550,000
- Mr. Lancaster — \$340,000
- Mr. Hairford — \$275,000
- Mr. Nicklin — \$2,000 per day of which \$250 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.

However, due to the timing of this offering, the Nominating, Compensation and Planning Committee and the Independent Directors determined to make the increases set forth above effective for Messrs. Lancaster, Hairford and Nicklin on December 1, 2011, and for Mr. Foran effective January 1, 2012. Mr. Foran's increased base salary was set between the 25th-50th percentiles of base compensation levels of the peer companies. The increased base salaries for all other Named Executive Officers were set in the range of the 25th percentile of the peer companies for positions indicated above.

2011 Cash Bonuses

Although we had originally planned to adopt an Annual Incentive Plan for 2011 and to make the 2011 incentive payments based on the Annual Incentive Plan, due to the timing of this offering, the board of

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directors decided to adopt the Annual Incentive Plan effective January 1, 2012 and to make our incentive payments for 2012 performance under the Annual Incentive Plan as described below under “2012 Annual Incentive Compensation.”

For the 2011 cash bonuses, a sub-committee of the Nominating, Compensation and Planning Committee and the Independent Directors is planning to make recommendations regarding such bonuses for the Named Executive Officers to the Nominating, Compensation and Planning Committee and the Independent Directors in February 2012, and then the Nominating, Compensation and Planning Committee and the Independent Directors are planning to determine the amounts of the cash bonuses to be paid to the Named Executive Officers. Although there are not any formulaic plans for determining the 2011 cash bonuses, the Nominating, Compensation and Planning Committee and the Independent Directors anticipate that the rationale for the cash bonus to be paid to each Named Executive Officer will be based on both the company-wide 2011 performance and the applicable Named Executive Officer’s individual 2011 contribution as determined by the Nominating, Compensation and Planning Committee and the Independent Directors in a manner similar to the 2010 stock options grants and the 2010 cash bonuses.

In addition, to reward Messrs. Foran, Lancaster and Hairford for their valuable contributions in the preparation of this offering, the Planning and Compensation Committee (a predecessor committee to the Nominating, Compensation and Planning Committee) authorized a bonus payment to them of \$50,000, \$40,000 and \$20,000, respectively. In 2011, the Nominating, Compensation and Planning Committee and the Independent Directors ratified such bonus payments.

Finally, 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.

2011 Long-Term Incentive Compensation

Although the Nominating, Compensation and Planning Committee and the Independent Directors had originally planned to make equity grants to the Named Executive Officers in 2011 consisting of non-qualified stock options, performance shares and time-lapsed restricted shares, the Nominating, Compensation and Planning Committee and the Independent Directors decided not to make any equity grants to Named Executive Officers in 2011 due to the timing of this offering.

How We Determine Each Element of 2012 Compensation

2012 Base Salary

For 2012, after receiving input from Mr. Foran, the Nominating, Compensation and Planning Committee and the Independent Directors decided to leave the salaries for Messrs. Foran, Lancaster and Nicklin at the amounts set forth above after giving effect to the increase in Mr. Foran’s base salary to \$550,000 beginning on January 1, 2012. With regard to Messrs. Hairford and Robinson, after receiving input from Mr. Foran, the Nominating, Compensation and Planning Committee and the Independent Directors decided to increase the base salaries effective January 1, 2012 for Mr. Hairford to \$300,000 and for Mr. Robinson to \$240,000. Mr. Hairford’s raise was based upon his role in completing our Eagle Ford acreage acquisition in Dewit, Karnes, Wilson and Gonzales counties and for his leadership in initiating our ongoing drilling and completion operations in the Eagle Ford shale. Mr. Robinson’s raise was based upon his ongoing leadership in coordinating our non-operating participation interests in the Haynesville shale and

elsewhere and for his specific technical contributions to our completion operations in the Eagle Ford shale and our exploration efforts in the Meade Peak shale.

2012 Annual Incentive Compensation

Effective January 1, 2012, we adopted 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 135 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 increase the amount of the payments to the Named Executive Officers. Any increase may be in response to unforeseen circumstances when the performance criteria were set. Any such increase 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 2012, we plan to utilize performance criteria which may include, without limitation, such items 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. In February 2012, we anticipate that a sub-committee of the Nominating, Compensation and Planning Committee and Independent Directors (the Nominating, Compensation and Planning Committee and the Independent Directors are currently comprised of the same members) will recommend to the Nominating, Compensation and Planning Committee and the Independent Directors and the Nominating, Compensation and Planning Committee and the Independent Directors will determine the threshold, target and maximum performance measures for the selected performance criteria, 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

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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 2012 based on the to be selected performance criteria.

<u>Participant</u>	<u>Threshold Annual Incentive Opportunity as % of 2012 Base Salary</u>	<u>Target Annual Incentive Opportunity as % of 2012 Base Salary</u>	<u>Maximum Annual Incentive Opportunity as % of 2012 Base Salary</u>
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% ⁽¹⁾	100%
Bradley M. Robinson Vice President — Reservoir Engineering	25%	50%	100%

(1) 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.

In early 2013, 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 (or sub-committee thereof) 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.

Long-Term Incentive Plan

Effective January 1, 2012, the board of directors adopted the 2012 Long-Term Incentive Plan. This plan permits 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.

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The 2012 Long-Term Incentive Plan has 4,000,000 shares of common stock or share equivalents reserved for issuance. The plan covers grants to the Named Executive Officers, key employees, consultants and non-employee directors.

After receiving recommendations from the Nominating, Compensation and Planning Committee (or a sub-committee thereof), 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 2012, the Independent Directors 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 2012 to such Named Executive Officer. Mr. Nicklin's grants will be made to his consulting company.

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. The Independent Directors 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. The Independent Directors 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). The Independent Directors 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. The Independent Directors 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. The Independent Directors 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. The Independent Directors 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. The Independent Directors 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. The Independent Directors 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

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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

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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;

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- 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."

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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 $\frac{1}{2}$ times base salary; and
- Vice Presidents and Executive Directors — shares equal to one and $\frac{1}{2}$ 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.

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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

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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.”

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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%.

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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:

Name	Option Awards			
	Number of Securities Underlying Unexercised Stock Options (#)	Number of Securities Underlying Unexercised Stock Options (#)	Option Exercise Price (\$)	Option Expiration Date
	Exercisable	Unexercisable		
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:

Name	Option Awards		
	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

<u>Name</u>	<u>Fees Earned or Paid in Cash</u>	<u>Stock Awards⁽¹⁾⁽²⁾</u>	<u>All Other Compensation</u>	<u>Total</u>
	\$	\$	\$	\$
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

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- (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

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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.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table presents the securities authorized for issuance under our equity compensation plans as of December 31, 2010.

Equity Compensation Plan Information			
Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (\$)	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by security holders	1,217,500	\$ 9.73	1,253,694
Equity compensation plans not approved by security holders ⁽¹⁾	—	—	4,000,000
Total	1,217,500	\$ 9.73	5,253,694

(1) Our 2012 Long-Term Incentive Plan was approved by our board of directors in December 2011.

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:

<u>Executive Officer and Date of Loan or Renewal</u>	<u>Loan Amount</u>	<u>Interest Rate</u>	<u>Interest Paid or Payable in 2010</u>	<u>Maturity Date</u>
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 —, 2012.

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.

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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.

<u>Director or Executive Officer</u>	<u>Aggregate Consideration</u>
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.

<u>Director or Executive Officer</u>	<u>Aggregate Consideration</u>
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

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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.

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“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

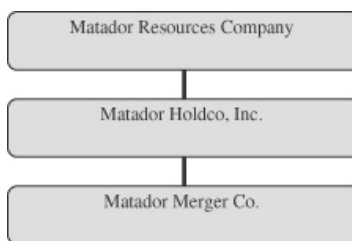
We were recently incorporated pursuant to the laws of the State of Texas as Matador Holdco, Inc. to become a holding company for Matador Resources Company, a Texas corporation. Matador Resources Company was formed as a Texas corporation in July 2003. Pursuant to the terms of the corporate reorganization 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

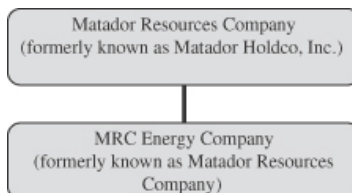
To accommodate growth through acquisitions, provide potential protection from liability and facilitate future sales or spinoffs of subsidiaries and holding company financing arrangements, the former Matador Resources Company, now known as MRC Energy Company, determined it was in the best interests of 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:



Immediately after the corporate reorganization, the corporate structure of the aforementioned entities is as follows:



PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth information with respect to the beneficial ownership of our common stock at December 30, 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⁾	3,628,313	8.5%	880,700	85.4%			
Wellington Management Company, LLP ⁽⁴⁾ 280 Congress Street Boston, Massachusetts 02210	7,355,003	17.5%	—	—			
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	500	*	—	—			
Stephen A. Holditch ⁽⁸⁾	126,253	*	—	—			
David M. Laney ⁽⁹⁾	654,977	1.6%	—	—			
Steven W. Ohnimus ⁽¹⁰⁾	97,777	*	—	—			
Michael C. Ryan ⁽¹¹⁾	250,320	*	—	—			
Margaret B. Shannon	24,575	*	—	—			
Gregory E. Mitchell ⁽¹²⁾	174,625	*	—	—			
Scott E. King ⁽¹³⁾	970,500	2.3%	150,000	14.6%			
Bradley M. Robinson ⁽¹⁴⁾	248,500	*	—	—			
David E. Lancaster ⁽¹⁵⁾	377,250	*	—	—			
Matthew V. Hairford ⁽¹⁶⁾	257,800	*	—	—			
Wade Massad ⁽¹⁷⁾	74,675	*	—	—			
David F. Nicklin ⁽¹⁸⁾	50,000	*	—	—			
Executive officers and directors as a group ⁽¹⁹⁾	6,936,065	16.3%	1,030,700	100.0%			
Selling Shareholders	—	—	—	—			

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* 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 42,022,493 shares of Class A common stock issued and outstanding prior to this offering, which includes 285,000 shares of Class A common stock to be issued to certain holders of stock options immediately prior to consummation of this offering in connection with the exercise of their stock options, which shares will be sold by the option holder as selling shareholders in 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 756,533 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 893,290 shares of Class A common stock and 315,350 shares of Class B common stock held of record by the JWF 2011-1 GRAT and 893,290 shares of Class A common stock and 315,350 shares of Class B common stock held of record by the NNF 2011-1 GRAT, for which Mr. Foran is the trustee and over which Mr. Foran has sole voting and investment power. The column for Class A common stock includes 880,700 shares of Class A common stock issuable upon the automatic conversion of the shares of Class B common stock held by Sage Resources, Ltd., the JWF 2011-1 GRAT and the NNF 2011-1 GRAT 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 December 30, 2011 through the exercise of stock options.
- (9) Includes 6,750 shares which Mr. Laney has the right to acquire within 60 days of December 30, 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 December 30, 2011 through the exercise of stock options.
- (11) Includes 1,500 shares which Mr. Ryan has the right to acquire within 60 days of December 30, 2011 through the exercise of stock options.
- (12) Includes 174,625 shares held of record by JAMAL Enterprises, LP, for which Mr. Mitchell has sole voting and investment power.
- (13) Includes 15,000 shares which Mr. King has the right to acquire within 60 days of December 30, 2011 through the exercise of stock options. The column for Class A common stock includes 150,000 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.

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- (14) Includes 32,500 shares which Mr. Robinson has the right to acquire within 60 days of December 30, 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 —, 2012.
- (15) Includes 182,500 shares which Mr. Lancaster has the right to acquire within 60 days of December 30, 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 —, 2012.
- (16) Includes 95,000 shares which Mr. Hairford has the right to acquire within 60 days of December 30, 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 —, 2012.
- (17) Includes 35,000 shares held by Cleveland Capital L.P. for which Mr. Massad is the co-managing member.
- (18) Includes 20,000 shares which Mr. Nicklin has the right to acquire within 60 days of December 30, 2011 through the exercise of stock options and 30,000 shares held of record by his Individual Retirement Account.
- (19) Includes an aggregate of 278,000 shares which our executive officers and directors as a group have the right to acquire within 60 days of December 30, 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 December 30, 2011, we had no outstanding shares of preferred stock, 1,030,700 outstanding shares of Class B common stock, 42,022,493 outstanding shares of Class A common stock and 43,053,193 outstanding shares of Class A common stock on an as converted basis. Immediately prior to consummation of this offering, we will issue 285,000 shares of common stock to certain holders of stock options in connection with the exercise of their stock options, which shares are included in the total number of shares of Class A common stock outstanding at December 30, 2011 and will be sold by the option holders as selling shareholders in this offering. At December 30, 2011, we had four 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,

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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

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- 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;

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- 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 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

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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.

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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:

<u>Name</u>	<u>Number of Shares</u>
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:

<u>Per Share</u>		<u>Underwriting discounts and commissions paid by us</u>		<u>Total</u>
<u>Without Over-Allotment</u>	<u>With Over-Allotment</u>	<u>Without Over-Allotment</u>	<u>With Over-Allotment</u>	
\$—	\$—	\$—	\$—	

The following summarizes the compensation the selling shareholders will pay:

<u>Per Share</u>	<u>Underwriting discounts paid by selling shareholders</u>	<u>Total</u>
\$—		\$—

The expenses of this offering that are payable by us are estimated to be \$—, exclusive of underwriting discounts and commissions.

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.

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—% 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 Capital Markets, LLC, 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;
- 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; and

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- pursuant to the terms of the underwriting agreement, upon five days advance written notice to RBC Capital Markets, LLC, RBC will consent to a transfer by an existing shareholder of shares of common stock directly to another existing shareholder that has also signed a lock-up agreement with RBC and that acknowledges to RBC that the shares will be subject to the lock-up agreement so long as such transfer would not require the transferor to file a Form 4 pursuant to Section 16 of the Exchange Act or an amendment to any Schedule 13D or 13G pursuant to Section 13 of the Exchange Act.

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;

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- 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.

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 or other 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

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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

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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 September 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

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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	<u>42,501,291</u>	<u>135,321,635</u>
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	<u>303,880,466</u>	<u>142,078,130</u>
Total assets	<u>\$ 346,381,757</u>	<u>\$ 277,399,765</u>
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	<u>30,096,506</u>	<u>8,868,158</u>
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	<u>34,408,108</u>	<u>4,210,217</u>
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	<u>281,877,143</u>	<u>264,321,390</u>
Total liabilities and shareholders' equity	<u>\$ 346,381,757</u>	<u>\$ 277,399,765</u>

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	<u>42,479,713</u>	<u>24,288,996</u>	<u>32,911,023</u>
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	<u>32,718,988</u>	<u>49,041,243</u>	<u>48,971,643</u>
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	<u>137,413</u>	<u>401,756</u>	<u>139,961,703</u>
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)	<u>3,521,175</u>	<u>(9,925,149)</u>	<u>20,023,286</u>
Net income (loss)	<u>\$ 6,376,963</u>	<u>\$ (14,425,342)</u>	<u>\$ 103,877,797</u>
Earnings (loss) per common share			
Basic			
Class A	<u>\$ 0.15</u>	<u>\$ (0.37)</u>	<u>\$ 2.50</u>
Class B	<u>\$ 0.42</u>	<u>\$ (0.10)</u>	<u>\$ 2.77</u>
Diluted			
Class A	<u>\$ 0.15</u>	<u>\$ (0.37)</u>	<u>\$ 2.46</u>
Class B	<u>\$ 0.42</u>	<u>\$ (0.10)</u>	<u>\$ 2.73</u>
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	<u>41,037,487</u>	<u>40,123,267</u>	<u>41,385,318</u>
Diluted			
Class A	40,102,927	39,092,567	41,127,339
Class B	1,030,700	1,030,700	1,030,700
Total	<u>41,133,627</u>	<u>40,123,267</u>	<u>42,158,039</u>

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 paid-in capital	Retained earnings (deficit)	Treasury stock		Total
	Class A		Class B				Shares	Amount	
	Shares	Amount	Shares	Amount					
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)	-	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	<u>\$ 21,059,519</u>	<u>\$ 104,229,709</u>	<u>\$ 150,768,089</u>

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

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

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.

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

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.

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

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

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

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.

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

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.

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

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

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

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	<u>\$ 6,102,110</u>	<u>\$ (14,700,195)</u>	<u>\$ 103,602,944</u>
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	<u>41,037,487</u>	<u>40,123,267</u>	<u>41,385,318</u>
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	<u>41,102,927</u>	<u>39,092,567</u>	<u>41,127,339</u>
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	<u>41,133,627</u>	<u>40,123,267</u>	<u>42,158,039</u>

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	<u>\$ 0.15</u>	<u>\$ (0.37)</u>	<u>\$ 2.50</u>
Class B			
Distributed earnings	\$ 0.27	\$ 0.27	\$ 0.27
Undistributed earnings (loss)	\$ 0.15	\$ (0.37)	\$ 2.50
Total	<u>\$ 0.42</u>	<u>\$ (0.10)</u>	<u>\$ 2.77</u>
Diluted			
Class A			
Distributed earnings	\$ —	\$ —	\$ —
Undistributed earnings (loss)	\$ 0.15	\$ (0.37)	\$ 2.46
Total	<u>\$ 0.15</u>	<u>\$ (0.37)</u>	<u>\$ 2.46</u>
Class B			
Distributed earnings	\$ 0.27	\$ 0.27	\$ 0.27
Undistributed earnings (loss)	\$ 0.15	\$ (0.37)	\$ 2.46
Total	<u>\$ 0.42</u>	<u>\$ (0.10)</u>	<u>\$ 2.73</u>

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

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

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

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

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.

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

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

Matador Resources Company and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED
December 31, 2010, 2009 and 2008

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.

Matador Resources Company and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED
December 31, 2010, 2009 and 2008

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	<u>\$ 3,695,017</u>	<u>\$ 2,551,637</u>

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

Matador Resources Company and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED
December 31, 2010, 2009 and 2008

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

Matador Resources Company and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED
December 31, 2010, 2009 and 2008

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)

Matador Resources Company and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED
December 31, 2010, 2009 and 2008

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)	<u>\$ 3,521,175</u>	<u>\$ (9,925,149)</u>	<u>\$ 20,023,286</u>

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,

Matador Resources Company and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED
December 31, 2010, 2009 and 2008

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 PLANSStock 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

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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	<u>1,217,500</u>		<u>\$11,843,750</u>	\$ 9.73

Range of exercise prices	Options outstanding		Options exercisable		
	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.

Matador Resources Company and Subsidiaries
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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	<u>517,750</u>	<u>\$ 9.78</u>

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

Matador Resources Company and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED
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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

Matador Resources Company and Subsidiaries
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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.

Matador Resources Company and Subsidiaries
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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
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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.

<u>Commodity</u>	<u>Calculation Period</u>	<u>Notional Quantity</u> (MMBtu/month)	<u>Price Floor</u> (\$/MMBtu)	<u>Price Ceiling</u> (\$/MMBtu)	<u>Fair Value of Asset</u>
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					<u>\$4,144,411</u>

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.

<u>Type of Instrument</u>	<u>Location in Balance Sheet</u>	<u>December 31,</u>	
		<u>2010</u>	<u>2009</u>
Derivative Instrument			
Natural Gas	Current assets: Derivative instruments	\$ 4,144,411	\$ 1,005,685
Total		<u>\$ 4,144,411</u>	<u>\$ 1,005,685</u>

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		<u>\$ 8,438,106</u>	<u>\$ 5,250,482</u>	<u>\$ 2,265,958</u>

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.

Matador Resources Company and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED
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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.

<u>Description</u>	Fair Value Measurements at December 31, 2010 using			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets (Liabilities)				
Certificates of deposit	\$ —	\$ 2,349,313	\$ —	\$ 2,349,313
Natural gas derivatives	—	4,144,411	—	4,144,411
Total	<u>\$ —</u>	<u>\$ 6,493,724</u>	<u>\$ —</u>	<u>\$ 6,493,724</u>

<u>Description</u>	Fair Value Measurements at December 31, 2009 using			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets (Liabilities)				
Certificates of deposit	\$ —	\$ 15,675,346	\$ —	\$ 15,675,346
Natural gas derivatives	—	1,005,685	—	1,005,685
Total	<u>\$ —</u>	<u>\$ 16,681,031</u>	<u>\$ —</u>	<u>\$ 16,681,031</u>

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.

<u>Description</u>	Fair Value Measurements at December 31, 2010 using			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets (Liabilities)				
Asset retirement obligations	\$ —	\$ —	\$(847,845)	\$(847,845)
Lease and well equipment inventory	—	—	442,500	442,500
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$(405,345)</u>	<u>\$(405,345)</u>

Matador Resources Company and Subsidiaries
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December 31, 2010, 2009 and 2008

NOTE 11 — FAIR VALUE MEASUREMENTS — Continued

<u>Description</u>	<u>Fair Value Measurements at</u> <u>December 31, 2009 using</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Assets (Liabilities)				
Asset retirement obligations	\$ —	\$ —	\$(199,556)	\$(199,556)
Lease and well equipment inventory	—	—	492,500	492,500
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$(292,944)</u>	<u>\$(292,944)</u>

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.

<u>Year ending December 31,</u>	<u>Amount</u>
2011	\$ 207,232
2012	260,890
2013	521,780
2014	521,780
2015	534,825
Thereafter	3,827,256

Matador Resources Company and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED
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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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED
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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.

Matador Resources Company and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED
December 31, 2010, 2009 and 2008

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.

Matador Resources Company and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED
December 31, 2010, 2009 and 2008

NOTE 14 — SUPPLEMENTAL DISCLOSURESAccrued 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	<u>\$ 14,658,546</u>	<u>\$ 5,206,444</u>

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

Matador Resources Company and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED
December 31, 2010, 2009 and 2008

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	<u>\$ 175,796,570</u>	<u>\$ 52,415,876</u>	<u>\$ 99,398,542</u>

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

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

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

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 (Mbbbl)	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

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

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

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

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	<u>\$ 111,077</u>	<u>\$ 65,061</u>	<u>\$ 43,254</u>

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	<u>\$ 111,077</u>	<u>\$ 65,061</u>	<u>\$ 43,254</u>

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.

Matador Resources Company and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED
December 31, 2010, 2009 and 2008

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.

<u>Commodity</u>	<u>Calculation Period</u>	<u>Notional Quantity</u> (MMBtu/ month)	<u>Price Floor</u> (\$/MMBtu)	<u>Price Ceiling</u> (\$/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
September 30, 2011

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Matador Resources Company and Subsidiaries
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2011 (Unaudited)	December 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,767,976	\$ 21,059,519
Certificates of deposit	2,085,313	2,349,313
Accounts receivable		
Oil and natural gas revenues	8,303,439	6,514,122
Joint interest billings	2,547,952	2,042,999
Other	3,208,102	3,091,372
Derivative instruments	4,890,628	4,144,411
Lease and well equipment inventory	1,737,393	1,423,197
Prepaid expenses	1,636,401	1,876,358
Total current assets	<u>32,177,204</u>	<u>42,501,291</u>
Property and equipment, at cost		
Oil and natural gas properties, full-cost method		
Evaluated	345,200,274	255,408,993
Unproved and unevaluated	184,008,220	172,451,449
Other property and equipment	17,336,739	14,035,010
Less accumulated depletion, depreciation and amortization	(196,266,352)	(138,014,986)
Net property and equipment	<u>350,278,881</u>	<u>303,880,466</u>
Other assets		
Derivative instruments	787,484	—
Total other assets	<u>787,484</u>	<u>—</u>
Total assets	<u>\$ 383,243,569</u>	<u>\$ 346,381,757</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 2,281,357	\$ 12,166,938
Accrued liabilities	19,095,056	14,658,546
Royalties payable	3,529,719	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	126,829	23,577
Total current liabilities	<u>50,101,674</u>	<u>30,096,506</u>
Long-term liabilities		
Borrowings under Credit Agreement	60,000,000	25,000,000
Asset retirement obligations	4,305,407	3,695,017
Deferred income taxes	—	5,432,638
Other long-term liabilities	298,139	280,453
Total long-term liabilities	<u>64,603,546</u>	<u>34,408,108</u>
Commitments and contingencies (Note 8)		
Shareholders' equity		
Common stock — Class A, \$0.01 par value, 80,000,000 shares authorized; 42,907,843 and 42,749,820 shares issued; and 41,728,668 and 41,570,645 shares outstanding, respectively	429,078	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	263,932,648	263,341,642
Retained earnings	14,931,138	28,862,518
Treasury stock, at cost, 1,179,175 shares	(10,764,822)	(10,764,822)
Total shareholders' equity	<u>268,538,349</u>	<u>281,877,143</u>
Total liabilities and shareholders' equity	<u>\$ 383,243,569</u>	<u>\$ 346,381,757</u>

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 September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues				
Oil and natural gas revenues	\$ 17,446,638	\$ 8,454,725	\$ 52,008,788	\$ 25,182,143
Realized gain on derivatives	1,435,340	1,172,040	4,237,540	2,988,000
Unrealized gain on derivatives	2,870,086	2,540,813	1,533,701	5,812,563
Total revenues	<u>21,752,064</u>	<u>12,167,578</u>	<u>57,780,029</u>	<u>33,982,706</u>
Expenses				
Production taxes and marketing	1,847,607	414,928	4,800,963	1,234,734
Lease operating	2,064,657	1,385,668	5,638,766	3,800,780
Depletion, depreciation and amortization	7,288,091	3,867,913	22,578,268	10,931,543
Accretion of asset retirement obligations	61,597	38,635	157,891	106,590
Full-cost ceiling impairment	-	-	35,673,098	-
General and administrative	3,682,920	2,273,227	9,394,964	6,792,902
Total expenses	<u>14,944,872</u>	<u>7,980,371</u>	<u>78,243,950</u>	<u>22,866,549</u>
Operating income (loss)	6,807,192	4,187,207	(20,463,921)	11,116,157
Other income (expense)				
Interest and other income	81,950	78,621	247,547	300,348
Interest expense	(170,880)	-	(460,699)	-
Total other (expense) income	<u>(88,930)</u>	<u>78,621</u>	<u>(213,152)</u>	<u>300,348</u>
Income (loss) before income taxes	6,718,262	4,265,828	(20,677,073)	11,416,505
Income tax (benefit) provision				
Current	60	(1,410,608)	(45,576)	(1,410,608)
Deferred	-	2,994,983	(6,906,257)	5,453,908
Total income tax (benefit) provision	<u>60</u>	<u>1,584,375</u>	<u>(6,951,833)</u>	<u>4,043,300</u>
Net income (loss)	<u>\$ 6,718,202</u>	<u>\$ 2,681,453</u>	<u>\$ (13,725,240)</u>	<u>\$ 7,373,205</u>
Earnings (loss) per common share				
Basic				
Class A	\$ 0.15	\$ 0.07	\$ (0.33)	\$ 0.18
Class B	\$ 0.22	\$ 0.14	\$ (0.13)	\$ 0.38
Diluted				
Class A	\$ 0.15	\$ 0.07	\$ (0.33)	\$ 0.18
Class B	\$ 0.22	\$ 0.14	\$ (0.13)	\$ 0.38
Weighted average common shares outstanding				
Basic				
Class A	41,720,571	39,558,504	41,670,847	39,849,438
Class B	1,030,700	1,030,700	1,030,700	1,030,700
Total	<u>42,751,271</u>	<u>40,589,204</u>	<u>42,701,547</u>	<u>40,880,138</u>
Diluted				
Class A	41,848,245	39,572,930	41,670,847	39,911,491
Class B	1,030,700	1,030,700	1,030,700	1,030,700
Total	<u>42,878,945</u>	<u>40,603,630</u>	<u>42,701,547</u>	<u>40,942,191</u>

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 nine months ended September 30, 2011

	Common stock				Additional paid-in capital	Retained earnings	Treasury stock		Total
	Class A		Class B				Shares	Amount	
	Shares	Amount	Shares	Amount					
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	-	-	-	-	(1,011,708)	-	-	-	(1,011,708)
Issuance of Class A common stock to Board members and advisors	11,250	113	-	-	124,387	-	-	-	124,500
Stock options granted	-	-	-	-	15,293	-	-	-	15,293
Stock options exercised	93,001	929	-	-	836,080	-	-	-	837,009
Restricted stock vested	-	-	-	-	36,000	-	-	-	36,000
Class B dividends declared	-	-	-	-	-	(206,140)	-	-	(206,140)
Current period net loss	-	-	-	-	-	(13,725,240)	-	-	(13,725,240)
Balance at September 30, 2011	<u>42,907,843</u>	<u>\$ 429,078</u>	<u>1,030,700</u>	<u>\$ 10,307</u>	<u>\$ 263,932,648</u>	<u>\$ 14,931,138</u>	<u>1,179,175</u>	<u>\$ (10,764,822)</u>	<u>\$ 268,538,349</u>

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

Matador Resources Company and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended September 30,	
	2011	2010
Operating activities		
Net (loss) income	\$ (13,725,240)	\$ 7,373,205
Adjustments to reconcile net (loss) income to net cash provided by operating activities		
Unrealized (gain) on derivatives	(1,533,701)	(5,812,563)
Depletion, depreciation and amortization	22,578,268	10,931,543
Accretion of asset retirement obligations	157,891	106,590
Full-cost ceiling impairment	35,673,098	-
Stock option and grant expense	854,726	466,610
Restricted stock grants	36,000	24,750
Deferred income tax (benefit) provision	(6,906,257)	5,453,908
Changes in operating assets and liabilities		
Accounts receivable	(2,410,999)	3,749,739
Lease and well equipment inventory	(784)	(7,454)
Prepaid expenses	239,957	(1,145,593)
Accounts payable, accrued liabilities and other liabilities	(2,359,387)	(589,800)
Royalties payable	2,547,449	313,160
Advances from joint interest owners	(722,843)	550,000
Other long-term liabilities	15,056	(23,577)
Net cash provided by operating activities	34,443,234	21,390,518
Investing activities		
Oil and natural gas properties capital expenditures	(104,733,188)	(86,031,353)
Expenditures for other property and equipment	(3,303,007)	(933,511)
Purchases of certificates of deposit	(3,721,000)	(3,739,000)
Sales of certificates of deposit	3,985,000	11,985,468
Net cash used in investing activities	(107,772,195)	(78,718,396)
Financing activities		
Borrowings under Credit Agreement	60,000,000	-
Proceeds from issuance of common stock	591,492	99,000
Cost to issue equity	(1,184,943)	-
Proceeds from stock options exercised	837,009	823,375
Payment of dividends — Class B	(206,140)	(206,140)
Purchase of treasury stock	-	(9,000,000)
Net cash provided by (used in) financing activities	60,037,418	(8,283,765)
Decrease in cash and cash equivalents	(13,291,543)	(65,611,643)
Cash and cash equivalents at beginning of period	21,059,519	104,229,709
Cash and cash equivalents at end of period	\$ 7,767,976	\$ 38,618,066

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

Matador Resources Company and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
September 30, 2011

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. The accompanying unaudited condensed consolidated financial statements include the accounts of Matador Resources Company and its wholly owned subsidiary, MRC Energy Company, as well as the accounts of MRC Energy Company’s four wholly owned subsidiaries, Matador Production Company, Longwood Gathering and Disposal Systems GP, Inc., MRC Permian Company and MRC Rockies Company, and the accounts of Longwood Gathering and Disposal Systems, LP.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim Financial Statements, Basis of Presentation, Consolidation and Significant Estimates

The 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 September 30, 2011, consolidated results of operations for the three and nine months ended September 30, 2011 and 2010, consolidated shareholders’ equity for the nine months ended September 30, 2011 and consolidated cash flows for the nine months ended September 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.

Matador Resources Company and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) — CONTINUED

September 30, 2011

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

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. 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 \$1,329,969 and \$1,065,908 of its general and administrative costs for the nine months ended September 30, 2011 and 2010, respectively. The Company capitalized \$755,733 of its interest expense for the nine months ended September 30, 2011. For the period ended September 30, 2010, the company had no outstanding borrowings and no interest expense.

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.

Matador Resources Company and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) — CONTINUED

September 30, 2011

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

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.

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 October 1, 2010 through September 30, 2011, these average oil and natural gas prices were \$91.00 per barrel and \$4.158 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 September 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 September 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 September 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 nine months ended September 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 nine months ended September 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 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

Matador Resources Company and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) — CONTINUED

September 30, 2011

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

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.

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 December 30, 2011, the Company's 2007, 2008 and 2009 income and franchise tax returns are under examination by the state of Louisiana. As a result of preliminary findings received by the Company from the state of Louisiana, the Company has recorded an income tax refund of \$45,636, a franchise tax assessment of \$91,995 and an associated interest expense of \$12,429 for the three and nine months ended September 30, 2011.

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 \$823,654 as of September 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 nine months ended September 30, 2011 and its effective tax rate for the nine months ended September 30, 2010 was 35.42%. Total income tax expense for the nine months ended September 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.

Matador Resources Company and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) — CONTINUED

September 30, 2011

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

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 nine months ended September 30, 2011 and 2010 totaled \$68,713 and \$206,140, respectively, in each period. As of September 30, 2011, the Company has 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 (loss) per common share as reported for the three and nine months ended September 30, 2011 and 2010.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net income (loss) — numerator				
Net income (loss)	\$ 6,718,202	\$ 2,681,453	\$ (13,725,240)	\$ 7,373,205
Less dividends to Class B shareholders — distributed earnings	(68,713)	(68,713)	(206,140)	(206,140)
Undistributed earnings (loss)	<u>\$ 6,649,489</u>	<u>\$ 2,612,740</u>	<u>\$ (13,931,380)</u>	<u>\$ 7,167,065</u>
Weighted average common shares outstanding — denominator				
Basic				
Class A	41,720,571	39,558,504	41,670,847	39,849,438
Class B	1,030,700	1,030,700	1,030,700	1,030,700
Total	<u>42,751,271</u>	<u>40,589,204</u>	<u>42,701,547</u>	<u>40,880,138</u>
Diluted				
Class A				
Weighted average common shares outstanding for basic earnings per share	41,720,571	39,558,504	41,670,847	39,849,438
Dilutive effect of options	127,674	14,426	—	62,053
Class A weighted average common shares outstanding — diluted	41,848,245	39,572,930	41,670,847	39,911,491
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	<u>42,878,945</u>	<u>40,603,630</u>	<u>42,701,547</u>	<u>40,942,191</u>

Matador Resources Company and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) — CONTINUED

September 30, 2011

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Earnings (loss) per common share				
Basic				
Class A				
Distributed earnings	\$ —	\$ —	\$ —	\$ —
Undistributed earnings (loss)	\$ 0.15	\$ 0.07	\$ (0.33)	\$ 0.18
Total	<u>\$ 0.15</u>	<u>\$ 0.07</u>	<u>\$ (0.33)</u>	<u>\$ 0.18</u>
Class B				
Distributed earnings	\$ 0.07	\$ 0.07	\$ 0.20	\$ 0.20
Undistributed earnings (loss)	\$ 0.15	\$ 0.07	\$ (0.33)	\$ 0.18
Total	<u>\$ 0.22</u>	<u>\$ 0.14</u>	<u>\$ (0.13)</u>	<u>\$ 0.38</u>
Diluted				
Class A				
Distributed earnings	\$ —	\$ —	\$ —	\$ —
Undistributed earnings (loss)	\$ 0.15	\$ 0.07	\$ (0.33)	\$ 0.18
Total	<u>\$ 0.15</u>	<u>\$ 0.07</u>	<u>\$ (0.33)</u>	<u>\$ 0.18</u>
Class B				
Distributed earnings	\$ 0.07	\$ 0.07	\$ 0.20	\$ 0.20
Undistributed earnings (loss)	\$ 0.15	\$ 0.07	\$ (0.33)	\$ 0.18
Total	<u>\$ 0.22</u>	<u>\$ 0.14</u>	<u>\$ (0.13)</u>	<u>\$ 0.38</u>

A total of 1,024,500 options to purchase shares of the Company's Class A common stock were excluded from the calculations above for the nine months ended September 30, 2011 because their effects were anti-dilutive. These options were included in the calculations above for the three months ended September 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

Matador Resources Company and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) — CONTINUED

September 30, 2011

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 September 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 nine months ended September 30, 2011.

Beginning asset retirement obligations	\$ 3,695,017
Liabilities incurred during period	535,251
Liabilities settled during period	(82,752)
Accretion expense	157,891
Ending asset retirement obligations	<u>\$ 4,305,407</u>

NOTE 4 — 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.

Matador Resources Company and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) — CONTINUED

September 30, 2011

NOTE 4 — 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 September 30, 2011, the borrowing base was \$80,000,000. 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 for revolving borrowings 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, increasing total borrowings available under the Credit Agreement to \$105,000,000 until the maturity of the term loan or a subsequent borrowing base redetermination. The term loan bears interest at LIBOR plus 5.00%, and while the term loan is outstanding, the Company's revolving borrowings under the Credit Agreement bear interest at the maximum rate of LIBOR plus 1.875%.

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.

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

Matador Resources Company and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) — CONTINUED

September 30, 2011

NOTE 4 — CREDIT AGREEMENT — Continued

agreements and the maturity of those agreements. The Company was in compliance with all of Comerica Bank's covenants as of September 30, 2011 and December 31, 2010.

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 September 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 \$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%.

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

Matador Resources Company and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) — CONTINUED

September 30, 2011

NOTE 6 — DERIVATIVE FINANCIAL INSTRUMENTS — Continued

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. 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 September 30, 2011, the Company had various 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 had no hedging contracts in place with regard to any of its oil production at September 30, 2011.

The following table presents the fair value of the Company's open natural gas costless collar contracts at September 30, 2011.

<u>Commodity</u>	<u>Calculation Period</u>	<u>Notional Quantity (MMBtu/ month)</u>	<u>Price Floor (\$/MMBtu)</u>	<u>Price Ceiling (\$/MMBtu)</u>	<u>September 30, 2011 Fair Value of Asset</u>
Natural Gas	01/01/2010 - 12/31/2011	50,000	5.25	8.10	\$ 218,361
Natural Gas	01/01/2010 - 12/31/2011	50,000	5.50	7.65	255,695
Natural Gas	01/01/2010 - 12/31/2011	50,000	5.00	8.65	181,214
Natural Gas	01/01/2010 - 12/31/2011	50,000	5.50	7.70	255,695
Natural Gas	01/01/2011 - 12/31/2011	90,000	5.50	7.85	460,251
Natural Gas	07/01/2011 - 12/31/2012	300,000	4.50	5.60	2,322,636
Natural Gas	07/01/2011 - 07/13/2013	150,000	4.50	5.75	1,356,034
Natural Gas	01/01/2012 - 12/31/2012	150,000	4.25	6.17	628,226
Total					<u>\$ 5,678,112</u>

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.

<u>Type of Instrument</u>	<u>Location in Balance Sheet</u>	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Derivative Instrument			
Natural Gas	Current assets: Derivative instruments	\$ 4,890,628	\$ 4,144,411
	Other assets: Derivative instruments	787,484	-
Total		<u>\$ 5,678,112</u>	<u>\$ 4,144,411</u>

Matador Resources Company and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) — CONTINUED

September 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.

Type of Instrument	Location in Statement of Operations	Three Months Ended September 30,		Nine Months Ended September 30,	
		2011	2010	2011	2010
Derivative Instrument					
Natural Gas	Revenues: Realized gain on derivatives	\$ 1,435,340	\$ 1,172,040	\$ 4,237,540	\$ 2,988,000
	Revenues: Unrealized gain on derivatives	2,870,086	2,540,813	1,533,701	5,812,563
Total		<u>\$ 4,305,426</u>	<u>\$ 3,712,853</u>	<u>\$ 5,771,241</u>	<u>\$ 8,800,563</u>

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.

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.

Matador Resources Company and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) — CONTINUED

September 30, 2011

NOTE 7 — 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 as of September 30, 2011 and December 31, 2010.

<u>Description</u>	Fair Value Measurements at September 30, 2011 using			Total
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Assets (Liabilities)				
Certificates of deposit	\$ —	\$2,085,313	\$ —	\$2,085,313
Derivative instruments	—	5,678,112	—	5,678,112
Total	<u>\$ —</u>	<u>\$7,763,425</u>	<u>\$ —</u>	<u>\$7,763,425</u>

<u>Description</u>	Fair Value Measurements at December 31, 2010 using			Total
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Assets (Liabilities)				
Certificates of deposit	\$ —	\$2,349,313	\$ —	\$2,349,313
Derivative instruments	—	4,144,411	—	4,144,411
Total	<u>\$ —</u>	<u>\$6,493,724</u>	<u>\$ —</u>	<u>\$6,493,724</u>

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.

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 September 30, 2011 and December 31, 2010.

<u>Description</u>	Fair Value Measurements for the period ended September 30, 2011 using			Total
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Assets (Liabilities)				
Asset retirement obligations	\$ —	\$ —	\$(535,251)	\$(535,251)
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$(535,251)</u>	<u>\$(535,251)</u>

Matador Resources Company and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) — CONTINUED

September 30, 2011

NOTE 7 — FAIR VALUE MEASUREMENTS — Continued

<u>Description</u>	<u>Fair Value Measurements for the period ended</u> <u>December 31, 2010 using</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets (Liabilities)				
Asset retirement obligations	\$ —	\$ —	\$(847,845)	\$(847,845)
Lease and well equipment inventory	—	—	442,500	442,500
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$(405,345)</u>	<u>\$(405,345)</u>

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 \$535,251 for the nine months ended September 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 28,743 square feet of office space at One Lincoln Centre, 5400 LBJ Freeway, Suite 1500, Dallas, Texas. In April 2011, the Company agreed to a restated third amendment to its office lease agreement, in which the office space was increased from 20,849 square feet to 28,743 square feet and the term of the lease was 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.

Other Capital Commitments

At September 30, 2011, the Company had entered into two drilling rig contracts to explore and develop its Eagle Ford acreage in south Texas. The first rig began drilling on the Company's acreage in September 2011 and the Company anticipates that the second rig will begin drilling operations on its acreage in south Texas in November 2011. Both contracts are for a term of six months. Should the Company elect to terminate both contracts and if the drilling contractor were unable to secure work for both rigs or if the drilling contractor were unable to secure work for both rigs at the same daily rates being charged to the Company prior to the end of their respective terms, the Company would incur termination obligations for either or both rigs. The Company's maximum outstanding aggregate capital commitment on these contracts was approximately \$5.1 million at September 30, 2011.

Matador Resources Company and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) — CONTINUED

September 30, 2011

NOTE 8 — COMMITMENTS AND CONTINGENCIES — Continued

At September 30, 2011, the Company had outstanding capital commitments to participate in the drilling and completion of various non-operated wells in the Haynesville shale in north Louisiana. The Company has working interests ranging from 0.03% to 4.4% in these wells, and most of these wells are already in progress. The Company's estimated minimum outstanding aggregate capital commitments at September 30, 2011 for its participation in these non-operated Haynesville wells are approximately \$1.7 million.

At September 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 September 30, 2011, the outstanding aggregate capital commitments for these projects were approximately \$310,000.

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.

Loan Program

As of September 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 six 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

September 30, 2011

NOTE 9 — SUPPLEMENTAL DISCLOSURESAccrued Liabilities

The following table summarizes the Company's current accrued liabilities at September 30, 2011 and December 31, 2010.

	September 30, 2011	December 31, 2010
Accrued evaluated and unproved and unevaluated property costs	\$ 12,524,849	\$ 12,119,475
Accrued support equipment and facilities costs	152,553	40,145
Accrued cost to issue equity	185,941	359,175
Accrued stock-based compensation	1,807,318	1,095,014
Accrued lease operating expenses	971,540	428,481
Accrued interest on bank borrowings	244,915	3,235
Other	3,207,940	613,021
Total accrued liabilities	<u>\$ 19,095,056</u>	<u>\$ 14,658,546</u>

Supplemental Cash Flow Information

The following table provides supplemental disclosures of cash flow information for the nine months ended September 30, 2011 and 2010.

	Nine Months Ended September 30,	
	2011	2010
Asset retirement obligations related to mineral properties	\$ 437,329	\$ 82,056
Asset retirement obligations related to support equipment and facilities	15,170	88,192
(Decrease)/increase in liabilities for oil and natural gas properties capital expenditures	(3,637,909)	8,461,734
Increase in liabilities for support equipment and facilities	112,408	-
Issuance of common stock and treasury stock for Board and advisor services	124,500	146,250
Decrease in liabilities for accrued cost to issue equity	(173,235)	-
Stock-based compensation expense recognized as liability	(714,934)	-
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)	308,225
Interest paid, net of capitalized interest	201,024	-

NOTE 10 — SUBSEQUENT EVENTS

Subsequent events have been evaluated by the Company through December 30, 2011, the date the interim unaudited condensed consolidated financial statements were available to be issued.

Matador Resources Company and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) — CONTINUED

September 30, 2011

NOTE 10 — SUBSEQUENT EVENTS — Continued

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. The Company filed Amendment No. 1 to the Form S-1 Registration Statement on November 14, 2011. As of December 30, 2011, the Company's Registration Statement has not been declared effective and is still under review by the SEC.

On November 29 and December 27, 2011, the Company entered into various costless collar transactions to mitigate its exposure to oil price volatility, each with an established price floor and ceiling, as summarized in the table below.

<u>Commodity</u>	<u>Calculation Period</u>	<u>Notional Quantity</u> (Bbl/ month)	<u>Price Floor</u> (\$/Bbl)	<u>Price Ceiling</u> (\$/Bbl)
Oil	12/01/2011 - 12/31/2012	20,000	90.00	104.20
Oil	01/01/2012 - 12/31/2012	10,000	90.00	108.00
Oil	01/01/2013 - 12/31/2013	20,000	85.00	102.25

For each calculation period, the specified price for determining the realized gain or loss to the Company pursuant to any of these oil hedging transactions is the arithmetic average of the settlement prices for the NYMEX West Texas Intermediate oil futures contract for the first nearby month corresponding to the calculation period's calendar month. 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 oil 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 oil volume hedged.

On December 30, 2011, the Company amended and restated its Credit Agreement with Comerica Bank as Administrative Agent. Among other things, this amendment increased the size of the credit facility and extended the term to December 2016. MRC Energy Company is the borrower under the new amended and restated Credit Agreement. Borrowings are secured by mortgages on substantially all of the Company's oil and natural gas producing properties and by the equity interests of certain of MRC Energy Company's wholly owned subsidiaries. In addition, all obligations under the Credit Agreement are guaranteed by Matador Resources Company, the parent corporation. Key financial covenants under the amended and restated Credit Agreement remain the same.

The amount of the borrowings under the new amended and restated Credit Agreement is limited to the lesser of \$400,000,000 or the borrowing base, which was increased to \$125,000,000 on December 30, 2011. The \$25,000,000 term loan was refinanced by borrowings under the amended and restated Credit

Matador Resources Company and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) — CONTINUED

September 30, 2011

NOTE 10 — SUBSEQUENT EVENTS — Continued

Agreement. As of December 30, 2011, the Company had \$113,000,000 of outstanding borrowings under the new Credit Agreement and \$1,262,934 in letters of credit issued pursuant to the Credit Agreement. All borrowings under the Credit Agreement bear interest at approximately 3.6% per annum.

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.

Coring. Coring is the act of taking a core. A core is a solid column of rock, usually from two to four inches in diameter, taken as a sample of an underground formation. It is common practice to take cores from wells in the process of being drilled. A core bit is attached to the end of the drill pipe. The core bit then cuts a column of rock from the formation being penetrated. The core is then removed and tested for evidence of oil or natural gas, and its characteristics (porosity, permeability, etc.) are determined.

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

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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.

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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.

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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

•, 2012

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.

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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.

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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.

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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 December 30, 2011, we issued an aggregate of 17,500 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.)
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4.1*	Form of Common Stock Certificate
5.1*	Opinion of Haynes and Boone, LLP as to the legality of the securities being registered

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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
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10.18**	Matador Resources Company (formerly known as Matador Holdco, Inc.) Annual Incentive Plan for Management and Key Employees
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10.22***	Third Amendment to Matador Resources Company (now known as MRC Energy Company) 2003 Stock and Incentive Plan, dated February 1, 2006
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10.27***	Form of Indemnification Agreement between Matador Resources Company (formerly known as Matador Holdco, Inc.) and each of the directors and executive officers thereof
10.28**	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
10.29**	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
10.30**	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
10.31*	Amended and Restated Credit Agreement dated December 30, 2011, by and among Matador Resources Company (now known as MRC Energy Company), Comerica Bank and Lenders signatory thereto
10.32*	Pledge and Security Agreement, by and between Matador Resources Company (formerly known as Matador Holdco, Inc.) and Comerica Bank, dated at December 30, 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 September 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 December 30, 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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Joseph Wm. Foran</u> Joseph Wm. Foran	Chairman, President and Chief Executive Officer (Principal Executive Officer)	December 30, 2011
<u>/s/ David E. Lancaster</u> David E. Lancaster	Executive Vice President, Chief Operating Officer and Chief Financial Officer (Principal Financial Officer)	December 30, 2011
<u>*</u> Kathryn L. Wayne	Controller and Treasurer (Principal Accounting Officer)	December 30, 2011
<u>*</u> Charles L. Gummer	Director	December 30, 2011
<u>*</u> Stephen A. Holditch	Director	December 30, 2011
<u>*</u> David M. Laney	Director	December 30, 2011
<u>*</u> Gregory E. Mitchell	Director	December 30, 2011
<u>*</u> Steven W. Ohnimus	Director	December 30, 2011
<u>*</u> Michael C. Ryan	Director	December 30, 2011
<u>*</u> Margaret B. Shannon	Director	December 30, 2011

*By: /s/ Joseph Wm. Foran
Name: Joseph Wm. Foran
Title: Attorney-in-Fact

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10.29**	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
10.30**	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
10.31*	Amended and Restated Credit Agreement dated December 30, 2011, by and among Matador Resources Company (now known as MRC Energy Company), Comerica Bank and Lenders signatory thereto
10.32*	Pledge and Security Agreement, by and between Matador Resources Company (formerly known as Matador Holdco, Inc.) and Comerica Bank, dated at December 30, 2011

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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 September 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.

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(j).

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:

Tiers	Borrowing Base Utilization	Applicable Margin		
		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 uncanceled 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(1)(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) than 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(f).

(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 (g). 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

MORTGAGED PROPERTIES

	PDP	
RUDD #1 HAYNESVILLE – RUDD #1 HAYNESVILLE	1.00000000	0.75000000
SMITH HEIRS 27 H #03 (Carried) – SMITH HEIRS 27 H #03	0.22353181	0.16206056
CASPIANA 14-15-12 H #01 (Carried) – CASPIANA 14-15-12 H #01	0.23753947	0.17985403
PEIRONNET 20-15-11 H #01 (Carried) – PEIRONNET 20-15-11 H #01	0.23653680	0.23653680
RATZBURG 19-15-11 H #01 (Carried) – RATZBURG 19-15-11 H #01	0.22635031	0.22415103
LEGRAND 35-15-12 H-1 (Carried) – LEGRAND 35-15-12 H-1	0.17606113	0.15823198
BRADWAY 24-15-12 H #01 (Carried) – BRADWAY 24-15-12 H #01	0.25000000	0.21770543
BURNS S04-12N-12W 01 – M H S04-12N-12W	0.25960290	0.19830780
ZIMMERMAN 30-15-11 H #01 (Carried) – ZIMMERMAN 30-15-11 H #01	0.19733018	0.17332844
CLD 23 H #01 (Carried) – CLD 23 H #01	0.21859997	0.19981717
CASPIANA 13-15-12 H #01 (Carried) – CASPIANA 13-15-12 H #01	0.24063573	0.18521808
CINDY 1 (TAYLOR) – CINDY 1	1.00000000	0.79889618
HUCKABAY 31 H (31-13N-10W) – HUCKABAY 31 H (31-13N-10W)	0.16725700	0.12544300
CANNISNIA 34H #1 (S34-15N-12W) (Carried) – M H S34-15N-12W 001 (Carried)	0.09274183	0.06723783
NOEL ESTATE 21 #1 HOSSTON – NOEL ESTATE 21 #1 HOSSTON	1.00000000	0.80000000
BLOUNT 2 H #01 (Carried) – BLOUNT 2 H #01	0.11718750	0.11132813
TIGNER WALKER 29-1-ALT (CV) – FKA SEC. 29 NW PUD	1.00000000	0.89571432
AKES 1 (UCV-DAVIS-TAYLOR) – AKES #1	0.99074040	0.79421572
EMW LAND CO LLC 29-01 (DAVIS) – EMW Land 29-1 (FKA SEC 29 NE)	1.00000000	0.89571432
D E S LAND CO LLC 34-2-ALT – DES 34-2	1.00000000	0.89673439
HALL 9 #1 HAYNESVILLE HORZ – HALL 9 #1 HAYNESVILLE	0.49827076	0.42351187
ZIMMERMAN 36-2-ALT – ZIMMERMAN 36 #2	1.00000000	0.77962687
EMW LAND CO LLC 29-10-ALT (CV) – EMW #10-ALT (FKA SEC 29 SE)	1.00000000	0.89571432
EMW LAND CO LLC 29-08-ALT (CV) – EMW #08-ALT (FKA SEC 29 E2)	1.00000000	0.89571432
EMW LAND CO LLC 29-04 (CV) – EMW LAND 29-4	0.51134861	0.40706293
EMW LAND CO LLC 29-03 (CV) – EMW LAND 29-3(FKA SEC 29 NE 2)	1.00000000	0.89571432
C E PEACE 24 #3H (24-15N-13W) – C E PEACE 24 #3H (24-15N-13W)	0.04639359	0.03479519
EMW LAND CO LLC 29-02 (DAVIS) – EMW Land 29-2	1.00000000	0.89571432
DR. SCRIVNER 1 (TP-Recomp 8/13/06) – DR. SCRIVNER #1	1.00000000	0.80190880
BLACK STONE 6 H#3 (06-14-12) (Carried) – BLACK STONE 6 H#3 (S06-14N-12W)	0.04715130	0.04479360
DONDA 1 (FRIO 9600) – DONDA #1	1.00000000	0.77000000
HUBRE JOHNSON 1 (CV TAYLOR & CV LIME) – HUBRE JOHNSON 1	0.50000000	0.39874608
EMW LAND CO LLC 29-05 (CV) – LAKE LAND LLC 2 (FKA S 29 SE2)	1.00000000	0.89571432
PEIRONNET 26-2-ALT (CV) – PEIRONNET 26 #2	1.00000000	0.80047858
CINDY 4 (TAYLOR) – CINDY 4	1.00000000	0.79889618
BRADWAY 24-2 (CV) – BRADWAY 24-2	1.00000000	0.78020543
COLBERT ETAL 14-6 (DAVIS) – COLBERT 6	1.00000000	0.76415993
CASPIANA LAND LLC 24-4 (CV) – CASPIANA 24-4	1.00000000	0.78020543
CAUDILL 2 (PENN) – CAUDILL 2	0.41620623	0.32128754
CASPIANA INTEREST 14-3-ALT (CV) – CASPIANA INTEREST 14-3-ALT	1.00000000	0.76415993
COLBERT ETAL 14-5 (CV) – COLBERT 14-5(FKA COLBERT 9PUD)	1.00000000	0.76415993
CASPIANA LAND LLC 13-2-ALT (CV) – CASPIANA LAND 13-2	1.00000000	0.75271148
D'SPAIN 1 (TAYLOR) – D'SPAIN 1	1.00000000	0.82705584
BROWN 1 (HILL & TP OIL-COMMINGLED) – BROWN #1	1.00000000	0.78187500

DUNN 6-1 (UCV-DAVIS-PREDAVIS) - DUNN #6	0.18722209	0.14977767
COLBERT ETAL 14-4 (CV) - COLBERT 14-4(FKA COLBERT 6PUD)	1.00000000	0.76415993
ZIMMERMAN 36-1 (DAVIS-PREDAVIS) - ZIMMERMAN #1	1.00000000	0.77962687
RATZBURG 19-1 (DAVIS) - RATZBURG 19-1	1.00000000	0.80438826
CASPIANA LAND LLC 24-2-ALT (CV) - CASPIANA 24-2-ALT CV RA SU57	1.00000000	0.78020543
CASPIANA LAND LLC 13-1-ALT - CASPIANA LAND LLC No. 1 (S13)	0.96752411	0.73038434
COLBERT ETAL 14-2 (DAVIS-PREDAVIS) - COLBERT 2	1.00000000	0.76415993
COLBERT ETAL 14-1 (DAVIS) - COLBERT 1	1.00000000	0.76415993
COLBERT ETAL 14-3 (DAVIS-PREDAVIS) - COLBERT 3	1.00000000	0.76415993
PENNZOIL FEDERAL 2 (DELAWARE) - PENNZOIL FEDERAL 2	0.57167250	0.50021343
BRADWAY 23-1 (DAVIS-PREDAVIS) - BRADWAY 23-1	1.00000000	0.81726726
D'SPAIN 3 (AKA RIK SCHENCK 1) (DVS-TYLR) - D'SPAIN 3 (AKA RIK SCHENCK 1)	1.00000000	0.82705584
CINDY 3 (TAYLOR) - CINDY 3	1.00000000	0.79889618
JONES 1 (TRAVIS PEAK) - JONES #1	1.00000000	0.80187120
DARLEEN 1 (DAVIS-TAYLOR) - DARLENE 1	1.00000000	0.82268559
CLAUDE RIVES 18-1 (DAVIS-PREDAVIS) - CLAUDE RIVES 18-1	1.00000000	0.74963387
CALHOUN 4-2-ALT (DAVIS-PREDAVIS) - CALHOUN #2-ALT (CV RA SU71)	0.21750836	0.17400669
CALHOUN 4-1 (DAVIS-PREDAVIS) - CALHOUN #1 (CV RA SU71)	0.21750836	0.17400669
DUTTON 13-1 (DAVIS) - DUTTON #1	1.00000000	0.75271148
CUPPLES 11-09 (DAVIS & HOSSTON) - CUPPLES #09	0.08450748	0.06338063
WHITLOW UNIT 2 (UCV-DAVIS-TAYLOR) - WHITLOW UNIT 2	1.00000000	0.82268559
CUPPLES 11-20 (DAVIS) - CUPPLES #20 (DAVIS)	0.08450748	0.06338063
RATZBURG 19-2-ALT (CV) - RATZBURG 19-2	1.00000000	0.80438826
CUPPLES 11-15 (CV) - CUPPLES #15	0.08450748	0.06338063
CASPIANA LAND LLC 24-1 (UCV-DAV-PREDAV) - CASPIANA 24-1	1.00000000	0.78020543
CUPPLES 11-16 (DAVIS) - CUPPLES #16 (DAVIS)	0.08450748	0.06338063
CUPPLES 11-10 (DAVIS) - CUPPLES #10	0.08450748	0.06338063
COOPER 3 (SIMPSON) - COOPER 3	1.00000000	0.73000000
CUPPLES 11-14 (CV) - CUPPLES #14	0.08450748	0.06338063
CUPPLES 11-07 (DAVIS & HOSSTON) - CUPPLES #07	0.08450748	0.06338063
CUPPLES 11-13 (CV) - CUPPLES #13	0.08450748	0.06338063
CUPPLES 11-11 (DAVIS) - CUPPLES #11	0.08450748	0.06338063
CUPPLES 11-06 (DAVIS) - CUPPLES #06	0.08450748	0.06338063
VANDAGRIFF FEDERAL 1 (MORROW) - VANDAGRIFF FEDERAL 1	0.62500000	0.50375218
CASPIANA INTEREST 14-1 (HOSSTON) - CASPIANA #1	1.00000000	0.76415993
CUPPLES 11-17 (DAVIS) - CUPPLES #17 (DAVIS)	0.08450748	0.06338063
LC HUTCHINSON 11-1-ALT (DAVIS) - LC HUTCHINSON 11 #1-ALT	0.08450748	0.06338063
SMITH HEIRS 27-2 (DAVIS-PREDAVIS) - SMITH HEIRS #2	1.00000000	0.80130506
CUPPLES 11-12 (DAVIS) - CUPPLES #12	0.08450748	0.06338063
CUPPLES 11-19 (DAVIS) - CUPPLES #19 (DAVIS)	0.08450748	0.06338063
CUPPLES 11-18 (DAVIS) - CUPPLES #18 (DAVIS)	0.08450748	0.06338063
CINDY 2 (TAYLOR) - CINDY 2	1.00000000	0.79889618
EVANS 9-1 (UCV-DAVIS-PREDAVIS) - EVANS #9	0.01562500	0.01250000
SMITH HEIRS 27-1 (DAVIS-PREDAVIS) - SMITH HEIRS #1	1.00000000	0.80130506
PIPELINE 16 STATE 1 (BONE SPRINGS) - PIPELINE 16 STATE 1	0.98750000	0.86406250
HUNT 31-1 (UCV-DAVIS-PREDAVIS) - HUNT #31	0.12500000	0.10156250
CUPPLES 11-08 (DAVIS) - CUPPLES #08	0.08450748	0.06338063
DAISY MAY 1 (TRAVIS PEAK) - DAISY MAY #1	1.00000000	0.78930004
D'SPAIN 2 (TAYLOR) - D'SPAIN 2	1.00000000	0.82705584
CUPPLES 11-23 (DAVIS) - CUPPLES #23 (DAVIS)	0.08450748	0.06338063
ELIZABETH 1 (TRAVIS PEAK) - ELIZABETH #1	1.00000000	0.80080534

PBP		
DR. SCRIVNER 1 – PETTIT-PAGE (PBP) – DR. SCRIVNER #1	1.00000000	0.80190880
AKES 1 – PETTIT-PAGE (PBP) – AKES #1	1.00000000	0.80347498
CASPIANA INTEREST 14-1 (DAVIS) – CASPIANA #1	1.00000000	0.76415993
ELIZABETH 1 – PETTIT-PAGE (PBP) – ELIZABETH #1	1.00000000	0.80080534
COLBERT ETAL 14-2 – UPPER CV (PBP) – COLBERT 2	1.00000000	0.76415993
BROWN 1 – UCV-DAVIS-TAYLOR (PBP) – BROWN #1	1.00000000	0.78187500
DUTTON 13-1 – UPPER CV (PBP) – DUTTON #1	1.00000000	0.75271184
CASPIANA INTEREST 14-1-UPPER CV (PBP) – CASPIANA #1	1.00000000	0.76415993
AKES 1 – TRAVIS PEAK (PBP) – AKES #1	1.00000000	0.80204527
EMW LAND CO LLC 29-1 – DAVIS (PBP) – EMW Land 29-01 (FKA SEC 29 NE)	1.00000000	0.90288907
COLBERT ETAL 14-3 – UPPER CV (PBP) – COLBERT 3	1.00000000	0.76415993
EMW LAND CO LLC 29-4 – UPPER CV (PBP) – EMW LAND 29-04	1.00000000	0.90288907
COLBERT ETAL 14-3 – HOSSTON (PBP) – COLBERT 3	1.00000000	0.76415993
DR. SCRIVNER 1 – COTTON VALLEY (PBP) – DR. SCRIVNER #1	1.00000000	0.80190880
EMW LAND CO LLC 29-3 – UPPER CV (PBP) – EMW LAND 29-3 (FKA SEC29 NE 2)	1.00000000	0.90288907
EMW LAND CO LLC 29-2 – DAVIS (PBP) – EMW Land 29-02	1.00000000	0.90288907
PNP		
BRADWAY 24-1 (CV) – BRADWAY 24-1 CV	1.00000000	0.78020543
PUD		
ZIMMERMAN 36-15-12 H #01 (Carried) – ZIMMERMAN 36-15-12 H #01	0.25000000	0.21712686
RATZBURG 19-15-11 H #03 PUD – RATZBURG 19-15-11 H #03 PUD	0.22635031	0.22415103
RATZBURG 19-15-11 H #02 PUD – RATZBURG 19-15-11 H #02 PUD	0.22635031	0.22415103
BRADWAY 24-15-12 H #03 PUD – BRADWAY 24-15-12 H #03 PUD	0.25000000	0.21770543
BRADWAY 24-15-12 H #02 PUD – BRADWAY 24-15-12 H #02 PUD	0.25000000	0.21770543
CASPIANA 14-15-12 H #03 PUD – CASPIANA 14-15-12 H #03 PUD	0.23753947	0.17985403
CASPIANA 14-15-12 H #02 PUD – CASPIANA 14-15-12 H #02 PUD	0.23753947	0.17985403
SMITH HEIRS 27 H #04 PUD 01 – SMITH HEIRS 27 H #04 PUD	0.22353181	0.16206056
Other Wells		
Frances Lewton 1H (Eagleford)	1.00000000	0.60000000

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]

By: _____
Name: _____
Title: _____

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: _____

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: _____

The attached financial statements are in accordance with GAAP, except:

FORM OF COMPLIANCE CERTIFICATE – Page 3

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.

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.

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, leaseings 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, depository, 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

PLEDGE AND SECURITY AGREEMENT

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.

PLEDGE AND SECURITY AGREEMENT– Exhibit A

**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: _____

<u>Credit Facility Assigned</u>	<u>Principal Amount Assigned</u>	<u>Commitment Percentage Assigned</u>	<u>Term Loan Percentage Assigned</u>
Revolving Loans	\$ _____	_____ %	
Term Loan	\$ _____		_____ %

[Name of Assignee]

[Name of Assignor]

By: _____
Name: _____
Title: _____

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: _____

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: _____

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]

By: _____
Name: _____
Title: _____

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]

By: _____
Name: _____
Title: _____

SCHEDULE 1.1
EXISTING LETTERS OF CREDIT

LOC #	Amount	In Favor Of
4249-30	\$ 50,000.00	Railroad Commission of Texas
4348-30	\$ 50,000.00	New Mexico Energy, Minerals and Natural Resources Dept., Oil Conservation Division
4350-30	\$ 125,000.00	Louisiana Office of Conservation
4353-30	\$ 25,000.00	Bureau of Land Management - New Mexico (Statewide)
4355-30	\$ 25,000.00	New Mexico Commissioner of Public Lands (surface damage megabond)
4699-30	\$ 50,000.00	Mary Dalrymple Bradway
5909-30	\$ 25,000.00	Bureau of Land Management - Wyoming (Statewide)
5229-30	\$ 25,000.00	Bureau of Land Management - Louisiana (Statewide)
	\$ 375,000.00	

SCHEDULE 1.2

LENDERS' REVOLVING CREDIT COMMITMENT AND TERM LOAN
PERCENTAGE

<u>Lender</u>	<u>Revolving Credit Commitment</u>	<u>Commitment Percentage</u>	<u>Portion of Term Loan</u>	<u>Term Loan Percentage</u>
Comerica Bank	\$ 150,000,000	100%	\$25,000,000	100%

SCHEDULE 9(b)

OFF BALANCE SHEET LIABILITIES

Contingent liabilities arising from legal proceedings described in Schedule 9(c)

SCHEDULE 9(c)

LITIGATION

Weatherford Artificial Lift Systems, Inc. v. Matador Production Company, Cause No. 07-0808, 71st Judicial District, Harrison County, Texas

James Tigner Walker, et al. v. J-W Operating Company, et al., Cause No. 555-247, Division 8, 19th Judicial District, East Baton Rouge Parish, Louisiana

William Anthony Donnell v. Matador Resources Company, 1st District Court for Parish of Caddo, Docket No. 544214-Division A

Cynthia Fry Peironnet, et al. v. Matador Resources Company, et al., 1st Judicial District Court, Caddo Parish, Louisiana, Docket No. 521390-Division B

SCHEDULE 9(i)

TAXES

The Company will be undergoing an audit by the State of Louisiana regarding sales and franchise taxes. The audit is scheduled to take place in July 2011. The Company is not currently aware of any Louisiana sales or franchise tax deficiencies or penalties.

SCHEDULE 9(j)
TITLE EXCEPTIONS

None.

SCHEDULE 9(m)

SUBSIDIARIES

1. Matador Production Company
2. MRC Permian Company
3. Longwood Gathering and Disposal Systems GP, Inc.
4. Longwood Gathering and Disposal Systems, LP
5. MRC Rockies Company
6. Matador Holdco, Inc.*
7. Matador Merger Co.*

*Formed solely for the purpose of the contemplated holding company reorganization and listed here for informational purposes only; Borrower makes no other representations or warranties as to these subsidiaries.

SCHEDULE 9(n)

LOCATION OF BUSINESS AND OFFICES

5400 LBJ Freeway, Suite 1500

Dallas, Texas 75240

Telephone: (972) 371-5200

Facsimile: (972) 371-5201

SCHEDULE 9(p)
ENVIRONMENTAL MATTERS

None.

SCHEDULE 9(r)
INSURANCE CERTIFICATES

See attached.

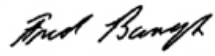
ACORD™ CERTIFICATE OF PROPERTY INSURANCE		DATE 5/3/2011
PRODUCER Wortham Insurance & Risk Management 5950 Sherry Lane, Suite 500 Dallas, TX 75225 www.dallas.worthaminsurance.com		THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. COMPANIES AFFORDING COVERAGE COMPANY A Hartford Lloyds Insurance Company COMPANY B Hanover Insurance Company COMPANY C COMPANY D
INSURED Matador Resources Company Matador Production Company One Lincoln Centre 5400 LBJ Freeway, Suite 1500 Dallas TX 75240		

COVERAGES
 THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN. THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CO LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	COVERED PROPERTY	LIMITS
A	<input checked="" type="checkbox"/> PROPERTY	46SBABE1823	9/23/2010	9/23/2011	BUILDING	\$
	<input type="checkbox"/> CAUSES OF LOSS				<input checked="" type="checkbox"/> PERSONAL PROPERTY	\$ 522,700
	<input type="checkbox"/> BASIC				<input checked="" type="checkbox"/> BUSINESS INCOME	\$
	<input type="checkbox"/> BROAD				<input checked="" type="checkbox"/> EXTRA EXPENSE	\$
	<input checked="" type="checkbox"/> SPECIAL				BLANKET BUILDING	\$
	<input type="checkbox"/> EARTHQUAKE				BLANKET PERS PROP	\$
	<input type="checkbox"/> FLOOD				BLANKET BLDG & PP	\$
<input checked="" type="checkbox"/> Replacement Cost	<input checked="" type="checkbox"/> Computers & Media	\$ 475,000				
<input checked="" type="checkbox"/> \$250. Deductible	<input checked="" type="checkbox"/> Fidelity/ERISA	\$ 250,000				
B	<input checked="" type="checkbox"/> INLAND MARINE	IHD8753024-06 Actual Cash Value-Scheduled Equipment	10/12/2010	10/12/2011	<input checked="" type="checkbox"/> Oilfield Equip	\$ 3,975,790
	<input type="checkbox"/> TYPE OF POLICY					\$
	<input type="checkbox"/> CAUSES OF LOSS					\$
	<input type="checkbox"/> NAMED PERILS					\$
	<input checked="" type="checkbox"/> OTHER All Risk					\$
	<input type="checkbox"/> CRIME					\$
	<input type="checkbox"/> TYPE OF POLICY					\$
	<input type="checkbox"/> ERISA					\$
	<input type="checkbox"/> BOILER & MACHINERY					\$
	<input type="checkbox"/> OTHER					\$

LOCATION OF PREMISES/DESCRIPTION OF PROPERTY
 Business Personal Property including Improvements & Betterments
 5400 LBJ Freeway, Suite 1500
 Dallas TX 75240

SPECIAL CONDITIONS/OTHER COVERAGES
 Comerica Bank is Loss Payee as their interest may appear.

CERTIFICATE HOLDER	CANCELLATION
Comerica Bank as the Agent for the Lenders 1717 Main Street, 4th Floor Dallas TX 75201	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL SEND BY REGISTERED MAIL <u>30</u> DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS OR REPRESENTATIVES. AUTHORIZED REPRESENTATIVE  (DAL) Fred Bangs



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

5/3/2011

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Worham Insurance & Risk Management 5950 Sherry Lane, Suite 500 Dallas, TX 75225	CONTACT NAME:	
	PHONE (A/C No. Ext): 972-980-9484	FAX (A/C No.): 972-980-9481
www.dallas.worhaminsurance.com	E-MAIL ADDRESS:	
	INSURER(S) AFFORDING COVERAGE	NAIC #
INSURED Matador Resources Company Matador Production Company 5400 LBJ Freeway, Suite 1500 Dallas TX 75240	INSURER A:	St. Paul Surplus Lines
	INSURER B:	Travelers Casualty Insurance Co of America
	INSURER C:	
	INSURER D:	
	INSURER E:	

COVERAGES CERTIFICATE NUMBER: 10113415 REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

LINE LTA	TYPE OF INSURANCE	ADDITIONAL INSURER	POLICY NUMBER	POLICY EFF. (MM/DD/YYYY)	POLICY EXP. (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC		MU05541790	10/12/2010	10/12/2011	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 100,000 MED EXP (Any one person) \$ 5,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMP/OP AGG \$ 1,000,000
A	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS		MU05541790	10/12/2010	10/12/2011	NUMBERED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
A	UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED <input checked="" type="checkbox"/> RETENTION \$10,000		MU05578871	10/12/2010	10/12/2011	EACH OCCURRENCE \$ 10,000,000 AGGREGATE \$ 10,000,000
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NR) <input type="checkbox"/> Y/N If yes, describe under DESCRIPTION OF OPERATIONS below	N/A	HSUB9179R53910	9/18/2010	9/18/2011	<input checked="" type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000
A	Control of Well		MU05511886	10/12/2010	10/12/2011	See Addendum

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

Certificate Holder is Additional Insured as their interest may appear. Named Insured Includes: MRC Permian Company, Longwood Gathering and Disposal Systems, LP and Longwood Gathering and Disposal Systems GP, Inc.

CERTIFICATE HOLDER Comerica Bank as the Agent for the Lenders Comerica Bank Tower 1717 Main St, 4th Floor Dallas TX 75201	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE <i>Fred Bangs</i> (DAL) Fred Bangs

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CERTIFICATE ADDENDUM

DATE ISSUED
5/3/2011

NAMED INSURED:

Matador Resources Company
Matador Production Company
5400 LBJ Freeway, Suite 1500
Dallas TX 75240

CERTIFICATE HOLDER:

Comerica Bank
as the Agent for the Lenders
Comerica Bank Tower
1717 Main St, 4th Floor
Dallas TX 75201

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER(S) NAMED ON THIS CERTIFICATE, EXCEPT FOR NON-PAYMENT OF PREMIUM OR ANY OTHER CIRCUMSTANCE PERMITTED BY STATE LAW OR POLICY CONDITIONS. FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

CERTIFICATE ATTACHMENT

DATE ISSUED
5/3/2011

NAMED INSURED:
Matador Resources Company
Matador Production Company
5400 LBJ Freeway, Suite 1500
Dallas TX 75240

Control of Well, MU05511886:

LIMITS Amount Description

\$ 10,000,000 Any One Accident or Occurrence

Sections A, B, C (100%) - as respects drilling/workover wells located in Wyoming and all the Haynesville formation

\$ 8,000,000 Any One Accident or Occurrence

Sections A, B, C (100%) - as respects drilling/workover wells located in the Cotton Valley formation and the Eagle Ford formation

\$ 5,000,000 Any One Accident or Occurrence

Sections A, B, C (100%) - as respects All other wells

\$ 1,000,000 Any One Accident or occurrence Care, Custody & Control (100%)

RETENTION

\$ 200,000 Any One Accident or Occurrence (100%), respects Drilling/Workover wells exceeding 12,500 feet vertical

\$ 100,000 Any One Accident or Occurrence (100%) respects all other wells

\$ 25,000 Care, Custody & Control (100%)

SCHEDULE 9(s)

COMMODITY HEDGING AGREEMENTS

Matador Resources Company

Hedging Schedule—As of Closing Date

All are Costless Collars

Comerica Bank is the Counterparty on all Transactions

Transaction -->	ECAP0303	ECAP0304	ECAP0305	ECAP0306	ECAP0316	ECAP0328
Trade Date -->	3-Aug-09	4-Aug-09	5-Aug-09	5-Aug-09	14-Dec-09	14-Jun-10
Ceiling -->	8.10	7.65	8.65	7.70	7.85	6.55
Floor -->	5.25	5.50	5.00	5.50	5.50	4.50

Calendar Month	NYMEX Contract	Volume Hedged (MMBtu)	Volume Hedged (MMBtu)	Volume Hedged (MMBtu)	Volume Hedged (MMBtu)	Volume Hedged (MMBtu)	Volume Hedged (MMBtu)	TOTAL Hedged (MMBtu)	AVG DAILY (MMBtu)	Unrealized MTM*** (\$)
Aug-07	Sep-07							50,000	1,667	597,469
Sep-07	Oct-07							80,000	2,667	111,965
Oct-07	Nov-07							140,000	4,667	(1,067,133)
Nov-07	Dec-07							140,000	4,667	455,823
Dec-07	Jan-08							140,000	4,667	(211,605)
Jan-08	Feb-08							200,000	6,667	(886,325)
Feb-08	Mar-08							200,000	6,667	(3,598,766)
Mar-08	Apr-08							200,000	6,667	(4,865,541)
Apr-08	May-08							230,000	7,667	(6,986,677)
May-08	Jun-08							230,000	7,667	(8,635,673)
Jun-08	Jul-08							230,000	7,667	(12,206,146)
Jul-08	Aug-08							230,000	7,667	(2,816,425)
Aug-08	Sep-08							230,000	7,667	(1,018,325)
Sep-08	Oct-08							230,000	7,667	386,741
Oct-08	Nov-08							230,000	7,667	1,898,559
Nov-08	Dec-08							230,000	7,667	2,341,492
Dec-08	Jan-09							230,000	7,667	3,380,323
Jan-09	Feb-09							230,000	7,667	5,023,944
Feb-09	Mar-09							230,000	7,667	4,783,842
Mar-09	Apr-09							230,000	7,667	4,583,373
Apr-09	May-09							200,000	6,667	4,316,764
May-09	Jun-09							200,000	6,667	3,368,652
Jun-09	Jul-09							200,000	6,667	2,800,637
Jul-09	Aug-09							200,000	6,667	2,544,450
Aug-09	Sep-09							270,000	9,000	3,500,351
Sep-09	Oct-09							370,000	12,333	29,966
Oct-09	Nov-09							340,000	11,333	1,230,013
Nov-09	Dec-09							340,000	11,333	2,394,840
Dec-09	Jan-10	50,000	50,000	50,000	50,000			500,000	16,667	1,005,685
Jan-10	Feb-10	50,000	50,000	50,000	50,000			500,000	16,667	2,176,626
Feb-10	Mar-10	50,000	50,000	50,000	50,000			500,000	16,667	3,374,485
Mar-10	Apr-10	50,000	50,000	50,000	50,000			450,000	15,000	7,099,140
Apr-10	May-10	50,000	50,000	50,000	50,000			450,000	15,000	6,232,531
May-10	Jun-10	50,000	50,000	50,000	50,000			450,000	15,000	5,062,760
Jun-10	Jul-10	50,000	50,000	50,000	50,000		60,000	510,000	17,000	4,277,435
Jul-10	Aug-10	50,000	50,000	50,000	50,000		60,000	510,000	17,000	3,738,088
Aug-10	Sep-10	50,000	50,000	50,000	50,000		60,000	510,000	17,000	6,541,963
Sep-10	Oct-10	50,000	50,000	50,000	50,000		60,000	480,000	16,000	6,818,248
Oct-10	Nov-10	50,000	50,000	50,000	50,000		60,000	540,000	18,000	6,646,447
Nov-10	Dec-10	50,000	50,000	50,000	50,000		60,000	540,000	18,000	5,501,092
Dec-10	Jan-11	50,000	50,000	50,000	50,000	90,000	60,000	470,000	15,667	4,144,411
Jan-11	Feb-11	50,000	50,000	50,000	50,000	90,000	60,000	470,000	15,667	3,470,125
Feb-11	Mar-11	50,000	50,000	50,000	50,000	90,000	60,000	470,000	15,667	3,901,918
Mar-11	Apr-11	50,000	50,000	50,000	50,000	90,000	60,000	350,000	11,667	2,476,296
Apr-11	May-11	50,000	50,000	50,000	50,000	90,000	60,000	350,000	11,667	
May-11	Jun-11	50,000	50,000	50,000	50,000	90,000	60,000	350,000	11,667	
Jun-11	Jul-11	50,000	50,000	50,000	50,000	90,000		290,000	9,667	
Jul-11	Aug-11	50,000	50,000	50,000	50,000	90,000		290,000	9,667	
Aug-11	Sep-11	50,000	50,000	50,000	50,000	90,000		290,000	9,667	
Sep-11	Oct-11	50,000	50,000	50,000	50,000	90,000		290,000	9,667	
Oct-11	Nov-11	50,000	50,000	50,000	50,000	90,000		290,000	9,667	
Nov-11	Dec-11	50,000	50,000	50,000	50,000	90,000		290,000	9,667	

SCHEDULE 9(w)
GAS IMBALANCES

As of Jan 31, 2011 production (latest CHK info available)

	MRC's share of CHK overproduced volumes (MCF)
Zimmerman 30-15-11 H-1	6,372
Blount 2-14-12 H-1	29,757
Legrande 35-15-12 H-1	16,218
Total	<u>52,347</u>

SCHEDULE 9(x)
NAME CHANGES

1. MRC Permian Company was the successor by merger of Ranchito Operating Company, Inc., and was formerly known as MRC Drilling Company (Merger and Name Change occurred on October 31, 2006).
2. Longwood Gathering and Disposal Systems GP, Inc. was formerly named Longwood Gathering and Disposal Systems, Inc.

SCHEDULE 9(y)

TAXPAYER IDENTIFICATION NUMBER

Matador Resources Company: 36-4535752

Matador Production Company: 75-3131373

MRC Permian Company: 20-4090232

Longwood Gathering and Disposal Systems GP, Inc.: 20-5668672

Longwood Gathering and Disposal Systems, LP: 20-5668690

Matador Rockies Company: 26-4001290

Matador Holdco, Inc.: 27-4662601

Matador Merger Co.: 45-2304311

SCHEDULE 9(z)

STATE OF FORMATION

Matador Resources Company: Texas

Matador Production Company: Texas

MRC Permian Company: Texas

Longwood Gathering and Disposal Systems GP, Inc.: Texas

Longwood Gathering and Disposal Systems, LP: Texas

MRC Rockies Company: Texas

Matador Holdco, Inc.: Texas

Matador Merger Co.: Texas

SCHEDULE 9(dd)

FILING OFFICES

1. The Mortgages and Financing Statements covering the fixtures and as-extracted collateral need to be filed in the real property records of the counties or parishes in which the Mortgaged Properties are located.
2. Financing Statements describing other personal property constituting part of the Mortgaged Properties must be filed with the Office of the Secretary of State of the state in which the Mortgaged Properties are located.

SCHEDULE 12(a)

DEBT

Outstanding Letters of Credit disclosed in Schedule 1.1

Guarantees by the Company for loans made to certain employees in connection with the exercise of stock options.

SCHEDULE 12(b)

LIENS

Lien in favor of Weatherford Artificial Lift Systems, Inc. on the oil and gas leasehold estate and working interest attributable to: Cindy Gas Unit #3, Woodlawn (Cotton Valley) Field, API NO. 42-203-33549, situated in the H. Martin Survey, Abstract NO. 431, Harrison County, Texas, in the amount of \$314,034.83

SCHEDULE 12(c)

INVESTMENTS

<u>Financial Institution</u>	<u>Company</u>	<u>Description</u>	<u>Approx. Current Balance</u>
Comerica	Longwood Gathering and Disposal Systems GP, Inc.; Longwood Gathering and Disposal Systems, LP; MRC Permian Company	\$250,000 CD in each entity	
Comerica Securities	Matador Resources Company	CD Placement account—laddered CD portfolio	\$1,329,000
Comerica Securities	Matador Resources Company	Money Market	\$ 525,383
Goldman Sachs (2 accounts)	Matador Resources Company	Money Market	\$1,110,119

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

This Second 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 August 9, 2011, as previously amended (collectively, with the prior amendment, the "Agreement") is entered into and effective as of December 1, 2011.

WHEREAS, Matador and Employee previously entered into the Agreement; and

WHEREAS, Matador and Employee desire to modify the timing of the increase in base salary of the Employee and to modify the timing of any payment to be made pursuant to Section 14(b) of the Agreement.

NOW, THEREFORE, Matador and Employee hereby agree to amend the Agreement as follows:

1. The first sentence of Section 4(a) of the Agreement is restated in its entirety to provide as follows:

Beginning January 1, 2012, 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").

2. Section 14(b) of the Agreement is restated in its entirety to provide as follows:

(b) If Employee's employment is terminated by the Company 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), the Company shall (i) pay to Employee all Accrued Obligations as required under applicable wage payment laws and in accordance with the Company'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, subject to Section 16(b), on the sixtieth (60th) day following the Date of Termination. Employee shall have no obligation to seek other employment, and any income so earned shall not reduce the foregoing amounts.

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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

Signature Page

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

This Second 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 August 9, 2011, as previously amended (collectively, with the prior amendment, the "Agreement") is entered into and effective as of December 1, 2011.

WHEREAS, Matador and Employee previously entered into the Agreement; and

WHEREAS, Matador and Employee desire to modify the timing of the increase in base salary of the Employee and to modify the timing of any payment to be made pursuant to Section 14(b) of the Agreement.

NOW, THEREFORE, Matador and Employee hereby agree to amend the Agreement as follows, effective as of the date hereof:

1. The first sentence of Section 4(a) of the Agreement is restated in its entirety to provide as follows:

Effective December 1, 2011, 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").

2. Section 14(b) of the Agreement is restated in its entirety to provide as follows:

If Employee's employment is terminated by the Company 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), the Company shall (i) pay to Employee all Accrued Obligations as required under applicable wage payment laws and in accordance with the Company'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, subject to Section 16(b), on the sixtieth (60th) day following the Date of Termination. Employee shall have no obligation to seek other employment, and any income so earned shall not reduce the foregoing amounts.

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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

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

This Second 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 August 9, 2011, as previously amended (collectively, with the prior amendment, the "Agreement") is entered into and effective as of December 1, 2011.

WHEREAS, Matador and Employee previously entered into the Agreement; and

WHEREAS, Matador and Employee desire to modify the timing of the increase in base salary of the Employee and to modify the timing of any payment to be made pursuant to Section 14(b) of the Agreement.

NOW, THEREFORE, Matador and Employee hereby agree to amend the Agreement as follows, effective as of the date hereof:

1. The first sentence of Section 4(a) of the Agreement is restated in its entirety to provide as follows:

Effective December 1, 2011, 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").

2. Section 14(b) of the Agreement is restated in its entirety to provide as follows:

(b) If Employee's employment is terminated by the Company 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), the Company shall (i) pay to Employee all Accrued Obligations as required under applicable wage payment laws and in accordance with the Company'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, subject to Section 16(b), on the sixtieth (60th) day following the Date of Termination. Employee shall have no obligation to seek other employment, and any income so earned shall not reduce the foregoing amounts.

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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

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

This Second 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 August 9, 2011, as previously amended (collectively, with the prior amendment, the "Agreement") is entered into and effective as of December 1, 2011.

WHEREAS, Matador and Employee previously entered into the Agreement; and

WHEREAS, Matador and Employee desire to modify the timing of any payment to be made pursuant to Section 14(b) of the Agreement.

NOW, THEREFORE, Matador and Employee hereby agree to amend the Agreement as follows, effective as of the date hereof:

1. Section 14(b) of the Agreement is restated in its entirety to provide as follows:

(b) If Employee's employment is terminated by the Company 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), the Company shall (i) pay to Employee all Accrued Obligations as required under applicable wage payment laws and in accordance with the Company'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, subject to Section 16(b), on the sixtieth (60th) day following the Date of Termination. Employee shall have no obligation to seek other employment, and any income so earned shall not reduce the foregoing amounts.

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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

FIRST AMENDMENT TO INDEPENDENT CONTRACTOR AGREEMENT

This First Amendment (the "Amendment") to that certain independent contractor agreement between Matador Resources Company, a Texas corporation ("Matador"), acting through its Board of Directors, David F. Nicklin ("Nicklin") and David F. Nicklin International Consulting, Inc., a California corporation ("Contractor") dated August 9, 2011 (the "Agreement") is entered into and effective as of December 1, 2011.

WHEREAS, Matador and Contractor previously entered into the Agreement; and

WHEREAS, Matador and Contractor desire to modify the timing of the increase in the daily rate of the Contractor and to modify the timing of any payment to be made pursuant to Section 12(b) of the Agreement:

NOW, THEREFORE, Matador and Contractor hereby agree to amend the Agreement as follows, effective as of the date hereof:

1. Section 4(a) of the Agreement is restated in its entirety to provide as follows:

Daily Rate. Effective December 1, 2011, 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").

2. Section 12(b) of the Agreement is restated in its entirety to provided as follows:

(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, 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). Nicklin and Contractor shall have no obligation to seek other employment or engagement and any income so earned shall not reduce the foregoing amounts.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, Matador, Nicklin and Contractor 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

DAVID F. NICKLIN

/s/ David F. Nicklin

David F. Nicklin, individually

DAVID F. NICKLIN
INTERNATIONAL CONSULTING, INC.

By: /s/ David F. Nicklin

David F. Nicklin, President

Address for Notice:

6999 Siena Pl. #218
The Colony
Dallas, TX 75056

Signature Page

MATADOR RESOURCES COMPANY
2012 LONG-TERM INCENTIVE PLAN

The Matador Resources Company 2012 Long-Term Incentive Plan (the "**Plan**") was adopted by the Board of Directors of Matador Resources Company, a Texas corporation (the "**Company**"), effective as of January 1, 2012 (the "**Effective Date**").

ARTICLE 1
PURPOSE

The purpose of the Plan is to attract and retain the services of key employees, key contractors and Outside Directors of the Company and its Subsidiaries and to provide such persons with a proprietary interest in the Company through the granting of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalent rights and other awards, whether granted singly, or in combination, or in tandem, that will

- (a) increase the interest of such persons in the Company's welfare;
- (b) furnish an incentive to such persons to continue their services for the Company or its Subsidiaries; and
- (c) provide a means through which the Company may attract able persons as Employees, Contractors and Outside Directors.

With respect to Reporting Participants, the Plan and all transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 promulgated under the Securities Exchange Act of 1934 (the "**1934 Act**"). To the extent any provision of the Plan or action by the Committee fails to so comply, such provision or action shall be deemed null and void *ab initio*, to the extent permitted by law and deemed advisable by the Committee.

ARTICLE 2
DEFINITIONS

For the purpose of the Plan, unless the context requires otherwise, the following terms shall have the meanings indicated:

2.1 "**Award**" means the grant of any Incentive Stock Option, Nonqualified Stock Option, Restricted Stock, SAR, Restricted Stock Units, Performance Award, Dividend Equivalent Right or Other Award, whether granted singly or in combination or in tandem (each individually referred to herein as an "**Incentive**").

2.2 "**Award Agreement**" means a written agreement between a Participant and the Company which sets out the terms of the grant of an Award.

2.3 "**Award Period**" means the period set forth in the Award Agreement during which one or more Incentives granted under an Award may be exercised.

2.4 "**Board**" means the Board of Directors of the Company.

2.5 “**Change in Control**” occurs upon a change in the Company’s ownership, its effective control or the ownership of a substantial portion of its assets, as follows:

(a) **Change in Ownership.** A change in ownership of the Company occurs on the date that any “Person” (as defined in Section 2.5(d) below), other than (i) the Company or any of its Subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding stock pursuant to an offering of such stock or (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of the Company’s stock, acquires ownership of the Company’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 the Company’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 the Company’s stock, the acquisition of additional stock by the same Person is not considered to be a Change of Control. In addition, if any Person has effective control of the Company through ownership of 30% or more of the total voting power of the Company’s stock, as discussed in paragraph (b) below, the acquisition of additional control of the Company by the same Person is not considered to cause a Change in Control pursuant to this paragraph (a); or

(b) **Change in Effective Control.** Even though the Company may not have undergone a change in ownership under paragraph (a) above, a change in the effective control of the Company occurs on either of the following dates:

(i) 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 the Company’s stock possessing 30% or more of the total voting power of the Company’s stock. However, if any Person owns 30% or more of the total voting power of the Company’s stock, the acquisition of additional control of the Company by the same Person is not considered to cause a Change in Control pursuant to this subparagraph (b)(i); or

(ii) 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 the 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

(c) **Change in Ownership of Substantial Portion of Assets.** A change in the ownership of a substantial portion of the Company’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 the Company, that have a total gross fair market value equal to at least 40% of the total gross fair market value of all of the Company’s assets immediately before such acquisition or acquisitions. However, there is no Change in Control when there is such a transfer to (i) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company’s stock; (ii) an entity, at least 50% of the total value or voting power of the stock of which is owned, directly or indirectly, by the Company; (iii) a Person that owns directly or indirectly, at least 50% of the total value or voting power of the Company’s outstanding stock; or (iv) 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 the Company’s outstanding stock.

(d) **Definitions.** For purposes of subparagraphs (a), (b) and (c) above:

(i) "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 by the Final Treasury Regulations issued under Section 409A of the Code.

(ii) "Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the 1934 Act.

(e) **Interpretation.** The provisions of this Section 2.5 shall be interpreted in accordance with the requirements of the Final Treasury Regulations under Section 409A of the Code, it being the intent of the parties that this Section 2.5 shall be in compliance with the requirements of said Code Section and said Regulations.

2.6 "**Code**" means the Internal Revenue Code of 1986, as amended, together with the published rulings, regulations and interpretations duly promulgated thereunder.

2.7 "**Committee**" means the Committee appointed by the Board to administer the Plan in accordance with Article 3 of this Plan.

2.8 "**Common Stock**" means the common stock, par value \$0.01 per share, which the Company is currently authorized to issue or may in the future be authorized to issue, or any securities into which or for which the common stock of the Company may be converted or exchanged, as the case may be, pursuant to the terms of this Plan.

2.9 "**Company**" means Matador Resources Company, a Texas corporation, and any successor entity.

2.10 "**Contractor**" means any person (including an individual, corporation or other entity), who is not an Employee, rendering *bona fide* services to the Company or a Subsidiary, with compensation, provided that such services are not rendered in connection with the offer or sale of securities in a capital raising transaction and do not directly or indirectly promote or maintain a market for the Company's securities.

2.11 "**Date of Grant**" means the effective date on which an Award is made to a Participant as set forth in the applicable Award Agreement.

2.12 "**Dividend Equivalent Right**" means the right of the holder thereof to receive credits based on the cash dividends that would have been paid on the shares of Common Stock specified in the Award if such shares were held by the Participant to whom the Award is made.

2.13 "**Employee**" means common law employee (as defined in accordance with the Regulations and Revenue Rulings then applicable under Section 3401(c) of the Code) of the Company or any Subsidiary of the Company.

2.14 "**Executive Officer**" means an officer of the Company or a Subsidiary subject to Section 16 of the 1934 Act or a "covered employee" as defined in Section 162(m)(3) of the Code.

2.15 "**Fair Market Value**" means, as of a particular date, (a) if the shares of Common Stock are listed on any established national securities exchange, the closing sales price per share of Common Stock on the consolidated transaction reporting system for the principal securities exchange for the Common Stock on that date, or, if there shall have been no such sale so reported on that date, on the last

preceding date on which such a sale was so reported, (b) if the shares of Common Stock are not so listed but are quoted on the Nasdaq National Market System, the closing sales price per share of Common Stock on the Nasdaq National Market System on that date, or, if there shall have been no such sale so reported on that date, on the last preceding date on which such a sale was so reported, (c) if the Common Stock is not so listed or quoted, the mean between the closing bid and asked price on that date, or, if there are no quotations available for such date, on the last preceding date on which such quotations shall be available, as reported by Nasdaq, or, if not reported by Nasdaq, by the National Quotation Bureau, Inc., or (d) if none of the above is applicable, such amount as may be determined by the Committee (acting on the advice of an Independent Third Party, should the Committee elect in its sole discretion to utilize an Independent Third Party for this purpose), in good faith, to be the fair market value per share of Common Stock. The determination of Fair Market Value shall, where applicable, be in compliance with Section 409A of the Code.

2.16 “**Independent Third Party**” means an individual or entity independent of the Company having experience in providing investment banking or similar appraisal or valuation services and with expertise generally in the valuation of securities or other property for purposes of this Plan. The Committee may utilize one or more Independent Third Parties.

2.17 “**Incentive**” is defined in [Section 2.1](#) hereof.

2.18 “**Incentive Stock Option**” means an incentive stock option within the meaning of Section 422 of the Code, granted pursuant to this Plan.

2.19 “**Nonqualified Stock Option**” means a nonqualified stock option, granted pursuant to this Plan, which is not an Incentive Stock Option.

2.20 “**Option Price**” means the price which must be paid by a Participant upon exercise of a Stock Option to purchase a share of Common Stock.

2.21 “**Other Award**” means an Award issued pursuant to [Section 6.10](#) hereof.

2.22 “**Outside Director**” means a director of the Company who is not an Employee or a Contractor.

2.23 “**Participant**” means an Employee, Contractor or Outside Director of the Company or a Subsidiary to whom an Award is granted under this Plan.

2.24 “**Performance Award**” means an Award hereunder of cash, shares of Common Stock, units or rights based upon, payable in, or otherwise related to, Common Stock pursuant to [Section 6.8](#) hereof.

2.25 “**Performance Goal**” means any of the goals set forth in [Section 6.11](#) hereof.

2.26 “**Plan**” means this Matador Resources Company 2012 Long-Term Incentive Plan, as amended from time to time.

2.27 “**Reporting Participant**” means a Participant who is subject to the reporting requirements of Section 16 of the 1934 Act.

2.28 “**Restricted Stock**” means shares of Common Stock issued or transferred to a Participant pursuant to [Section 6.5](#) of this Plan which are subject to restrictions or limitations set forth in this Plan and in the related Award Agreement.

2.29 “**Restricted Stock Units**” means units awarded to Participants pursuant to Section 6.7 hereof, which are convertible into Common Stock at such time as such units are no longer subject to restrictions as established by the Committee.

2.30 “**Retirement**” means any Termination of Service solely due to retirement upon or after attainment of age sixty-five (65), or permitted early retirement as determined by the Committee.

2.31 “**SAR**” or “**stock appreciation right**” means the right to receive an amount, in cash and/or Common Stock, equal to the excess of the Fair Market Value of a specified number of shares of Common Stock as of the date the SAR is exercised (or, as provided in the Award Agreement, converted) over the SAR Price for such shares.

2.32 “**SAR Price**” means the exercise price or conversion price of each share of Common Stock covered by a SAR, determined on the Date of Grant of the SAR.

2.33 “**Stock Option**” means a Nonqualified Stock Option or an Incentive Stock Option.

2.34 “**Subsidiary**” means (i) any corporation in an 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 a majority of the total combined voting power of all classes of stock in one of the other corporations in the chain, (ii) any limited partnership, if the Company or any corporation described in item (i) above owns a majority of the general partnership interest and a majority of the limited partnership interests entitled to vote on the removal and replacement of the general partner and (iii) any partnership or limited liability company, if the partners or members thereof are composed only of the Company, any corporation listed in item (i) above or any limited partnership listed in item (ii) above. “Subsidiaries” means more than one of any such corporations, limited partnerships, partnerships or limited liability companies.

2.35 “**Termination of Service**” occurs when a Participant who is (i) an Employee of the Company or any Subsidiary ceases to serve as an Employee of the Company and its Subsidiaries, for any reason; (ii) an Outside Director of the Company or a Subsidiary ceases to serve as a director of the Company and its Subsidiaries for any reason; or (iii) a Contractor of the Company or a Subsidiary ceases to serve as a Contractor of the Company and its Subsidiaries for any reason. Except as may be necessary or desirable to comply with applicable federal or state law, a “Termination of Service” shall not be deemed to have occurred when a Participant who is an Employee becomes an Outside Director or Contractor or vice versa. If, however, a Participant who is an Employee and who has an Incentive Stock Option ceases to be an Employee but does not suffer a Termination of Service, and if that Participant does not exercise the Incentive Stock Option within the time required under Section 422 of the Code upon ceasing to be an Employee, the Incentive Stock Option shall thereafter become a Nonqualified Stock Option. Notwithstanding the foregoing provisions of this Section 2.35, in the event an Award issued under the Plan is subject to Section 409A of the Code, then, in lieu of the foregoing definition and to the extent necessary to comply with the requirements of Section 409A of the Code, the definition of “Termination of Service” for purposes of such Award shall be the definition of “separation from service” provided for under Section 409A of the Code and the regulations or other guidance issued thereunder.

2.36 “**Total and Permanent Disability**” means a Participant is qualified for long-term disability benefits under the Company’s or Subsidiary’s disability plan or insurance policy; or, if no such plan or policy is then in existence or if the Participant is not eligible to participate in such plan or policy, that the Participant, because of a physical or mental condition resulting from bodily injury, disease or mental disorder, is unable to perform his or her duties of employment for a period of six (6) continuous months, as determined in good faith by the Committee, based upon medical reports or other evidence satisfactory to the Committee; provided that, with respect to any Incentive Stock Option, Total and

Permanent Disability shall have the meaning given it under the rules governing Incentive Stock Options under the Code. Notwithstanding the foregoing provisions of this Section 2.36, in the event an Award issued under the Plan is subject to Section 409A of the Code, then, in lieu of the foregoing definition and to the extent necessary to comply with the requirements of Section 409A of the Code, the definition of "Total and Permanent Disability" for purposes of such Award shall be the definition of "disability" provided for under Section 409A of the Code and the regulations or other guidance issued thereunder.

ARTICLE 3 ADMINISTRATION

3.1 General Administration; Establishment of Committee. Subject to the terms of this Article 3, the Plan shall be administered by the Board or such committee of the Board as is designated by the Board to administer the Plan (the "**Committee**"). The Committee shall consist of not fewer than two persons. Any member of the Committee may be removed at any time, with or without cause, by resolution of the Board. Any vacancy occurring in the membership of the Committee may be filled by appointment by the Board. At any time there is no Committee to administer the Plan, any references in this Plan to the Committee shall be deemed to refer to the Board.

Membership on the Committee shall be limited to those members of the Board who are "outside directors" under Section 162(m) of the Code and "non-employee directors" as defined in Rule 16b-3 promulgated under the 1934 Act. The Committee shall select one of its members to act as its Chairman. A majority of the Committee shall constitute a quorum, and the act of a majority of the members of the Committee present at a meeting at which a quorum is present shall be the act of the Committee.

3.2 Designation of Participants and Awards.

(a) The Committee or the Board shall determine and designate from time to time the eligible persons to whom Awards will be granted and shall set forth in each related Award Agreement, where applicable, the Award Period, the Date of Grant, and such other terms, provisions, limitations and performance requirements, as are approved by the Committee, but not inconsistent with the Plan. The Committee shall determine whether an Award shall include one type of Incentive or two or more Incentives granted in combination or two or more Incentives granted in tandem (that is, a joint grant where exercise of one Incentive results in cancellation of all or a portion of the other Incentive). Although the members of the Committee shall be eligible to receive Awards, all decisions with respect to any Award, and the terms and conditions thereof, to be granted under the Plan to any member of the Committee shall be made solely and exclusively by the other members of the Committee, or if such member is the only member of the Committee, by the Board.

(b) Notwithstanding Section 3.2(a), to the extent permitted by applicable law, the Board may, in its discretion and by a resolution adopted by the Board, authorize one or more officers of the Company to (i) designate one or more Employees as eligible persons to whom Awards will be granted under the Plan and (ii) determine the number of shares of Common Stock that will be subject to such Awards; provided, however, that the resolution of the Board granting such authority shall (x) specify the total number of shares of Common Stock that may be made subject to the Awards, (y) set forth the price or prices (or a formula by which such price or prices may be determined) to be paid for the purchase of the Common Stock subject to such Awards, and (z) not authorize an officer to designate himself as a recipient of any Award.

3.3 Authority of the Committee. The Committee, in its discretion, shall (i) interpret the Plan, (ii) prescribe, amend, and rescind any rules and regulations necessary or appropriate for the

administration of the Plan, (iii) establish performance goals for an Award and certify the extent of their achievement and (iv) make such other determinations or certifications and take such other action as it deems necessary or advisable in the administration of the Plan. Any interpretation, determination, or other action made or taken by the Committee shall be final, binding and conclusive on all interested parties. The Committee's discretion set forth herein shall not be limited by any provision of the Plan, including any provision which by its terms is applicable notwithstanding any other provision of the Plan to the contrary.

The Committee may delegate to officers of the Company, pursuant to a written delegation, the authority to perform specified functions under the Plan. Any actions taken by any officers of the Company pursuant to such written delegation of authority shall be deemed to have been taken by the Committee.

With respect to restrictions in the Plan that are based on the requirements of Rule 16b-3 promulgated under the 1934 Act, Section 422 of the Code, Section 162(m) of the Code, the rules of any exchange or inter-dealer quotation system upon which the Company's securities are listed or quoted or any other applicable law, rule or restriction (collectively, "**applicable law**"), to the extent that any such restrictions are no longer required by applicable law, the Committee shall have the sole discretion and authority to grant Awards that are not subject to such mandated restrictions and/or to waive any such mandated restrictions with respect to outstanding Awards.

ARTICLE 4 ELIGIBILITY

Any Employee (including an Employee who is also a director or an officer), Contractor or Outside Director of the Company whose judgment, initiative and efforts contributed or may be expected to contribute to the successful performance of the Company is eligible to participate in the Plan; provided that only Employees of a corporation shall be eligible to receive Incentive Stock Options. The Committee, upon its own action, may grant, but shall not be required to grant, an Award to any Employee, Contractor or Outside Director of the Company or any Subsidiary. Awards may be granted by the Committee at any time and from time to time to new Participants, or to then Participants, or to a greater or lesser number of Participants, and may include or exclude previous Participants, as the Committee shall determine. Except as required by this Plan, Awards granted at different times need not contain similar provisions. The Committee's determinations under the Plan (including without limitation determinations of which Employees, Contractors or Outside Directors, if any, are to receive Awards, the form, amount and timing of such Awards, the terms and provisions of such Awards and the agreements evidencing same) need not be uniform and may be made by it selectively among Participants who receive, or are eligible to receive, Awards under the Plan.

ARTICLE 5 SHARES SUBJECT TO PLAN

5.1 Number Available for Awards. Subject to adjustment as provided in Articles 11 and 12, the maximum number of shares of Common Stock that may be delivered pursuant to Awards granted under the Plan is 4,000,000 shares, of which 100% may be delivered pursuant to Incentive Stock Options. Subject to adjustment pursuant to Articles 11 and 12, the maximum number of shares of Common Stock with respect to which Stock Options or SARs may be granted to an Executive Officer during any calendar year is 500,000 shares of Common Stock. Shares to be issued may be made available from authorized but unissued Common Stock, Common Stock held by the Company in its treasury or Common Stock purchased by the Company on the open market or otherwise. During the term of this Plan, the Company

will at all times reserve and keep available the number of shares of Common Stock that shall be sufficient to satisfy the requirements of this Plan.

5.2 Restoration and Retention of Shares (“Share Counting”). If any shares of Common Stock subject to an Award shall not be issued or transferred to a Participant and shall cease to be issuable or transferable to a Participant because of the forfeiture, termination, expiration or cancellation, in whole or in part, of such Award or for any other reason, the shares not so issued or transferred, or the shares so reacquired by the Company, as the case may be, shall no longer be charged against the limitation provided for in Section 5.1 and may be used thereafter for additional Awards under the Plan. The following additional parameters shall apply:

(a) To the extent an Award under the Plan is settled or paid in cash, shares subject to such Award will not be considered to have been issued and will not be applied against the maximum number of shares of Common Stock provided for in Section 5.1.

(b) If an Award may be settled in shares of Common Stock or cash, such shares shall be deemed issued only when and to the extent that settlement or payment is actually made in shares of Common Stock. To the extent an Award is settled or paid in cash, and not shares of Common Stock, any shares previously reserved for issuance or transfer pursuant to such Award will again be deemed available for issuance or transfer under the Plan, and the maximum number of shares of Common Stock that may be issued or transferred under the Plan shall be reduced only by the number of shares actually issued and transferred to the Participant.

(c) Notwithstanding the foregoing, (i) shares withheld or tendered to pay withholding taxes or the exercise price of an Award shall not again be available for the grant of Awards under the Plan, and (ii) the full number of shares subject to a Stock Option or SAR granted that are settled by the issuance of shares shall be counted against the shares authorized for issuance under this Plan, regardless of the number of shares actually issued upon the settlement of such Stock Option or SAR.

(d) Any shares repurchased by the Company on the open market using the proceeds from the exercise of an Award shall not increase the number of shares available for the future grant of Awards.

ARTICLE 6 GRANT OF AWARDS

6.1 In General.

(a) The grant of an Award shall be authorized by the Committee and shall be evidenced by an Award Agreement setting forth the Incentive or Incentives being granted, the total number of shares of Common Stock subject to the Incentive(s), the Option Price (if applicable), the Award Period, the Date of Grant and such other terms, provisions, limitations, and performance objectives, as are approved by the Committee, but (i) not inconsistent with the Plan, (ii) to the extent an Award issued under the Plan is subject to Section 409A of the Code, in compliance with the applicable requirements of Section 409A of the Code and the regulations or other guidance issued thereunder and (iii) to the extent the Committee determines that an Award

shall comply with the requirements of Section 162(m) of the Code, in compliance with the applicable requirements of Section 162(m) of the Code and the regulations and other guidance issued thereunder. The Company shall execute an Award Agreement with a Participant after the Committee approves the issuance of an Award. Any Award granted pursuant to this Plan must be granted within ten (10) years of the date of adoption of this Plan. The grant of an Award to a Participant shall not be deemed either to entitle the Participant to, or to disqualify the Participant from, receipt of any other Award under the Plan.

(b) If the Committee establishes a purchase price for an Award, the Participant must accept such Award within a period of thirty (30) days (or such shorter period as the Committee may specify) after the Date of Grant by executing the applicable Award Agreement and paying such purchase price.

(c) Any Award under this Plan that is settled in whole or in part in cash on a deferred basis may provide for interest equivalents to be credited with respect to such cash payment. Interest equivalents may be compounded and shall be paid upon such terms and conditions as may be specified by the grant.

6.2 Incentive Stock Options. For any option granted under this Plan to be treated as an Incentive Stock Option, this Plan must be approved by the Company's shareholders within twelve months after the Effective Date.

6.3 Option Price. The Option Price for any share of Common Stock which may be purchased under a Nonqualified Stock Option for any share of Common Stock may be equal to or greater than the Fair Market Value of the share on the Date of Grant. The Option Price for any share of Common Stock which may be purchased under an Incentive Stock Option must be at least equal to the Fair Market Value of the share on the Date of Grant; if an Incentive Stock Option is granted to an Employee who owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10% of the combined voting power of all classes of stock of the Company (or any parent or Subsidiary), the Option Price shall be at least 110% of the Fair Market Value of the Common Stock on the Date of Grant.

6.4 Maximum ISO Grants. The Committee may not grant Incentive Stock Options under the Plan to any Employee which would permit the aggregate Fair Market Value (determined on the Date of Grant) of the Common Stock with respect to which Incentive Stock Options (under this and any other plan of the Company and its Subsidiaries) are exercisable for the first time by such Employee during any calendar year to exceed \$100,000. To the extent any Stock Option granted under this Plan which is designated as an Incentive Stock Option exceeds this limit or otherwise fails to qualify as an Incentive Stock Option, such Stock Option (or any such portion thereof) shall be a Nonqualified Stock Option. In such case, the Committee shall designate which stock will be treated as Incentive Stock Option stock by causing the issuance of a separate stock certificate and identifying such stock as Incentive Stock Option stock on the Company's stock transfer records.

6.5 Restricted Stock. If Restricted Stock is granted to or received by a Participant under an Award (including a Stock Option), the Committee shall set forth in the related Award Agreement: (i) the number of shares of Common Stock awarded, (ii) the price, if any, to be paid by the Participant for such Restricted Stock and the method of payment of the price, (iii) the time or times within which such Award may be subject to forfeiture, (iv) specified Performance Goals of the Company, a Subsidiary, any division thereof or any group of Employees of the Company, or other criteria, which the Committee determines must be met in order to remove any restrictions (including vesting) on such Award and (v) all other terms, limitations, restrictions and conditions of the Restricted Stock, which shall be consistent with this Plan, to the extent applicable and in the event the Committee determines that an Award shall comply with the

requirements of Section 162(m) of the Code, in compliance with the requirements of Section 162(m) of the Code and the regulations and other guidance issued thereunder and, to the extent Restricted Stock granted under the Plan is subject to Section 409A of the Code, in compliance with the applicable requirements of Section 409A of the Code and the regulations or other guidance issued thereunder. The provisions of Restricted Stock need not be the same with respect to each Participant.

(a) Legend on Shares. The Company shall electronically register the Restricted Stock awarded to a Participant in the name of such Participant, which shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, substantially as provided in Section 15.9 of the Plan. No stock certificate or certificates shall be issued with respect to such shares of Common Stock, unless, following the expiration of the Restriction Period (as defined in Section 6.5(b)(i)) without forfeiture in respect of such shares of Common Stock, the Participant requests delivery of the certificate or certificates by submitting a written request to the Committee (or such party designated by the Company). The Company shall deliver the certificates requested by the Participant to the Participant as soon as administratively practicable following the Company's receipt of such request.

(b) Restrictions and Conditions. Shares of Restricted Stock shall be subject to the following restrictions and conditions:

(i) Subject to the other provisions of this Plan and the terms of the particular Award Agreements, during such period as may be determined by the Committee commencing on the Date of Grant or the date of exercise of an Award (the "**Restriction Period**"), the Participant shall not be permitted to sell, transfer, pledge or assign shares of Restricted Stock. Except for these limitations, the Committee may in its sole discretion, remove any or all of the restrictions on such Restricted Stock whenever it may determine that, by reason of changes in applicable laws or other changes in circumstances arising after the date of the Award, such action is appropriate.

(ii) Except as provided in sub-paragraph (i) above or in the applicable Award Agreement, the Participant shall have, with respect to the Participant's Restricted Stock, all of the rights of a shareholder of the Company, including the right to vote the shares, and the right to receive any dividends thereon; provided, however, that the Participant shall not have the right to receive dividends on any Restricted Stock Award based on Performance Goals until the restriction lapses. Certificates for shares of Common Stock free of restriction under this Plan shall be delivered to the Participant promptly after, and only after, the Restriction Period shall expire without forfeiture in respect of such shares of Common Stock or after any other restrictions imposed on such shares of Common Stock by the applicable Award Agreement or other agreement have expired. Certificates for the shares of Common Stock forfeited under the provisions of the Plan and the applicable Award Agreement shall be promptly returned to the Company by the forfeiting Participant. Each Award Agreement shall require that each Participant, in connection with the issuance of a certificate for Restricted Stock, shall endorse such certificate in blank or execute a stock power in form satisfactory to the Company in blank and deliver such certificate and executed stock power to the Company.

(iii) The Restriction Period of Restricted Stock shall commence on the Date of Grant or the date of exercise of an Award, as specified in the Award Agreement, and, subject to Article 12 of the Plan, unless otherwise established by the Committee in the Award Agreement setting forth the terms of the Restricted Stock, shall expire upon satisfaction of the conditions set forth in the Award Agreement; such conditions may

provide for vesting based on such Performance Goals as may be determined by the Committee in its sole discretion.

(iv) Except as otherwise provided in the particular Award Agreement, upon Termination of Service for any reason during the Restriction Period, the nonvested shares of Restricted Stock shall be forfeited by the Participant. In the event a Participant has paid any consideration to the Company for such forfeited Restricted Stock, the Committee shall specify in the Award Agreement that either (i) the Company shall be obligated to, or (ii) the Company may, in its sole discretion, elect to, pay to the Participant, as soon as practicable after the event causing forfeiture, in cash, an amount equal to the lesser of the total consideration paid by the Participant for such forfeited shares or the Fair Market Value of such forfeited shares as of the date of Termination of Service, as the Committee, in its sole discretion shall select. Upon any forfeiture, all rights of a Participant with respect to the forfeited shares of the Restricted Stock shall cease and terminate, without any further obligation on the part of the Company.

6.6 SARs. The Committee may grant SARs to any Participant, either as a separate Award or in connection with a Stock Option. SARs shall be subject to such terms and conditions as the Committee shall impose, provided that such terms and conditions are (i) not inconsistent with the Plan, (ii) to the extent a SAR issued under the Plan is subject to Section 409A of the Code, in compliance with the applicable requirements of Section 409A of the Code and the regulations or other guidance issued thereunder and (iii) to the extent the Committee determines that a SAR shall comply with the requirements of Section 162(m) of the Code, in compliance with the applicable requirements of Section 162(m) of the Code and the regulations and other guidance issued thereunder. The grant of the SAR may provide that the holder may be paid for the value of the SAR either in cash or in shares of Common Stock, or a combination thereof. In the event of the exercise of a SAR payable in shares of Common Stock, the holder of the SAR shall receive that number of whole shares of Common Stock having an aggregate Fair Market Value on the date of exercise equal to the value obtained by multiplying (i) the difference between the Fair Market Value of a share of Common Stock on the date of exercise over the SAR Price as set forth in such SAR (or other value specified in the agreement granting the SAR), by (ii) the number of shares of Common Stock as to which the SAR is exercised, with a cash settlement to be made for any fractional shares of Common Stock. The SAR Price for any share of Common Stock subject to a SAR may be equal to or greater than the Fair Market Value of the share on the Date of Grant. The Committee, in its sole discretion, may place a ceiling on the amount payable upon exercise of a SAR, but any such limitation shall be specified at the time that the SAR is granted.

6.7 Restricted Stock Units. Restricted Stock Units may be awarded or sold to any Participant under such terms and conditions as shall be established by the Committee, provided, however, that such terms and conditions are (i) not inconsistent with the Plan, (ii) to the extent a Restricted Stock Unit issued under the Plan is subject to Section 409A of the Code, in compliance with the applicable requirements of Section 409A of the Code and the regulations or other guidance issued thereunder and (iii) to the extent the Committee determines that a Restricted Stock Unit award shall comply with the requirements of Section 162(m) of the Code, in compliance with the applicable requirements of Section 162(m) of the Code and the regulations and other guidance issued thereunder. Restricted Stock Units shall be subject to such restrictions as the Committee determines, including, without limitation, (a) a prohibition against sale, assignment, transfer, pledge, hypothecation or other encumbrance for a specified period; or (b) a requirement that the holder forfeit (or in the case of shares of Common Stock or units sold to the Participant, resell to the Company at cost) such shares or units in the event of Termination of Service during the period of restriction.

6.8 Performance Awards.

(a) The Committee may grant Performance Awards to one or more Participants. The terms and conditions of Performance Awards shall be specified at the time of the grant and may include provisions establishing the performance period, the Performance Goals to be achieved during a performance period and the maximum or minimum settlement values, provided that such terms and conditions are (i) not inconsistent with the Plan and (ii) to the extent a Performance Award issued under the Plan is subject to Section 409A of the Code, in compliance with the applicable requirements of Section 409A of the Code and the regulations or other guidance issued thereunder. If the Performance Award is to be in shares of Common Stock, the Performance Awards may provide for the issuance of the shares of Common Stock at the time of the grant of the Performance Award or at the time of the certification by the Committee that the Performance Goals for the performance period have been met; provided, however, if shares of Common Stock are issued at the time of the grant of the Performance Award and if, at the end of the performance period, the Performance Goals are not certified by the Committee to have been fully satisfied, then, notwithstanding any other provisions of this Plan to the contrary, the Common Stock shall be forfeited in accordance with the terms of the grant to the extent the Committee determines that the Performance Goals were not met. The forfeiture of shares of Common Stock issued at the time of the grant of the Performance Award due to failure to achieve the established Performance Goals shall be separate from and in addition to any other restrictions provided for in this Plan that may be applicable to such shares of Common Stock. Each Performance Award granted to one or more Participants shall have its own terms and conditions.

To the extent the Committee determines that a Performance Award shall comply with the requirements of Section 162(m) of the Code and the regulations and other guidance issued thereunder, and if it is determined to be necessary in order to satisfy Section 162(m) of the Code, at the time of the grant of a Performance Award (other than a Stock Option) and to the extent permitted under Section 162(m) of the Code and the regulations issued thereunder, the Committee shall provide for the manner in which the Performance Goals shall be reduced to take into account the negative effect on the achievement of specified levels of the Performance Goals which may result from enumerated corporate transactions, extraordinary events, accounting changes and other similar occurrences which were unanticipated at the time the Performance Goal was initially established. In no event, however, may the Committee increase the amount earned under such a Performance Award, unless the reduction in the Performance Goals would reduce or eliminate the amount to be earned under the Performance Award and the Committee determines not to make such reduction or elimination.

With respect to a Performance Award that is not intended to satisfy the requirements of Code Section 162(m) of the Code, if the Committee determines, in its sole discretion, that the established performance measures or objectives are no longer suitable because of a change in the Company's business, operations, corporate structure or for other reasons that the Committee deemed satisfactory, the Committee may modify the performance measures or objectives and/or the performance period.

(b) Performance Awards may be valued by reference to the Fair Market Value of a share of Common Stock or according to any formula or method deemed appropriate by the Committee, in its sole discretion, including, but not limited to, achievement of Performance Goals or other specific financial, production, sales or cost performance objectives that the Committee believes to be relevant to the Company's business and/or remaining in the employ of the Company for a specified period of time. Performance Awards may be paid in cash, shares of Common Stock or other consideration, or any combination thereof. If payable in shares of

Common Stock, the consideration for the issuance of such shares may be the achievement of the performance objective established at the time of the grant of the Performance Award. Performance Awards may be payable in a single payment or in installments and may be payable at a specified date or dates or upon attaining the performance objective. The extent to which any applicable performance objective has been achieved shall be conclusively determined by the Committee.

(c) Notwithstanding the foregoing, in order to comply with the requirements of Section 162(m) of the Code, if applicable, no Participant may receive in any calendar year Performance Awards intended to comply with the requirements of Section 162(m) of the Code which have an aggregate value of more than \$10,000,000, and if such Performance Awards involve the issuance of shares of Common Stock, said aggregate value shall be based on the Fair Market Value of such shares on the time of the grant of the Performance Award. In no event, however, shall any Performance Awards not intended to comply with the requirements of Section 162(m) of the Code be issued contingent upon the failure to attain the Performance Goals applicable to any Performance Awards granted hereunder that the Committee intends to comply with the requirements of Section 162(m) of the Code.

6.9 Dividend Equivalent Rights. The Committee may grant a Dividend Equivalent Right to any Participant, either as a component of another Award or as a separate Award. The terms and conditions of the Dividend Equivalent Right shall be specified by the grant. Dividend equivalents credited to the holder of a Dividend Equivalent Right may be paid currently or may be deemed to be reinvested in additional shares of Common Stock (which may thereafter accrue additional dividend equivalents). Any such reinvestment shall be at the Fair Market Value at the time thereof. Dividend Equivalent Rights may be settled in cash or shares of Common Stock, or a combination thereof, in a single payment or in installments. A Dividend Equivalent Right granted as a component of another Award may provide that such Dividend Equivalent Right shall be settled upon exercise, settlement or payment of, or lapse of restrictions on, such other Award, and that such Dividend Equivalent Right granted as a component of another Award may also contain terms and conditions different from such other Award.

6.10 Other Awards. The Committee may grant to any Participant other forms of Awards, based upon, payable in, or otherwise related to, in whole or in part, shares of Common Stock, if the Committee determines that such other form of Award is consistent with the purpose and restrictions of this Plan. The terms and conditions of such other form of Award shall be specified by the grant. Such Other Awards may be granted for no cash consideration, for such minimum consideration as may be required by applicable law or for such other consideration as may be specified by the grant.

6.11 Performance Goals. Awards of Restricted Stock, Restricted Stock Units, Performance Awards and Other Awards (whether relating to cash or shares of Common Stock) under the Plan may be made subject to the attainment of Performance Goals relating to one or more business criteria, which, where applicable, shall be within the meaning of Section 162(m) of the Code and consist of one or more or any combination of the following criteria: earnings (either in the aggregate or on a per-share basis); net income; operating income; operating profit; cash flow; shareholder returns, including returns on assets, investment, invested capital and equity (and including income applicable to common shareholders or other class of shareholders); return measures (including return on assets, equity, or invested capital); total shareholder return (change in share price plus reinvestment of dividends into shares when declared, if any, from period to period); earnings before or after either, or any combination of, interest, taxes, depletion, depreciation, amortization or other non-cash items (EBITDA); gross revenues; reduction in expense levels in each case, where applicable, determined either on a Company-wide basis or in respect to any one or more Subsidiaries or business units thereof; economic value or economic value addedTM;

market share or market share added; annual net income to Common Stock; earnings per share or growth in earnings per share; annual cash flow provided by operations; changes in annual revenues; strategic and operational business criteria, consisting of one or more objectives based on specified revenue, market penetration, geographic business expansion goals, objectively identified project milestones, production volume levels, cost targets, lease operating expenses, G&A expenses, finding and development costs, reserves or reserves added, reserve replacement ratio and goals relating to acquisitions or divestitures; or goals relating to specific environmental compliance measures and safety and accident rates (“**Performance Criteria**”).

For the Performance Criteria listed above, the Committee may designate whether a particular Performance Criteria is to be measured on a pre-tax basis or post-tax basis. In addition, certain Performance Criteria may be stated in reference to a production volume of measurement such as in per cubic feet equivalents (e.g., per Mcfe, MMcfe or Bcfe). Any Performance Criteria may be used to measure the performance of the Company as a whole or any business unit of the Company and may be measured relative to a peer group or index. Any Performance Criteria may include or exclude (i) extraordinary, unusual and/or non-recurring items of gain or loss, (ii) gains or losses on the disposition of a business, (iii) changes in tax or accounting regulations or laws, (iv) the effect of a merger or acquisition, as identified in the Company’s quarterly and annual earnings releases or (v) other similar occurrences. In all other respects, Performance Criteria shall be calculated in accordance with the Company’s financial statements, under generally accepted accounting principles or under a methodology established by the Committee prior to the issuance of an Award which is consistently applied and identified in the audited financial statements, including footnotes, or the Compensation Discussion and Analysis section of the Company’s annual report. However, to the extent Section 162(m) of the Code is applicable, the Committee may not in any event increase the amount of compensation payable to an individual upon the attainment of a Performance Goal.

6.12 Tandem Awards. The Committee may grant two or more Incentives in one Award in the form of a “tandem Award,” so that the right of the Participant to exercise one Incentive shall be canceled if, and to the extent, the other Incentive is exercised. For example, if a Stock Option and a SAR are issued in a tandem Award, and the Participant exercises the SAR with respect to 100 shares of Common Stock, the right of the Participant to exercise the related Stock Option shall be canceled to the extent of 100 shares of Common Stock.

ARTICLE 7 AWARD PERIOD; VESTING

7.1 Award Period. Subject to the other provisions of this Plan, the Committee may, in its discretion, provide that an Incentive may not be exercised in whole or in part for any period or periods of time or beyond any date specified in the Award Agreement. Except as provided in the Award Agreement, an Incentive may be exercised in whole or in part at any time during its term. The Award Period for an Incentive shall be reduced or terminated upon Termination of Service. No Incentive granted under the Plan may be exercised at any time after the end of its Award Period. No portion of any Incentive may be exercised after the expiration of ten (10) years from its Date of Grant. However, if an Employee owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10% of the combined voting power of all classes of stock of the Company (or any parent or Subsidiary) and an Incentive Stock Option is granted to such Employee, the term of such Incentive Stock Option (to the extent required by the Code at the time of grant) shall be no more than five (5) years from the Date of Grant.

7.2 Vesting. The Committee, in its sole discretion, may determine that an Incentive will be immediately vested in whole or in part, or that all or any portion may not be vested until a date, or dates,

subsequent to its Date of Grant, or until the occurrence of one or more specified events, subject in any case to the terms of the Plan. If the Committee imposes conditions upon vesting, then, subsequent to the Date of Grant, the Committee may, in its sole discretion, accelerate the date on which all or any portion of the Incentive may be vested.

ARTICLE 8 EXERCISE OR CONVERSION OF INCENTIVE

8.1 In General. A vested Incentive may be exercised or converted, during its Award Period, subject to limitations and restrictions set forth in the Award Agreement

8.2 Securities Law and Exchange Restrictions. In no event may an Incentive be exercised or shares of Common Stock be issued pursuant to an Award if a necessary listing or quotation of the shares of Common Stock on a stock exchange or inter-dealer quotation system or any registration under state or federal securities laws required under the circumstances has not been accomplished.

8.3 Exercise of Stock Option.

(a) In General. If a Stock Option is exercisable prior to the time it is vested, the Common Stock obtained on the exercise of the Stock Option shall be Restricted Stock which is subject to the applicable provisions of the Plan and the Award Agreement. If the Committee imposes conditions upon exercise, then subsequent to the Date of Grant, the Committee may, in its sole discretion, accelerate the date on which all or any portion of the Stock Option may be exercised. No Stock Option may be exercised for a fractional share of Common Stock. The granting of a Stock Option shall impose no obligation upon the Participant to exercise that Stock Option.

(b) Notice and Payment. Subject to such administrative regulations as the Committee may from time to time adopt, a Stock Option may be exercised by the delivery of written notice to the Committee setting forth the number of shares of Common Stock with respect to which the Stock Option is to be exercised and the date of exercise thereof (the "**Exercise Date**") which shall be at least three (3) days after giving such notice unless an earlier time shall have been mutually agreed upon. On the Exercise Date, the Participant shall deliver to the Company consideration with a value equal to the total Option Price of the shares to be purchased, payable as provided in the Award Agreement, which may provide for payment in any one or more of the following ways: (a) cash or check, bank draft or money order payable to the order of the Company, (b) Common Stock (including Restricted Stock) owned by the Participant on the Exercise Date, valued at its Fair Market Value on the Exercise Date, and which the Participant has not acquired from the Company within six (6) months prior to the Exercise Date, (c) by delivery (including by FAX) to the Company or its designated agent of an executed irrevocable option exercise form together with irrevocable instructions from the Participant to a broker or dealer, reasonably acceptable to the Company, to sell certain of the shares of Common Stock purchased upon exercise of the Stock Option or to pledge such shares as collateral for a loan and promptly deliver to the Company the amount of sale or loan proceeds necessary to pay such purchase price and/or (d) in any other form of valid consideration that is acceptable to the Committee in its sole discretion. In the event that shares of Restricted Stock are tendered as consideration for the exercise of a Stock Option, a number of shares of Common Stock issued upon the exercise of the Stock Option equal to the number of shares of Restricted Stock used as consideration therefor shall be subject to the same restrictions and provisions as the Restricted Stock so tendered.

(c) Issuance of Certificate. Except as otherwise provided in Section 6.5 hereof (with respect to shares of Restricted Stock) or in the applicable Award Agreement, upon payment of all amounts due from the Participant, the Company shall cause the Common Stock then being purchased to be registered in the Participant's name (or the person exercising the Participant's Stock Option in the event of his or her death), but shall not issue certificates for the Common Stock unless the Participant or such other person requests delivery of the certificates for the Common Stock, in writing in accordance with the procedures established by the Committee. The Company shall deliver certificates to the Participant (or the person exercising the Participant's Stock Option in the event of his or her death) as soon as administratively practicable following the Company's receipt of a written request from the Participant or such other person. Notwithstanding the forgoing, if the Participant has exercised an Incentive Stock Option, the Company may at its option retain physical possession of the certificate evidencing the shares acquired upon exercise until the expiration of the holding periods described in Section 422(a)(1) of the Code. Any obligation of the Company to deliver shares of Common Stock shall, however, be subject to the condition that, if at any time the Committee shall determine in its discretion that the listing, registration or qualification of the Stock Option or the Common Stock upon any securities exchange or inter-dealer quotation system or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary as a condition of, or in connection with, the Stock Option or the issuance or purchase of shares of Common Stock thereunder, the Stock Option may not be exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not reasonably acceptable to the Committee.

(d) Failure to Pay. Except as may otherwise be provided in an Award Agreement, if the Participant fails to pay for any of the Common Stock specified in such notice or fails to accept delivery thereof, that portion of the Participant's Stock Option and right to purchase such Common Stock may be forfeited by the Participant.

8.4 SARs. Subject to the conditions of this Section 8.4 and such administrative regulations as the Committee may from time to time adopt, a SAR may be exercised by the delivery (including by FAX) of written notice to the Committee setting forth the number of shares of Common Stock with respect to which the SAR is to be exercised and the date of exercise thereof (the "**Exercise Date**") which shall be at least three (3) days after giving such notice unless an earlier time shall have been mutually agreed upon. Subject to the terms of the Award Agreement and only if permissible under Section 409A of the Code and the regulations or other guidance issued thereunder (or, if not so permissible, at such time as permitted by Section 409A of the Code and the regulations or other guidance issued thereunder), the Participant shall receive from the Company in exchange therefor in the discretion of the Committee, and subject to the terms of the Award Agreement:

(i) cash in an amount equal to the excess (if any) of the Fair Market Value (as of the date of the exercise, or if provided in the Award Agreement, conversion, of the SAR) per share of Common Stock over the SAR Price per share specified in such SAR, multiplied by the total number of shares of Common Stock of the SAR being surrendered;

(ii) that number of shares of Common Stock having an aggregate Fair Market Value (as of the date of the exercise, or if provided in the Award Agreement, conversion, of the SAR) equal to the amount of cash otherwise payable to the Participant, with a cash settlement to be made for any fractional share interests; or

(iii) the Company may settle such obligation in part with shares of Common Stock and in part with cash.

The distribution of any cash or Common Stock pursuant to the foregoing sentence shall be made at such time as set forth in the Award Agreement.

8.5 Disqualifying Disposition of Incentive Stock Option. If shares of Common Stock acquired upon exercise of an Incentive Stock Option are disposed of by a Participant prior to the expiration of either two (2) years from the Date of Grant of such Stock Option or one (1) year from the transfer of shares of Common Stock to the Participant pursuant to the exercise of such Stock Option, or in any other disqualifying disposition within the meaning of Section 422 of the Code, such Participant shall notify the Company in writing of the date and terms of such disposition. A disqualifying disposition by a Participant shall not affect the status of any other Stock Option granted under the Plan as an Incentive Stock Option within the meaning of Section 422 of the Code.

ARTICLE 9 AMENDMENT OR DISCONTINUANCE

Subject to the limitations set forth in this Article 9, the Board may at any time and from time to time, without the consent of the Participants, alter, amend, revise, suspend, or discontinue the Plan in whole or in part; provided, however, that no amendment for which shareholder approval is required either (i) by any securities exchange or inter-dealer quotation system on which the Common Stock is listed or traded or (ii) in order for the Plan and Incentives awarded under the Plan to continue to comply with Sections 162(m), 421 and 422 of the Code, including any successors to such Sections, or other applicable law, shall be effective unless such amendment shall be approved by the requisite vote of the shareholders of the Company entitled to vote thereon. Any such amendment shall, to the extent deemed necessary or advisable by the Committee, be applicable to any outstanding Incentives theretofore granted under the Plan, notwithstanding any contrary provisions contained in any Award Agreement. In the event of any such amendment to the Plan, the holder of any Incentive outstanding under the Plan shall, upon request of the Committee and as a condition to the exercisability thereof, execute a conforming amendment in the form prescribed by the Committee to any Award Agreement relating thereto. Notwithstanding anything contained in this Plan to the contrary, unless required by law, no action contemplated or permitted by this Article 9 shall adversely affect any rights of Participants or obligations of the Company to Participants with respect to any Incentive theretofore granted under the Plan without the consent of the affected Participant.

Notwithstanding the foregoing, repricing of Stock Options and SARs or other downward adjustments in the Option Price or SAR Price of previously granted Stock Options or SARs, respectively, are prohibited, except in connection with a corporate transaction involving the Company such as any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares, provided that the terms of outstanding Awards may not be amended without shareholder approval to reduce the exercise price of outstanding Stock Options or SARs or cancel outstanding Stock Options or SARs in exchange for cash, Other Awards or Stock Options or SARs having an exercise price that is less than the exercise price of the original Stock Option or SAR.

ARTICLE 10 TERM

The Plan shall be effective from the date that this Plan is approved by the Board. Unless sooner terminated by action of the Board, the Plan will terminate on January 1, 2022, but Incentives granted before that date will continue to be effective in accordance with their terms and conditions.

ARTICLE 11
CAPITAL ADJUSTMENTS

In the event that any dividend or other distribution (whether in the form of cash, Common Stock, other securities or other property), recapitalization, stock split, reverse stock split, rights offering, reorganization, merger, consolidation, split-up, spin-off, split-off, combination, subdivision, repurchase, or exchange of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, or other similar corporate transaction or event affects the fair value of an Award, then the Committee shall adjust any or all of the following so that the fair value of the Award immediately after the transaction or event is equal to the fair value of the Award immediately prior to the transaction or event: (i) the number of shares and type of Common Stock (or the securities or property) which thereafter may be made the subject of Awards, (ii) the number of shares and type of Common Stock (or other securities or property) subject to outstanding Awards, (iii) the number of shares and type of Common Stock (or other securities or property) specified as the annual per-Participant limitation under Section 5.1 of the Plan, (iv) the Option Price of each outstanding Award, (v) the amount, if any, the Company pays for forfeited shares of Common Stock in accordance with Section 6.5, and (vi) the number of or SAR Price of shares of Common Stock then subject to outstanding SARs previously granted and unexercised under the Plan to the end that the same proportion of the Company's issued and outstanding shares of Common Stock in each instance shall remain subject to exercise at the same aggregate SAR Price; provided however, that the number of shares of Common Stock (or other securities or property) subject to any Award shall always be a whole number. Notwithstanding the foregoing, no such adjustment shall be made or authorized to the extent that such adjustment would cause the Plan or any Stock Option to violate Section 422 of the Code or Section 409A of the Code. Such adjustments shall be made in accordance with the rules of any securities exchange, stock market or stock quotation system to which the Company is subject.

Upon the occurrence of any such adjustment, the Company shall provide notice to each affected Participant of its computation of such adjustment which shall be conclusive and shall be binding upon each such Participant.

ARTICLE 12
RECAPITALIZATION, MERGER AND CONSOLIDATION

12.1 No Effect on Company's Authority. The existence of this Plan and Incentives granted hereunder shall not affect in any way the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure and its business, or any Change in Control, or any merger or consolidation of the Company, or any issuance of bonds, debentures, preferred or preference stocks ranking prior to or otherwise affecting the Common Stock or the rights thereof (or any rights, options or warrants to purchase same), or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business or any other corporate act or proceeding, whether of a similar character or otherwise.

12.2 Conversion of Incentives Where Company Survives. Subject to any required action by the shareholders and except as otherwise provided by Section 12.4 hereof or as may be required to comply with Section 409A of the Code and the regulations or other guidance issued thereunder, if the Company shall be the surviving or resulting corporation in any merger, consolidation or share exchange, any Incentive granted hereunder shall pertain to and apply to the securities or rights (including cash, property or assets) to which a holder of the number of shares of Common Stock subject to the Incentive would have been entitled.

12.3 Exchange or Cancellation of Incentives Where Company Does Not Survive. Except as otherwise provided by Section 12.4 hereof or as may be required to comply with Section 409A of the Code and the regulations or other guidance issued thereunder, in the event of any merger, consolidation or share exchange pursuant to which the Company is not the surviving or resulting corporation, there shall be substituted for each share of Common Stock subject to the unexercised portions of outstanding Incentives, that number of shares of each class of stock or other securities or that amount of cash, property or assets of the surviving, resulting or consolidated company which were distributed or distributable to the shareholders of the Company in respect to each share of Common Stock held by them, such outstanding Incentives to be thereafter exercisable for such stock, securities, cash or property in accordance with their terms.

12.4 Cancellation of Incentives. Notwithstanding the provisions of Sections 12.2 and 12.3 hereof, and except as may be required to comply with Section 409A of the Code and the regulations or other guidance issued thereunder, all Incentives granted hereunder may be canceled by the Company, in its sole discretion, as of the effective date of any Change in Control, merger, consolidation or share exchange, or any issuance of bonds, debentures, preferred or preference stocks ranking prior to or otherwise affecting the Common Stock or the rights thereof (or any rights, options or warrants to purchase same), or of any proposed sale of all or substantially all of the assets of the Company, or of any dissolution or liquidation of the Company, by either:

(a) giving notice to each holder thereof or the holder's representative of its intention to cancel those Incentives for which the issuance of shares of Common Stock involved payment by the Participant for such shares, and permitting the purchase during the thirty (30) day period next preceding such effective date of any or all of the shares of Common Stock subject to such outstanding Incentives, including in the Board's discretion some or all of the shares as to which such Incentives would not otherwise be vested and exercisable; or

(b) in the case of Incentives that are either (i) settled only in shares of Common Stock, or (ii) at the election of the Participant, settled in shares of Common Stock, paying the holder thereof an amount equal to a reasonable estimate of the difference between the net amount per share payable in such transaction or as a result of such transaction, and the price per share of such Incentive to be paid by the Participant (hereinafter the "*Spread*"), multiplied by the number of shares subject to the Incentive. In cases where the shares constitute, or would after exercise, constitute Restricted Stock, the Company, in its discretion, may include some or all of those shares in the calculation of the amount payable hereunder. In estimating the Spread, appropriate adjustments to give effect to the existence of the Incentives shall be made, such as deeming the Incentives to have been exercised, with the Company receiving the exercise price payable thereunder, and treating the shares receivable upon exercise of the Incentives as being outstanding in determining the net amount per share. In cases where the proposed transaction consists of the acquisition of assets of the Company, the net amount per share shall be calculated on the basis of the net amount receivable with respect to shares of Common Stock upon a distribution and liquidation by the Company after giving effect to expenses and charges, including but not limited to taxes, payable by the Company before such liquidation could be completed.

(c) An Award that by its terms would be fully vested or exercisable upon a Change in Control will be considered vested or exercisable for purposes of Section 12.4(a) hereof.

**ARTICLE 13
LIQUIDATION OR DISSOLUTION**

Subject to Section 12.4 hereof, in case the Company shall, at any time while any Incentive under this Plan shall be in force and remain unexpired, (i) sell all or substantially all of its property, or (ii) dissolve, liquidate or wind up its affairs, then each Participant shall be entitled to receive, in lieu of each share of Common Stock of the Company which such Participant would have been entitled to receive under the Incentive, the same kind and amount of any securities or assets as may be issuable, distributable, or payable upon any such sale, dissolution, liquidation or winding up with respect to each share of Common Stock of the Company. If the Company shall, at any time prior to the expiration of any Incentive, make any partial distribution of its assets, in the nature of a partial liquidation, whether payable in cash or in kind (but excluding the distribution of a cash dividend payable out of earned surplus and designated as such) and an adjustment is determined by the Committee to be appropriate to prevent the dilution of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, make such adjustment in accordance with the provisions of Article 11 hereof.

**ARTICLE 14
INCENTIVES IN SUBSTITUTION FOR
INCENTIVES GRANTED BY OTHER ENTITIES**

Incentives may be granted under the Plan from time to time in substitution for similar instruments held by employees, independent contractors or directors of a corporation, partnership or limited liability company who become or are about to become Employees, Contractors or Outside Directors of the Company or any Subsidiary as a result of a merger or consolidation of the employing corporation with the Company, the acquisition by the Company of equity of the employing entity or any other similar transaction pursuant to which the Company becomes the successor employer. The terms and conditions of the substitute Incentives so granted may vary from the terms and conditions set forth in this Plan to such extent as the Committee at the time of grant may deem appropriate to conform, in whole or in part, to the provisions of the Incentives in substitution for which they are granted.

**ARTICLE 15
MISCELLANEOUS PROVISIONS**

15.1 Investment Intent. The Company may require that there be presented to and filed with it by any Participant under the Plan, such evidence as it may deem necessary to establish that the Incentives granted or the shares of Common Stock to be purchased or transferred are being acquired for investment and not with a view to their distribution.

15.2 No Right to Continued Employment. Neither the Plan nor any Incentive granted under the Plan shall confer upon any Participant any right with respect to continuance of employment by the Company or any Subsidiary.

15.3 Indemnification of Board and Committee. No member of the Board or the Committee, nor any officer or Employee of the Company acting on behalf of the Board or the Committee, shall be personally liable for any action, determination or interpretation taken or made in good faith with respect to the Plan, and all members of the Board and the Committee, each officer of the Company and each Employee of the Company acting on behalf of the Board or the Committee shall, to the extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, determination or interpretation.

15.4 Effect of the Plan. Neither the adoption of this Plan nor any action of the Board or the Committee shall be deemed to give any person any right to be granted an Award or any other rights except as may be evidenced by an Award Agreement or any amendment thereto, duly authorized by the Committee and executed on behalf of the Company, and then only to the extent and upon the terms and conditions expressly set forth therein.

15.5 Compliance With Other Laws and Regulations. Notwithstanding anything contained herein to the contrary, the Company shall not be required to sell or issue shares of Common Stock under any Incentive if the issuance thereof would constitute a violation by the Participant or the Company of any provisions of any law or regulation of any governmental authority or any national securities exchange or inter-dealer quotation system or other forum in which shares of Common Stock are quoted or traded (including without limitation Section 16 of the 1934 Act and Section 162(m) of the Code); and, as a condition of any sale or issuance of shares of Common Stock under an Incentive, the Committee may require such agreements or undertakings, if any, as the Committee may deem necessary or advisable to assure compliance with any such law or regulation. The Plan, the grant and exercise of Incentives hereunder, and the obligation of the Company to sell and deliver shares of Common Stock, shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any government or regulatory agency as may be required.

15.6 Tax Requirements. The Company or, if applicable, any Subsidiary (for purposes of this [Section 15.6](#), the term “*Company*” shall be deemed to include any applicable Subsidiary), shall have the right to deduct from all amounts paid in cash or other form in connection with the Plan, any Federal, state, local or other taxes required by law to be withheld in connection with an Award granted under this Plan. The Company may, in its sole discretion, also require the Participant receiving shares of Common Stock issued under the Plan to pay the Company the amount of any taxes that the Company is required to withhold in connection with the Participant’s income arising with respect to the Award. Such payments shall be required to be made when requested by the Company and may be required to be made prior to the delivery of any certificate representing shares of Common Stock. Such payment may be made (i) by the delivery of cash to the Company in an amount that equals or exceeds (to avoid the issuance of fractional shares under (iii) below) the required tax withholding obligations of the Company; (ii) if the Company, in its sole discretion, so consents in writing, the actual delivery by the exercising Participant to the Company of shares of Common Stock that the Participant has not acquired from the Company within six (6) months prior to the date of exercise, which shares so delivered have an aggregate Fair Market Value that equals or exceeds (to avoid the issuance of fractional shares under (iii) below) the required tax withholding payment; (iii) if the Company, in its sole discretion, so consents in writing, the Company’s withholding of a number of shares to be delivered upon the exercise of the Stock Option, which shares so withheld have an aggregate fair market value that equals (but does not exceed) the required tax withholding payment; or (iv) any combination of (i), (ii) or (iii). The Company may, in its sole discretion, withhold any such taxes from any other cash remuneration otherwise paid by the Company to the Participant. The Committee may in the Award Agreement impose any additional tax requirements or provisions that the Committee deems necessary or desirable.

15.7 Assignability. Incentive Stock Options may not be transferred, assigned, pledged, hypothecated or otherwise conveyed or encumbered other than by will or the laws of descent and distribution and may be exercised during the lifetime of the Participant only by the Participant or the Participant’s legally authorized representative, and each Award Agreement in respect of an Incentive Stock Option shall so provide. The designation by a Participant of a beneficiary will not constitute a transfer of the Stock Option. The Committee may waive or modify any limitation contained in the preceding sentences of this [Section 15.7](#) that is not required for compliance with Section 422 of the Code.

Except as otherwise provided herein, Nonqualified Stock Options and SARs may not be transferred, assigned, pledged, hypothecated or otherwise conveyed or encumbered other than by will or the laws of descent and distribution. The Committee may, in its discretion, authorize all or a portion of a Nonqualified Stock Option or SAR to be granted to a Participant on terms which permit transfer by such Participant to (i) the spouse (or former spouse), children or grandchildren of the Participant ("**Immediate Family Members**"), (ii) a trust or trusts for the exclusive benefit of such Immediate Family Members, (iii) a partnership in which the only partners are (1) such Immediate Family Members and/or (2) entities which are controlled by Immediate Family Members, (iv) an entity exempt from federal income tax pursuant to Section 501(c)(3) of the Code or any successor provision or (v) a split interest trust or pooled income fund described in Section 2522(c)(2) of the Code or any successor provision, provided that (x) there shall be no consideration for any such transfer, (y) the Award Agreement pursuant to which such Nonqualified Stock Option or SAR is granted must be approved by the Committee and must expressly provide for transferability in a manner consistent with this Section and (z) subsequent transfers of transferred Nonqualified Stock Options or SARs shall be prohibited except those by will or the laws of descent and distribution.

Following any transfer, any such Nonqualified Stock Option and SAR shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that for purposes of Articles 8, 9, 11, 13 and 15 hereof the term "**Participant**" shall be deemed to include the transferee. The events of Termination of Service shall continue to be applied with respect to the original Participant, following which the Nonqualified Stock Options and SARs shall be exercisable or convertible by the transferee only to the extent and for the periods specified in the Award Agreement. The Committee and the Company shall have no obligation to inform any transferee of a Nonqualified Stock Option or SAR of any expiration, termination, lapse or acceleration of such Stock Option or SAR. The Company shall have no obligation to register with any federal or state securities commission or agency any Common Stock issuable or issued under a Nonqualified Stock Option or SAR that has been transferred by a Participant under this Section 15.7.

15.8 Use of Proceeds. Proceeds from the sale of shares of Common Stock pursuant to Incentives granted under this Plan shall constitute general funds of the Company.

15.9 Legend. Each certificate representing shares of Restricted Stock issued to a Participant shall bear the following legend or a similar legend deemed by the Company to constitute an appropriate notice of the provisions hereof (any such certificate not having such legend shall be surrendered upon demand by the Company and so endorsed):

On the face of the certificate:

"Transfer of this stock is restricted in accordance with conditions printed on the reverse of this certificate."

On the reverse:

"The shares of stock evidenced by this certificate are subject to and transferable only in accordance with that certain Matador Resources Company 2012 Long-Term Incentive Plan, a copy of which is on file at the principal office of the Company in Dallas, Texas. No transfer or pledge of the shares evidenced hereby may be made except in accordance with and subject to the provisions of said Plan. By acceptance of this certificate, any holder, transferee or pledgee hereof agrees to be bound by all of the provisions of said Plan."

The following legend shall be inserted on a certificate evidencing Common Stock issued under the Plan if the shares were not issued in a transaction registered under the applicable federal and state securities laws:

“Shares of stock represented by this certificate have been acquired by the holder for investment and not for resale, transfer or distribution, have been issued pursuant to exemptions from the registration requirements of applicable state and federal securities laws, and may not be offered for sale, sold or transferred other than pursuant to effective registration under such laws, or in transactions otherwise in compliance with such laws, and upon evidence satisfactory to the Company of compliance with such laws, as to which the Company may rely upon an opinion of counsel satisfactory to the Company.”

A copy of this Plan shall be kept on file in the principal office of the Company in Dallas, Texas.

ARTICLE 16 ACCELERATION OF AWARD VESTING

16.1 Application. The provisions of this Article 16 shall apply notwithstanding any provisions of this Plan to the contrary.

16.2 Definitions.

(a) “**Exempt Shares**” means shares of Common Stock designated as “Exempt Shares” pursuant to Section 16.3.

(b) “**Full Value Award**” means any Award with a net benefit to the Participant, without regard to any restrictions such as those described in Section 6.5(b), equal to the aggregate Fair Market Value of the total shares of Common Stock subject to the Award. Full Value Awards include Restricted Stock and Restricted Stock Units, but do not include Stock Options and SARs.

(c) “**Tenure Award**” means an Award hereunder of cash, shares of Common Stock, units or rights based upon, payable in, or otherwise related to, Common Stock that vests over time based upon the Participant’s continued employment with or service to the Company or its Subsidiaries.

16.3 Number of Shares Available for Awards. No more than 10% of the shares of Common Stock that may be delivered pursuant to Awards under Section 5.1 may be shares designated as “Exempt Shares.”

16.4 Full Value Award Vesting. Except as otherwise provided herein, the Committee must grant all Full Value Awards in accordance with the following provisions:

(i) All Full Value Awards granted by the Committee that constitute Performance Awards must vest no earlier than one (1) year after the Date of Grant.

(ii) All Full Value Awards granted by the Committee that constitute Tenure Awards must vest no earlier than over the three (3) year period commencing on the Date of Grant on a pro rata basis.

(iii) The Committee may not accelerate the date on which all or any portion of a Full Value Award may be vested or waive the Restriction Period on a Full Value Award except upon the Participant's death, Total and Permanent Disability or Retirement or the occurrence of a Change in Control.

Notwithstanding the foregoing, the Committee may, in its sole discretion, grant Full Value Awards with more favorable vesting provisions than set forth in this Section 16.4 or accelerate the vesting or waive the Restriction Period for Full Value Awards at any time, provided that the shares of Common Stock subject to such Awards shall be Exempt Shares.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed as of January 1, 2012, by its Chief Executive Officer and Secretary pursuant to prior action taken by the Board.

MATADOR RESOURCES COMPANY

By: /s/ Joseph Wm. Foran
Name: Joseph Wm. Foran
Title: Chairman of the Board and
Chief Executive Officer

Attest:

/s/ Joseph Wm. Foran
Secretary

**MATADOR RESOURCES COMPANY
ANNUAL INCENTIVE PLAN
FOR
MANAGEMENT AND KEY EMPLOYEES
(effective as of January 1, 2012)**

ARTICLE 1

PURPOSE

The Plan is intended to provide the Company, and any successor thereto, a means by which it can engender and sustain a sense of personal commitment on the part of its executives, select managers and key employees in the continued growth, development and financial success of the Company and encourage them to remain with and devote their best efforts to the business of the Company, thereby advancing the interests of the Company and its shareholders. The Company may award to such executives annual incentive compensation awards based on the terms and conditions established herein.

ARTICLE 2

DEFINITIONS

For the purposes of the Plan, unless the context requires otherwise, the following terms shall have the meanings indicated:

2.1 "Award" means the compensation payable under the Plan to a Participant by the Committee pursuant to such terms, conditions, restrictions and limitations established by the Committee and the Plan.

2.2 "Board" means the Board of Directors of the Company.

2.3 "Cause" means (i) Participant's continued and material failure to perform the duties of his employment consistent with Participant's position, except as a result of being Partially Disabled (during any period of Partial Disability) or Totally Disabled, (ii) if Participant is a party to an employment agreement or independent contractor agreement, Participant's failure to perform his material obligations under such agreement, except as a result of being Partially Disabled (during any period of Partial Disability) or Totally Disabled, or a material breach by the Participant of the Company's written policies concerning discrimination, harassment or securities trading, (iii) Participant'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) Participant's commission of an act of fraud, theft, or embezzlement, (v) Participant's indictment for or conviction of a felony or other crime involving moral turpitude, or (vi) Participant's intentional breach of fiduciary duty; provided, however, that Participant shall have thirty (30) days after written notice from the Board (or Nominating, Compensation and Planning Committee) to remedy any actions alleged under subsections (i), (ii) or (iii) in the manner reasonably specified by the Board (or Nominating, Compensation and Planning Committee).

2.4 (a) "Change in Control" means a change in the Company's ownership, its effective control or the ownership of a substantial portion of its assets, as follows:

(i) Change in Ownership. A change in ownership of the Company occurs on the date that any "Person" (as defined in Section 2.3(b)(i) below), other than (i) the Company or any of its Subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding stock pursuant to an offering of such stock or (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of the Company's stock, acquires ownership of the Company'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 the Company'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 the Company'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 the Company through ownership of 30% or more of the total voting power of the Company's stock, as discussed in paragraph (ii) below, the acquisition of additional control of the Company by the same Person is not considered to cause a Change in Control pursuant to this paragraph (i); or

(ii) Change in Effective Control. Even though the Company may not have undergone a change in ownership under paragraph (i) above, a change in the effective control of the Company 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 the Company's stock possessing 30% or more of the total voting power of the Company's stock. However, if any Person owns 30% or more of the total voting power of the Company's stock, the acquisition of additional control of the Company by the same Person is not considered to cause a Change in Control pursuant to this subparagraph (ii)(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 the 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) Change in Ownership of Substantial Portion of Assets. A change in the ownership of a substantial portion of the Company'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 the Company, that have a total gross fair market value equal to at least 40% of the total gross fair market value of all of the Company's assets immediately before such acquisition or acquisitions. However, there is no Change in Control when there is such a transfer to an entity that is controlled by the shareholders of the Company immediately after the transfer, through a transfer to (i) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's stock; (ii) an entity, at least 50% of the total value or voting power of the stock of which is owned, directly or indirectly, by the Company; (iii) a Person that owns, directly or indirectly, at least 50% of the total value or voting power of the Company's outstanding stock; or (iv) 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 the Company's outstanding stock.

(b) For purposes of this Section 2.3:

(i) "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 by the Final Treasury Regulations issued under Section 409A.

(ii) "Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Securities Exchange Act of 1934, as amended.

(c) The provisions of this Section 2.3 shall be interpreted in accordance with the requirements of the Final Treasury Regulations under Section 409A, it being the intent of the parties that this Section 2.3 shall be in compliance with the requirements of said Code Section and said Regulations.

2.5 "Code" means the Internal Revenue Code of 1986, as amended, together with the published rulings, regulations and interpretations duly promulgated thereunder.

2.6 "Committee" means the Committee appointed or designated by the Board to administer the Plan in accordance with Article 3 herein.

2.7 "Company" means Matador Resources Company, a Texas corporation, and any successor entity.

2.8 "Employee" means a common law employee (as defined in accordance with the Regulations and Revenue Rulings then applicable under Section 3401(c) of the Code) of the Company and any Subsidiary of the Company.

2.9 "Participant" means an Employee who is selected by the Committee to participate in the Plan.

2.10 "Partially Disabled" means the inability because of any physical or emotional illness lasting no more than 90 days to perform his assigned duties under his employment agreement or independent contractor agreement, or if the Participant is not a party to any such agreement, to perform his assigned duties 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).

2.11 "Performance Goals" means the objectives established by the Committee for the Performance Period pursuant to Section 5.3 hereof, for the purpose of determining Awards under the Plan.

2.12 "Performance Period" means the consecutive 12 month period that constitutes the Company's fiscal year.

2.13 "Plan" means the Matador Resources Company Annual Incentive Plan for Management and Key Employees, as set forth herein and as amended from time to time.

2.14 "Section 409A" means Section 409A of the Code and the regulations and other guidance promulgated thereunder.

2.15 "Subsidiary" means (i) any corporation in an 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 a majority of the total combined voting power of all classes of stock in one of the other corporations in the chain, (ii) any limited partnership, if the Company or any corporation described in item (i) above owns a majority of the general partnership interest and a majority of the limited partnership interests entitled to vote on the removal and replacement of the general partner and (iii) any partnership or limited liability company, if the partners or members thereof are composed only of the Company, any corporation listed in item (i) above or any limited partnership listed in item (ii) above. "Subsidiaries" means more than one of any such corporations, limited partnerships, partnerships or limited liability companies.

2.16 "Termination of Service" occurs when a Participant who is an Employee has a "separation from service" as defined in Section 1.409A-1(h) of the Final Treasury Regulations under Section 409A, or any successor provision thereto, for any reason.

2.17 "Totally Disabled" means in and for the period necessary to qualify for benefits under any disability income insurance policy and any replacement policy or policies covering Participant and Participant has been declared to be Totally Disabled by the insurer

ARTICLE 3

ADMINISTRATION

The Plan shall be administered by the Board or such committee of the Board as is designated by the Board to administer the Plan (the "**Committee**"). The Committee shall consist of not fewer than two persons. Any member of the Committee may be removed at any time, with or without cause, by resolution of the Board, and any vacancy occurring in the membership of the Committee may be filled by appointment by the Board.

The Committee shall select one of its members to act as its Chairman. A majority of the Committee shall constitute a quorum, and the act of a majority of the members of the Committee present at a meeting at which a quorum is present shall be the act of the Committee.

The Committee shall determine and designate from time to time the eligible persons to whom Awards will be made. The Committee, in its discretion, shall (i) interpret the Plan, (ii) prescribe, amend, and rescind any rules and regulations necessary or appropriate for the administration of the Plan and (iii) make such other determinations and take such other action as it deems necessary or advisable in the administration of the Plan. Any interpretation, determination or other action made or taken by the Committee shall be final, binding and conclusive on all interested parties.

With respect to restrictions in the Plan that are based on the requirements of Section 409A or any other applicable law, rule or restriction (collectively, "applicable law"), to the extent that any such restrictions are no longer required by applicable law, the Committee shall have the sole discretion and authority to make Awards hereunder that are no longer subject to such restrictions.

ARTICLE 4

ELIGIBILITY

Any Employee (including an Employee who is also a director or an officer) is eligible to participate in the Plan. For each Performance Period, the Committee, upon its own action, may make, but shall not be required to make, an Award to any Employee. Awards may be made by the Committee at any time and from time to time during a Performance Period to new Participants, or to then Participants, or to a greater or lesser number of Participants, and may include or exclude previous Participants, as the Committee shall determine. The Committee's determinations under the Plan (including without limitation determinations of which Employees, if any, are to receive Awards, the form, amount and timing of such Awards, the terms and provisions of such Awards and the agreements evidencing same) may be made by the Committee selectively among Employees who receive, or are eligible to receive, Awards under the Plan.

ARTICLE 5

PERFORMANCE GOALS

5.1 Performance Goals Establishment. Performance Goals shall be established by the Committee for each Performance Period. The Performance Goals may be identical for all Participants or, at the discretion of the Committee, may be different to reflect more appropriate measures of individual performance.

5.2 Awards. Awards shall be made annually in accordance with actual performance compared to the Performance Goals established by the Committee for the Performance Period and may be adjusted by the Committee in its sole discretion.

5.3 Performance Goals. Performance Goals may include alternative and multiple Performance Goals and may be based on one or more business and/or financial criteria. In establishing the Performance Goals for the Performance Period, the Committee in its discretion may include one or any combination of the following criteria in either absolute or relative terms (as compared to an external benchmark or performance of a designated peer group of companies), for either the Company or any of its Subsidiary organizations:

- (a) Earnings (either in aggregate or on a per-share basis)
- (b) Net income
- (c) Operating income
- (d) Operating profit
- (e) Cash flow
- (f) Stockholder returns, including return on assets, investment, invested capital and equity (including income applicable to common stockholders or other class of stockholders)
- (g) Return measures (including return on assets, equity or invested capital)
- (h) Total shareholder return (change in share price plus reinvestment of dividends into shares when declared, if any, from period to period)
- (i) Earnings before or after either, or any combination of, interest, taxes, depletion, depreciation, amortization or other non-cash items (EBITDA)
- (j) Gross revenues

- (k) Reduction in expense levels in each case, where applicable, determined either on a Company-wide basis or in respect of any one or more Subsidiaries or business units thereof
- (l) Economic value or economic value added TM
- (m) Market share or market share added
- (n) Annual net income to common stock
- (o) Earnings per share or growth in earnings per share
- (p) Annual cash flow provided by operations
- (q) Changes in annual revenues
- (r) Strategic and operational business criteria, consisting of one or more objectives based on specified revenue, market penetration, geographic business expansion goals, objectively identified project milestones, production volume levels, cost targets, lease operating expenses, G&A expenses, finding and development costs, reserves or reserves added, reserve replacement ratio and goals relating to acquisitions or divestitures
- (s) Goals relating to specific environmental compliance measures and safety and accident rates

For the Performance Goals listed above, the Committee may designate whether a particular Performance Goal is to be measured on a pre-tax basis or post-tax basis. In addition, certain Performance Goals may be stated in reference to a production volume of measurement such as in per cubic feet equivalents (e.g., per Mcfe, MMcfe or Bcfe). Further, the Committee may select any one or more of the Performance Goals applicable to a Participant, and Performance Goals may differ for one Participant to the next.

5.4 Adjustments for Extraordinary Items. The Committee shall be authorized to make adjustments in the method of calculating attainment of Performance Goals in recognition of: (i) extraordinary or non-recurring items; (ii) changes in tax laws; (iii) changes in generally accepted accounting principles or changes in accounting policies; (iv) changes related to restructured or discontinued operations; (v) restatement of prior period financial results; and (vi) any other unusual, non-recurring gain or loss that is separately identified and quantified in the Company's financial statements. Notwithstanding the foregoing, the Committee may, at its sole discretion, reduce the performance results upon which Awards are based under the Plan to offset any unintended result(s) arising from events not anticipated when the Performance Goals were established.

ARTICLE 6

AWARDS

6.1 Timing of Awards. At the first meeting of the Committee after the completion of the Performance Period, the Committee shall review the prior year's performance in relation to the Performance Goals. The first meeting of the Committee shall occur within 60 days following the completion of the Performance Period.

6.2 Determination of Awards. To determine each Participant's Award, the Committee shall review the Company's prior year's performance in relation to the relative level of achievement of the Performance Goals applicable to each Participant. The Award may be adjusted by the Committee in its sole discretion.

6.3 Form of Awards. Awards are paid in cash within seventy-five (75) days following the meeting described in Section 6.1. However, if the Company's fiscal year is other than a calendar year, such Awards shall be paid on the one hundred and thirty-fifth (135th) day following the end of such fiscal year.

ARTICLE 7

WITHHOLDING TAXES

The Company or any Subsidiary, as applicable, shall have the right to deduct from any payments to be made pursuant to the Plan the amount of any taxes required by Federal, state or local law to be withheld with respect to such payments.

ARTICLE 8

NO RIGHT TO CONTINUED EMPLOYMENT OR AWARDS

No Employee shall have any claim or right to be made an Award, and the making of an Award shall not be construed as giving a Participant the right to be retained in the employ of the Company or any of its Subsidiaries. Further, the Company and its Subsidiaries expressly reserve the right at any time to terminate the employment of any Participant free from any liability under the Plan; except that a Participant, who meets or exceeds the Performance Goals for the Performance Period and was actively employed for the full term of the Performance Period, will be eligible for an Award even though the Participant is not an active employee of the Company or any Subsidiary at the time the Committee makes Awards under the Plan so long as Participant was not terminated for Cause prior to the time the Committee makes Awards under the Plan. If Participant was employed for the full term of the Performance Period but was terminated for Cause prior to the time the Committee makes Awards under the Plan, the Participant will not be eligible to receive an Award under the Plan for that Performance Period.

ARTICLE 9

CHANGE IN CONTROL

In the event of a Change in Control during a Performance Period, the Committee may, in its sole discretion, take such action with respect to the Plan and any incentive compensation payable during such Performance Period as the Committee determines is in the best interest of the Company.

ARTICLE 10

AMENDMENT, MODIFICATION, SUSPENSION

Subject to the limitations set forth in this Article 10, the Board may, at any time and from time to time, without the consent of the Participants, amend, revise, suspend or discontinue the Plan in whole or in part; provided, however, that no amendment that requires shareholder approval in order for the Plan and Awards under the Plan to comply with any applicable law or the rules and regulations of any applicable stock exchange shall be effective unless such amendment shall be approved by the requisite vote of the shareholders of the Company entitled to vote thereon.

ARTICLE 11

GOVERNING LAW

The validity, construction and effect of the Plan and any actions taken or relating to the Plan shall be determined in accordance with the laws of the State of Texas and applicable Federal law.

ARTICLE 12

SUCCESSORS AND ASSIGNS

The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, expressly to assume and agree to perform the Company's obligations under the Plan in the same manner and to the same extent that the Company would be required to perform them if no such succession had taken place. As used herein, the "Company" shall mean the Company as hereinbefore defined and any aforesaid successor to its business and/or assets.

ARTICLE 13

TERM

The term of this Plan shall be effective as of January 1, 2012. This Plan shall remain in effect until terminated by the Board. After termination of the Plan, no future Awards may be made. However, all Awards granted before such termination will continue to be effective in accordance with their terms and conditions.

ARTICLE 14

INDEMNIFICATION

No member of the Board or the Committee nor any officer or employee of the Company, acting on behalf of the Board or the Committee, shall be personally liable for any action, determination or interpretation taken or made in good faith with respect to the Plan, and all members of the Board or the Committee and each and any officer or employee of the Company acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, determination or interpretation.

ARTICLE 15

SECTION 409A COMPLIANCE

This Plan is intended to comply with Section 409A and shall be interpreted in a manner consistent with Section 409A. To the extent (i) any payment to which a Participant becomes entitled under this Plan in connection with the Participant's Termination of Service with the Company (for reasons other than death) constitutes a payment of deferred compensation subject to Section 409A, and (ii) the Participant is deemed at the time of such termination of employment to be a "specified employee" under Section 409A to whom the following provisions must apply, then such payment shall not be made or commence until the earliest of (A) the expiration of the six (6) month period measured from the date of Participant's Termination of Service with the Company; or (B) the date of the Participant's death following such Termination of Service. Upon the expiration of the applicable deferral period, any payment which would have otherwise been made during that period in the absence of this Article 15 shall be made to the Participant or the Participant's beneficiary.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed as of the 1st day of January, 2012 pursuant to prior action taken by the Boards of Directors of the Company.

MATADOR RESOURCES COMPANY

By: /s/ Joseph Wm. Foran
Name: Joseph Wm. Foran
Title: Chairman of the Board and
Chief Executive Officer

Attest:

/s/ Joseph Wm. Foran
Name: Joseph Wm. Foran
Title: Secretary

**SEVENTH 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 December 12, 2011, has adopted and approved the following amendment to the Matador Resources Company 2003 Stock and Incentive Plan (the "*Plan*"):

Section 2.6 of the Plan shall be amended to read in its entirety as follows:

"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 may be paid: (a) in cash, (b) by certified or cashier's check, (c) by money order, (d) by personal check, (e) with Shares owned by the Optionee for at least six months, (f) by delivery (including by FAX) to the Company or its designated agent of an executed irrevocable option exercise form together with irrevocable instructions from the Participant to a broker or dealer, reasonably acceptable to the Company, to sell certain of the Shares purchased upon exercise of the Option or to pledge such Shares as collateral for a loan and promptly deliver to the Company the amount of sale or loan proceeds necessary to pay such purchase price, or (g) 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 Plan, as amended hereby, shall continue in full force and effect.

No other approval by the Company or its shareholders is necessary for this amendment.

ADOPTED BY THE BOARD: December 12, 2011

PARTICIPATION AGREEMENT

by and among

**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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Exhibits:

- A — Description of Leases and Lands
- B — Plat of Location of Initial Test Well
- C — Authorization for Expenditure for Initial Test Well
- D — Initial Prospect Area Leases and Lands
- E — Form of Assignment
- F — Form of Operating Agreement
- G — Area of Mutual Interest
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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 (j) 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.]

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

1. None

Exhibit A

Lease No: 88811-F-0001-00
Lessor: Roy Hawks and Greg Hawks
Lessee: MRC Rockies Company
Lease Date: 08/06/2007
Gross Acres: 1280.0000
Recording Info: 08/27/2007, Entry 199220
State: Idaho
County: Bear Lake
Legal Description: T-16-S, R-46-E, SECS 07,08,17,18,20,21 - 1,280.00 acs more or less being described as follows:
Section 7 - SE/4
Section 8 - N/2 SW/4, SW/4 SW/4
Section 17 - W/2, W/2 SE/4
Section 18 - N/2 NE/4, SE/4 NE/4, E/2 SE/4
Section 20 - NE/4 NW/4, NW/4 NE/4, W/2 SE/4, SE/4 SE/4
Section 21 - SW/4, NW/4 SE/4

Lease No: 88811-F-0002-00
Lessor: Greg Hawks
Lessee: MRC Rockies Company
Lease Date: 08/08/2007
Gross Acres: 95.0000
Recording Info: 08/27/2007, Entry 199221
State: Idaho
County: Bear Lake
Legal Description: T-15-S, R-45-E, SECS 13, 24 - 40.00 acs more or less being the NW/4 SW/4; Section 13; and 55.00 acs more or less in Sections 13 and 24, described as beginning at the NW/corner of the SW/4 SW/4 of said Section 24, thence Northeasterly in a straight line to the NE/corner of the SW/4 SW/4 of said Section 13, thence West 1,320 feet to the Point of Beginning, LESS AND EXCEPT that portion lying within the SW/4 NW/4 of said Section 24

Lease No: 88811-F-0003-01
Lessor: Kerry and Verna Rae Romrell
Lessee: MRC Rockies Company
Lease Date: 05/17/2007
Gross Acres: 520.0000
Recording Info: 06/12/2007, Entry 198502
State: Idaho
County: Bear Lake
Legal Description: T-16-S, R-45-E, SEC 23 - 160.00 acs being the SE/4 SE/4, E/2 SW/4, SE/4 NW/4
T-16-S, R-45-E, SEC 26 - 360.00 acs being the NE/4 NW/4, NE/4 and SE/4

Lease No: 88811-F-0003-02
Lessor: DeLoy and Mary Lin Romrell
Lessee: MRC Rockies Company
Lease Date: 05/17/2007
Gross Acres: 520.0000
Recording Info: 06/12/2007, Entry 198503
State: Idaho
County: Bear Lake
Legal Description: T-16-S, R-45-E, SEC 23 - 160.00 acs being the SE/4 SE/4, E/2 SW/4, SE/4 NW/4
T-16-S, R-45-E, SEC 26 - 360.00 acs being the NE/4 NW/4, NE/4 and SE/4

Lease No: 88811-F-0004-01
 Lessor: DeMar Romrell and Darlene Romrell
 Lessee: MRC Rockies Company
 Lease Date: 05/17/2007
 Gross Acres: 2363.9200
 Recording Info: 06/12/2007, Entry 198504
 State: Idaho
 County: Bear Lake
 Legal Description: T-15-S, R-45-E, SEC 12 - 134.00 acs being the N/2 SE/4, and all of that portion of the NE/4 NE/4, S/2 NE/4 lying South of the Southerly right-of-way line of the Union Pacific Railroad as presently located
 15S45E12 - 80.00 acs being the S/2 SE/4
 15S45E13 - 85.74 acs being the N/2 NE/4
 15S45E13 - 40.00 acs being the SE/4 SE/4
 15S45E24 - 80.00 acs being the S/2 NE/4
 16S45E11 - 40.00 acs being the NE/4 NE/4
 16S45E13 - 320.00 acs being the SE/4 SW/4, S/2 SE/4, NE/4 SE/4 and S/2 N/2
 16S45E24 - 360.00 acs being the NE/4, N/2 SE/4, S/2 NW/4 and NE/4 NW/4
 16S45E25 - 440.00 acs being the S/2, S/2 NE/4 and SE/4 NW/4
 15S46E07 - 258.25 acs being Lots 1, 2, 3, SE/4 NW/4, E/2 SW/4, S/2 NE/4 NW/4 , Except Tract #6070
 15S46E07 - 20.70 acs being Tract #5542 (located ni the NW/4)
 15S46E18 - 119.95 acs being Lot 3, SW/4 SE/4 and SE/4 SW/4
 15S46E19 - 80.00 acs being the N/2 NE/4
 16S46E19 - 143.95 acs being Lots 3, 4, E/2 SW/4
 16S46E30 - 161.33 acs being Lots 3, 4, 5 and 6

Lease No: 88811-F-0005-01
 Lessor: Teichert Brothers LLC
 Lessee: MRC Rockies Company
 Lease Date: 06/06/2007
 Gross Acres: 1195.4600
 Recording Info: 07/10/2007, Entry 198789
 State: Idaho
 County: Bear Lake
 Legal Description: T-16-S, R-46-E, SECS 19,20,28,29,30 - 1,195.46 acs described as follows:
 SEC 19 - 280.00 acs being the S/2 NE/4, SE/4, SE/4 NW/4
 SEC 20 - 240.00 acs being SW/4 and S/2 NW/4
 SEC 28 - 130.70 acs being Lot 3 (40.00), Lot 4 (40.00), Lot 5 (50.70)
 SEC 29 - 283.22 acs being Lot 1 (40.00), Lot 2 (40.00), Lot 5 (50.83), Lot 8 (50.81), Lot 7 (50.79), Lot 8 (50.77)
 SEC 29 - 80.00 acs being Lot 3 (40.00) and Lot 4 (40.00)
 SEC 30 - 101.54 acs being Lot 7 (50.74), Lot 8 (50.80)
 SEC 30 - 80.00 acs being Lot 1 (40.00) and Lot 2 (40.00)

Lease No: 88811-F-0006-00
 Lessor: Hawks & Son, a General Partnership
 Lessee: MRC Rockies Company
 Lease Date: 07/18/2007
 Gross Acres: 4319.7400
 Recording Info: 08/07/2007, Entry 199054
 State: Idaho
 County: Bear Lake
 Legal Description: T-15-S, R-46-E, SECS 02,03,04,05,06,07 & 08 - 1,314.21 acs being described as follows:
 Section 2 - Lot 1 (39.41), Lot 2 (32.56), Lot 3 (49.25)
 Section 3 - Lot 1 (32.02), Lot 3 (33.09), S/2 NE/4, NE/4 SE/4
 Section 4 - S/2 NW/4, N/2 SW/4, N/2 SE/4, SE/4 SE/4
 Section 5 - Lot 1 (37.45), SE/4 SW/4, NW/4 SE/4, S/2 SE/4, SE/4 NE/4, SW/4 NW/4, N/2 SW/4
 Section 6 - SE/4, S/2 NE/4
 Section 7 - NE/4 NE/4
 Section 8 - NW/4 NW/4

 T-14-S, R-46-E, SECS 21,22 - 660.00 acs being the E/2 E/2 and SW/4 SE/4 of Section 21; and the W/2 W/2, E/2 NW/4, W/2 NE/4, NW/4 SE/4, NE/4 SW/4 and Tract 2560 (66.00 acs) of Section 22

Exhibit A

T-14-S, R-46-E, SECS 27,28 - 819.53 acs being the NW/4 NW/4, NW/4 SW/4, NE/4 SW/4, SE/4 NW/4, W/2 SE/4, SE/4 SW/4, (SW/4 NW/4 LESS AND EXCEPT Tract 4217; 0.47 acs), SW/4 NE/4 LESS AND EXCEPT Tract 438; 20.00 ac) of Section 27; and the NW/4 and E/2 of Section 28

T-14-S, R-46-E, SECS 29,32 - 840.00 acs being the E/2, E/2 W/2, SW/4 SW/4 of Section 29; and NW/4, W/2 NE/4, N/2 SW/4 of Section 32

T-14-S, R-46-E, SECS 33,34 - 680.00 acs being the N/2 NE/4, SE/4 NE/4, NE/4 SE/4 of Section 33; and NE/4, NE/4 NW/4, SW/4 NW/4, SW/4, N/2 SE/4 and SW/4 SE/4 of Section 34

Lease No: 88811-F-0007-00
Lessor: H & B Land Company
Lessee: MRC Rockies Company
Lease Date: 07/06/2007
Gross Acres: 920.0000
Recording Info: 09/24/2007, Entry 199482
State: Idaho
County: Bear Lake
Legal Description: T-16-S, R-45-E, SECS 15,21,22,23,28,29 - 920.00 acs more particularly described as follows:
Section 15 - 40.00 acs being the SE/4 SE/4
Section 21 - 280.00 acs being the SW/4, W/2 SE/4 and NE/4 SE/4
Section 22 - 80.00 acs being the E/2 NE/4
Section 23 - 120.00 acs being the SW/4 NW/4 and W/2 SW/4
Section 28 - 280.00 acs being the NW/4, W/2 NE/4 and NW/4 SW/4
Section 29 - 120.00 acs being the E/2 NE/4 and NE/4 SE/4

Lease No: 88811-F-0008-01
Lessor: Hawks & Son, a General Partnership
Lessee: MRC Rockies Company
Lease Date: 08/31/2007
Gross Acres: 2899.8400
Recording Info: 10/09/2007, Entry 199620
State: Idaho
County: Bear Lake
Legal Description: T-15-S, R-46-E of the Boise Meridian
Section 4: SW/4 SE/4, S/2 SW/4
Section 5: Lot 2 (38.03), Lot 3 (40.39)
Section 8: E/2, SW/4, SE/4NW/4
Section 9: N/2 N/2, S/2 S/2
Section 10: SE/4, S/2 NW/4, N/2 SW/4, SW/4 NE/4, SW/4 SW/4
Section 15: E/2 W/2, W/2 NW/4, NW/4 SW/4
Section 17: NE/4 NE/4, SE/4 NW/4
Section 20: N/2
Section 22: E/2 W/2
Section 23: Lot 2 (49.28)
Section 26: W/2 SW/4
Section 27: SE/4 SW/4, NE/4 SE/4
Section 34: NW/4 SE/4
Section 35: Lot 3 (4.93)

T-16-S, R-46-E of the Boise Meridian
Section 3: Pt of NW/4 NE/4
Section 10: Pt of NE/4 NW/4 (Tract #6800-27.21 Acres)

T-14-S, R-46-E of the Boise Meridian
Section 32: E/2 SE/4 SW/4

T-15-S, R-45-E of the Boise Meridian
Section 25: S/2 NE/4, E/2 NW/4, SW/4

Lease No: 88811-F-0008-02
 Lessor: Lillian E Harrower
 Lessee: MRC Rockies Company
 Lease Date: 08/31/2007
 Gross Acres: 2899.8400
 Recording Info: 10/09/2007, Entry 199619
 State: Idaho
 County: Bear Lake
 Legal Description: T-15-S, R-46-E of the Boise Meridian
 Section 4: SW/4 SE/4, S/2 SW/4
 Section 5: Lot 2 (38.03), Lot 3 (40.39)
 Section 8: E/2, SW/4, SE/4NW/4
 Section 9: N/2 N/2, S/2 S/2
 Section 10: SE/4, S/2 NW/4, N/2 SW/4, SW/4 NE/4, SW/4 SW/4
 Section 15: E/2 W/2, W/2 NW/4, NW/4 SW/4
 Section 17: NE/4 NE/4, SE/4 NW/4
 Section 20: N/2
 Section 22: E/2 W/2
 Section 23: Lot 2 (49.28)
 Section 26: W/2 SW/4
 Section 27: SE/4 SW/4, NE/4 SE/4
 Section 34: NW/4 SE/4
 Section 35: Lot 3 (4.93)

 T-16-S, R-46-E of the Boise Meridian
 Section 3: Pt of NW/4 NE/4
 Section 10: Pt of NE/4 NW/4 (Tract #6800-27.21 Acres)

 T-14-S, R-46-E of the Boise Meridian
 Section 32: E/2 SE/4 SW/4

 T-15-S, R-45-E of the Boise Meridian
 Section 25: S/2 NE/4, E/2 NW/4, SW/4

Lease No: 88811-F-0008-03
 Lessor: Thomas S Harrower
 Lessee: MRC Rockies Company
 Lease Date: 08/31/2007
 Gross Acres: 2899.8400
 Recording Info: 10/01/2007, Entry 199552
 State: Idaho
 County: Bear Lake
 Legal Description: T-15-S, R-46-E of the Boise Meridian
 Section 4: SW/4 SE/4, S/2 SW/4
 Section 5: Lot 2 (38.03), Lot 3 (40.39)
 Section 8: E/2, SW/4, SE/4NW/4
 Section 9: N/2 N/2, S/2 S/2
 Section 10: SE/4, S/2 NW/4, N/2 SW/4, SW/4 NE/4, SW/4 SW/4
 Section 15: E/2 W/2, W/2 NW/4, NW/4 SW/4
 Section 17: NE/4 NE/4, SE/4 NW/4
 Section 20: N/2
 Section 22: E/2 W/2
 Section 23: Lot 2 (49.28)
 Section 26: W/2 SW/4
 Section 27: SE/4 SW/4, NE/4 SE/4
 Section 34: NW/4 SE/4
 Section 35: Lot 3 (4.93)

 T-16-S, R-46-E of the Boise Meridian
 Section 3: Pt of NW/4 NE/4
 Section 10: Pt of NE/4 NW/4 (Tract #6800-27.21 Acres)

 T-14-S, R-46-E of the Boise Meridian
 Section 32: E/2 SE/4 SW/4

 T-15-S, R-45-E of the Boise Meridian
 Section 25: S/2 NE/4, E/2 NW/4, SW/4

Lease No: 88811-F-0008-04
 Lessor: Norman M Harrower
 Lessee: MRC Rockies Company
 Lease Date: 08/31/2007
 Gross Acres: 2899.8400
 Recording Info: 10/01/2007, Entry 199553
 State: Idaho
 County: Bear Lake
 Legal Description: T-15-S, R-46-E of the Boise Meridian
 Section 4: SW/4 SE/4, S/2 SW/4
 Section 5: Lot 2 (38.03), Lot 3 (40.39)
 Section 8: E/2, SW/4, SE/4NW14
 Section 9: N/2 N/2, S/2 S/2
 Section 10: SE/4, S/2 NW/4, N/2 SW/4, SW/4 NE/4, SW/4 SW/4
 Section 15: E/2 W/2, W/2 NW/4, NW/4 SW/4
 Section 17: NE/4 NE/4, SE/4 NW/4
 Section 20: N/2
 Section 22: E/2 W/2
 Section 23: Lot 2 (49.28)
 Section 26: W/2 SW/4
 Section 27: SE/4 SW/4, NE/4 SE/4
 Section 34: NW/4 SE/4
 Section 35: Lot 3 (4.93)

 T-16-S, R-46-E of the Boise Meridian
 Section 3: Pt of NW/4 NE/4
 Section 10: Pt of NE/4 NW/4 (Tract #6800-27.21 Acres)

 T-14-S, R-46-E of the Boise Meridian
 Section 32: E/2 SE/4 SW/4

 T-15-S, R-45-E of the Boise Meridian
 Section 25: S/2 NE/4, E/2 NW/4, SW/4

Lease No: 88811-F-0008-05
 Lessor: Julienne Harrower
 Lessee: MRC Rockies Company
 Lease Date: 08/31/2007
 Gross Acres: 2899.8400
 Recording Info: 10/01/2007, Entry 199554
 State: Idaho
 County: Bear Lake
 Legal Description: T-15-S, R-46-E of the Boise Meridian
 Section 4: SW/4 SE/4, S/2 SW/4
 Section 5: Lot 2 (38.03), Lot 3 (40.39)
 Section 8: E/2, SW/4, SE/4NW14
 Section 9: N/2 N/2, S/2 S/2
 Section 10: SE/4, S/2 NW/4, N/2 SW/4, SW/4 NE/4, SW/4 SW/4
 Section 15: E/2 W/2, W/2 NW/4, NW/4 SW/4
 Section 17: NE/4 NE/4, SE/4 NW/4
 Section 20: N/2
 Section 22: E/2 W/2
 Section 23: Lot 2 (49.28)
 Section 26: W/2 SW/4
 Section 27: SE/4 SW/4, NE/4 SE/4
 Section 34: NW/4 SE/4
 Section 35: Lot 3 (4.93)

 T-16-S, R-46-E of the Boise Meridian
 Section 3: Pt of NW/4 NE/4
 Section 10: Pt of NE/4 NW/4 (Tract #6800-27.21 Acres)

 T-14-S, R-46-E of the Boise Meridian
 Section 32: E/2 SE/4 SW/4

T-15-S, R-45-E of the Boise Meridian
Section 25: S/2 NE/4, E/2 NW/4, SW/4

Lease No: 88811-F-0009-00
Lessor: MJM Properties LLC
Lessee: MRC Rockies Company
Lease Date: 01/07/2008
Gross Acres: 882.8850
Recording Info: 02/04/2008, Entry 200603
State: Idaho
County: Bear Lake
Legal Description: T-14-S, R-46-E, SECS 22,23,26,27,34,35

Section 22: E/2 E/2 LESS AND EXCEPT: A parcel of land situated in the S/2 SE/4 of Section 22, Township 14 South, Range 46 East of the Boise Meridian, in Bear Lake

County, Idaho, bounded and described as follows:

Commencing at the Southeast Corner of Section 22; and running thence North along the East Line of said Section 22 a distance of 411.00 feet, more or less, to a point in the centerline of the main track of the Oregon Short Line Railroad Company as now constructed and operated; thence Northwesterly along said centerline of main track, which is a straight line forming an angle of 68°36' from North to Northwest with said East Line of Section a distance of 693.96 feet, to Railroad Survey Station 4900+53.76; thence Southwesterly along a straight line which deflects an angle of 24°55'08" to the left from the extension of the last described straight line a distance of 237.34 feet, more or less, to a point which is 100.00 feet Southwesterly, measured at right angles from said centerline of main track, said point being the TRUE POINT OF BEGINNING; thence continuing Southwesterly along the extension of the last described straight line a distance of 730.80 feet to an angle point; thence Northwesterly along a straight line which deflects 16°41'12" to the right from the extension of the last described straight line a distance of 730.80 feet, more or less, to a point which is 100.00 feet Southeasterly, measured at right angles from said centerline of main track; thence Northeasterly along a straight line which is parallel with and 100.00 feet Southeasterly from said centerline of main track, forming an angle of 24° 55' 05" from the Southeast to Northeast with the last described straight line a distance of 159.09 feet to a point opposite the beginning of an increasing spiral curve in said centerline of main track which has a spiral angle of 1°40' and four 28.00 foot chords; thence Northeasterly along a spiral curve which is concentric with and 100.00 feet Southeasterly, measured radially, from said centerline of main track and which has a long chord of 109.09 feet that deflects 0°37'10" to the right from the extension of the last described straight line a distance of 109.10 feet to the beginning of a compound curve having a radius of 1810.08 feet and which is tangent at its point of beginning to the end of said spiral curve; thence Easterly along said compound curve, concentric with and 100.00 feet Southerly, measured radially from said centerline of main track through a central angle of 29 deg 49' 04" a distance of 942.00 feet to a point opposite the beginning of a decreasing spiral curve in said centerline of main tract which has a spiral angle of 1 deg 40' and four 28.00 foot chords; thence Southeasterly along a spiral curve which is tangent at its point of beginning to the end of the last described curve and concentric with and 100.00 feet Southeasterly, measured radially, from said centerline of main track and which has a long chord of 109.09 feet which deflects 1 deg 2' 30" to the right with a tangent to the end of the last described curve a distance of 109.10 feet; thence Southeasterly along a straight line, tangent to the end of the last described spiral curve and parallel with and 100.00 feet Southwesterly, measured at right angles from said centerline of main track a distance of 159.09 feet to the True Point of Beginning.

Section 23: Lots 1, 2, 3 and 4.

LESS AND EXCEPT: A part of Lot 1: Beginning at the Northeast Corner of Section 23 and running thence South 00 deg 46' 26" East 1689.36 feet; and running thence North 43 deg 47' 12" West 571.34 feet; thence North 31 deg 07' 26" West 665.61 feet; thence North 19 deg 53' 28" West 568.70 feet; thence North 89 deg 08' 47" West 237.32 feet thence North 01 deg 58' 01" West 168.74 feet; thence East 1153.16 feet to the Point of Beginning.

Section 26: Lots 1,2,3 and 4

Section 27: NE/4NE/4, E/2SE/4

ALSO: Commencing at a point 1948.00 feet East from the Northwest Corner of Section 27; and running thence South 1320.00 feet; thence East 2012.00 feet; thence North 2032.00

Exhibit A

feet, more or less, to the South Boundary Line of the O.S.L. Railroad right of way; thence West 1264.00 feet; thence South 4 deg 37' West 408.00 feet; thence Westerly 777.00 feet more or less, to the Place of Beginning.

ALSO: Commencing at a point 940.00 feet South from the Northeast Corner of the SW/4 NE /4 of Section 27, and running thence North 940.00 feet; thence West 1435.50 feet; thence South 600.00 feet; thence East 1085.00 feet; thence in a Southeasterly direction in a direct line to the Place of Beginning.

Section 34: E/2NE/4, N/2NE/4SE/4

Section 35: Lots I and 2

Lease No: 88811-S-0010-00
St/Fed Lease No: 2085
Lessor: State of Idaho Lease #2085, acting by and through its State Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 11/01/2007
Gross Acres: 190.0000
Recording Info: 01/14/2008, Entry 200434
State: Idaho
County: Bear Lake
Legal Description: T-14-S, R-45-E SEC 07 - 190.00 acs being the SW/4 NE/4, S/2 SE/4 NW/4, NE/4 SE/4 NW/4, NE/4 SW/4 and N/2 SE/4 of Section 7

Lease No: 88811-S-0011-00
St/Fed Lease No: 2086
Lessor: State of Idaho Lease #2086, acting by and through State Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 11/01/2007
Gross Acres: 640.0000
Recording Info: 01/14/2008, Entry 200435
State: Idaho
County: Bear Lake
Legal Description: T-14-S, R-45-E, SEC 16 - 640.00 acs being All of Section 16

Lease No: 88811-S-0012-00
St/Fed Lease No: 2087
Lessor: State of Idaho Lease #2087, acting by and through State Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 11/01/2007
Gross Acres: 640.0000
Recording Info: 01/14/2008, Entry 200436
State: Idaho
County: Bear Lake
Legal Description: T-14-S, R-45-E, SEC 36 - 640.00 acs being All of Section 36

Lease No: 88811-S-0013-00
St/Fed Lease No: 2088
Lessor: State of Idaho Lease #2088, acting by and through State Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 11/01/2007
Gross Acres: 400.0000
Recording Info: 01/14/2008, Entry 200437
State: Idaho
County: Bear Lake
Legal Description: T-14-S, R-46-E, SEC 16 - 400.00 acs being the W/2, S/2 SE/4

Exhibit A

Lease No: 88811-S-0014-00
St/Fed Lease No: 2089
Lessor: State of Idaho Lease #2089, acting by and through State Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 11/01/2007
Gross Acres: 640.0000
Recording Info: 01/14/2008, Entry 200438
State: Idaho
County: Bear Lake
Legal Description: T-15-S, R-46-E, SEC 16 - 640.00 acs being All of Section 16

Lease No: 88811-S-0015-00
St/Fed Lease No: 2090
Lessor: State of Idaho Lease #2090, acting by and through State Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 11/01/2007
Gross Acres: 367.0000
Recording Info: 01/14/2008, Entry 200439
State: Idaho
County: Bear Lake
Legal Description: T-16-S, R-45-E, SEC 02 - 367.00 acs being Lots 1, 2, 3, 4 and S/2 S/2 of Section 2

Lease No: 88811-S-0016-00
St/Fed Lease No: 2091
Lessor: State of Idaho Lease #2091, acting by and through State Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 11/01/2007
Gross Acres: 520.0000
Recording Info: 01/14/2008, Entry 200440
State: Idaho
County: Bear Lake
Legal Description: T-16-S, R-45-E, SEC 11 - 520.00 acs being the S/2 SW/4, NW/4 SW/4, NW/4, W/2 NE/4, SE/4 NE/4, NE4 SW/4 and W/2 SE/4 of Section 11

Lease No: 88811-S-0017-00
St/Fed Lease No: 2092
Lessor: State of Idaho Lease #2092, acting by and through State Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 11/01/2007
Gross Acres: 440.0000
Recording Info: 01/14/2008, Entry 200441
State: Idaho
County: Bear Lake
Legal Description: T-16-S, R-45-E, SEC 12 - 440.00 acs being the SW/4, NW/4 SE/4, S/2 SE/4 and NW/4 of Section 12

Lease No: 88811-S-0018-00
St/Fed Lease No: 2093
Lessor: State of Idaho Lease #2093, acting by and through State Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 11/01/2007
Gross Acres: 320.0000
Recording Info: 01/14/2008, Entry 200442
State: Idaho
County: Bear Lake
Legal Description: T-16-S, R-45-E, SEC 13 - 320.00 acs being the N/2 N/2, W/2 SW/4, NE/4 SW/4 and NW/4 SE/4 of Section 13

Exhibit A

Lease No: 88811-S-0019-00
St/Fed Lease No: 2094
Lessor: State of Idaho Lease #2094, acting by and through State Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 11/01/2007
Gross Acres: 560.0000
Recording Info: 01/14/2008, Entry 200443
State: Idaho
County: Bear Lake
Legal Description: T-16-S, R-45-E, SEC 14 - 560.00 acs being the N/2, E/2 SW/4 and SE/4 of Section 14

Lease No: 88811-S-0020-00
St/Fed Lease No: 2095
Lessor: State of Idaho Lease #2095, acting by and through State Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 11/01/2007
Gross Acres: 240.0000
Recording Info: 01/14/2008, Entry 200444
State: Idaho
County: Bear Lake
Legal Description: T-16-S, R-45-E, SEC 24 - 240.00 acs being the NW/4 NW/4, SW/4 and SW/4 SE/4 of Section 24

Lease No: 88811-S-0021-00
St/Fed Lease No: 2096
Lessor: State of Idaho Lease #2096, acting by and through State Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 11/01/2007
Gross Acres: 120.0000
Recording Info: 01/14/2008, Entry 200445
State: Idaho
County: Bear Lake
Legal Description: T-16-S, R-45-E, SEC 25 - 120.00 acs being the N/2 NE/4 and NE/4 NW/4

Lease No: 88811-S-0022-00
St/Fed Lease No: 2097
Lessor: State of Idaho Lease #2097, acting by and through State Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 11/01/2007
Gross Acres: 640.0000
Recording Info: 01/14/2008, Entry 200446
State: Idaho
County: Bear Lake
Legal Description: T-16-S, R-46-E, SEC 16 - 640.00 acs being All of Section 16

Lease No: 88843-F-0001-01
Lessor: Joseph J Buckley and Janet Buckley
Lessee: MRC Rockies Company
Lease Date: 07/30/2007
Gross Acres: 626.6200
Recording Info: 08/20/2007, Book L10, Page 657, Entry 72418
State: Utah
County: Rich
Legal Description: T-14-N, R-08-E, SECS 04,09,17,18,19 - 619.04 acs being described as follows:
Section 4 - Lot 3 (10.20), Lot 4 (11.18)
Section 9 - Lot 1 (11.96), Lot 2 (12.55), Lot 3 (13.15)
Section 17 - SW/4 NE/4, E/2 NW/4, SW/4 NW/4, N/2 SW/4, NW/4 SE/4 (37.45)
Section 18 - SE/4 NE/4, E/2 SE/4
Section 19 - E/2 E/2

T-15-N, RE-08-E, SEC 33 - 7.58 acs being Lot 3 of Section 33

Lease No: 88843-F-0001-02
 Lessor: William S Buckley and Bonnie Buckley
 Lessee: MRC Rockies Company
 Lease Date: 07/30/2007
 Gross Acres: 626.6200
 Recording Info: 08/20/2007, Book L10, Page 659, Entry 72419
 State: Utah
 County: Rich
 Legal Description: T-14-N, R-08-E, SECS 04,09,17,18,19 - 619.04 acs being described as follows:
 Section 4 - Lot 3 (10.20), Lot 4 (11.18)
 Section 9 - Lot 1 (11.96), Lot 2 (12.55), Lot 3 (13.15)
 Section 17 - SW/4 NE/4, E/2 NW/4, SW/4 NW/4, N/2 SW/4, NW/4 SE/4 (37.45)
 Section 18 - SE/4 NE/4, E/2 SE/4\
 Section 19 - E/2 E/2

 T-15-N, R-08-E, SEC 33 - 7.58 acs being Lot 3 of Section 33

Lease No: 88843-F-0002-00
 Lessor: Benjamin Reed Groll and Jeralene Jackson Groll
 Lessee: MRC Rockies Company
 Lease Date: 07/03/2007
 Gross Acres: 1102.3900
 Recording Info: 08/10/2007, Book L10, Page 481, Entry 72358
 State: Utah
 County: Rich
 Legal Description: T-12-N, R-08-E, SECS 04,05,06
 Section 4 - All
 Section 5 - All
 Section 6 - Lots 1,2,3,4,5, E/2 SW/4, SE/4

 T-13-N, R-08-E, SECS 31,32
 Section 31 - S/2 SE/4, SE/4 SW/4
 Section 32 - S/2 S/2

Lease No: 88843-F-0003-00
 Lessor: Rich County Land & Grazing Partnership
 Lessee: MRC Rockies Company
 Lease Date: 07/03/2007
 Gross Acres: 3283.6200
 Recording Info: 08/10/2007, Book L10, Page 478, Entry 72357
 State: Utah
 County: Rich
 Legal Description: T-12-N, R-06-E, SECS 10,11,12,13
 Section 10: NE/4SE/4
 Section 11: SW/4NW/4, NE/4SW/4, NE/4SE/4 LESS AND EXCEPT 2.23 acs, more or less, as described in that certain Warranty Deed from Rich County Land and Grazing Company to The State Road Commission of Utah, dated August 3, 1949 and filed for record September 14, 1949 in Volume V, Page 25 of the Deeds and Mortgages Records of Rich County, Utah.
 Section 12: SW/4SE/4, N/2SW/4 LESS AND EXCEPT 9.65 acres, more or less, as described in that certain Warranty Deed from Rich County Land and Grazing Company to The State Road Commission of Utah, dated August 3, 1949 and filed for record September 14, 1949 in Volume V, Page 23 of the Deeds and Mortgages Records of Rich County, Utah.
 Section 13: NE/4NE/4 LESS AND EXCEPT 4.03 acres, more or less, as described in that certain Warranty Deed from Rich County Land and Grazing Company to The State Road Commission of Utah, dated August 3, 1949 and filed for record September 14, 1949 in Volume V, Page 22 of the Deeds and Mortgages Records of Rich County, Utah.

 T-12-N, R-07-E, SEC 27
 Section 27: NW/4NE/4

 T-13-NM R-06-E, SEC 15,22,23,25,26,28,33,34,35,36
 Section 15: SW/4NE/4
 Section 22: NE/4SE/4

Section 23: N/2SW/4

Section 25: NE/4NW/4, SW/4NW/4

Section 26: NE/4NW/4, NW/4NE/4, S/2NE/4, N/2SE/4

Section 28: SE/4, SE/4NE/4, SE/4SW/4

Section 33: N/2N/2, Commencing at S/4 corner of Sec. 33, T13N, R06E S.L.M., thence West 10 chains, North 56* West 35.5 chains, thence North 20 chains, thence East 20 chains, thence South 20 chains to the point of beginning containing 90 acres. LESS AND EXCEPT 5.80 acres, more or less, as described in that certain Warranty Deed from Rich County Land and Grazing Company to The State Road Commission of Utah, dated July 10, 1951 and filed for record August 27, 1951 in Volume V, Page 320 of the Deeds and Mortgages records of Rich County, Utah.

Section 34: S/2NW/4, N/2SE/4

Section 35: S/2S/2

Section 36: ALL

T-13-N, R-08-E, SECS 16,17,20,29,30

Section 16: Lots 1, 2, 3 and 4

Section 17: S/2, S/2N/2

Section 20: Commencing at a point 1000 ft. East of the Southwest corner of Sec 20 and running thence North 26* East 1300 ft.; thence North 40* East 3000 ft.; thence North 46* 30 ft. East 1600 ft. to the Northeast corner of said Sec. 20; thence West to the Northwest corner of Sec. 20; thence South to the Southwest corner of Sec. 20; thence East 1000 ft. to beginning.

Section 29: Commencing at the West quarter corner of Sec. 29, and running thence East 347 ft.; thence North 7* East 875 ft.; thence North 5*30 ft. East 900 ft.; thence North 26* East 975 ft. to the North line of said Sec. 29; thence West to the Northwest corner of Sec. 29; thence South to beginning.

Section 30: Lot 4

Lease No: 88843-F-0004-00
 Lessor: R & L Johnson Properties LLC by Robert M and LaRue E Johnson
 Lessee: MRC Rockies Company
 Lease Date: 06/20/2007
 Gross Acres: 618.0900
 Recording Info: 07/27/2007, Book L10, Page 119, Entry 72251
 State: Utah
 County: Rich
 Legal Description: T-13-N, R-08-E, SECS 20,21,28,29 - 618.09 acs more or less, described as follows:

Commencing at the Southwest Corner of the Northwest Quarter of the Northeast Quarter of Section 29, Township 13 North, Range 8 East, Salt Lake Meridian, running thence 160 rods, more or less, to the Northwest Corner of Lot 2, Section 28, Township 13 North, Range 8 East, Salt Lake Meridian, thence South 80 rods to the Southwest Corner of said Lot 2; thence East 15.95 chains, more or less, to the Utah-Wyoming State Line; thence North 120 chains, more or less, to the Northeast Corner of Lot 1, Section 21, Township 13 North, Range 8 East Salt Lake Meridian; thence South 46 deg 30' West 1600 feet; thence South 40 deg 00' West 3900 feet; thence South 26 deg 00' West 2275 feet; thence South 5 deg 00' West 445 feet, more or less to intersection with the South line of the Northwest Quarter of the Northwest Quarter of Section 29, Township 13 North, Range 8 East, Salt Lake Meridian; thence East 34 chains, more or less, to the place of beginning.

Lease No: 88843-F-0005-00
 Lessor: L & N Johnson Properties LLC
 Lessee: MRC Rockies Company
 Lease Date: 06/20/2007
 Gross Acres: 881.1600
 Recording Info: 07/27/2007, Book L10, Page 121, Entry 72252
 State: Utah
 County: Rich
 Legal Description: T-13-N, R-08-E, SECS 25,28,29,30,33 - 881.16 acs more or less being described as follows:

SECTION 25: N/2 SE/4

SECTION 28: LOTS 3 & 4

SECTION 29: S/2; S/2 N/2; LESS AND EXCEPT: that part of SW/4SW/4 owned by Rich County Land & Grazing Company more particularly described in that Warranty Deed dated, January 3, 1933 from Manhead Land & Livestock Co. to Rich County

Land and Grazing Co., in Volume Q, Page 478, of the Official Records of Rich County, Utah.

SECTION 30: Lot 3, NW/4SW/4, SE/4SW/4, S/2SE/4, N/2SE/4 LESS AND EXCEPT: 11.10 acres, more or less, being more particularly described in that certain Warranty Deed dated, April 15, 1997 from Larry D. Johnson to Heath Johnson, recorded in Volume Q7, Page 234 of the Official Records of Rich County, Utah. LESS AND EXCEPT: 0.019 acres, more or less, being more particularly described in that certain Warranty Deed dated June 16, 1980 from Larry Johnson to Mountain Fuel Resources, Inc. recorded Volume N3, Page 463 of Official Records of Rich County, Utah. LESS AND EXCEPT: 0.069 acres, more or less, being more particularly described in that certain Warranty Deed dated January 14, 1985 from Larry Johnson to Mountain Fuel Resources, Inc. recorded Volume V4, Page 208 of Official Records of Rich County, Utah.

SECTION 33: 11.345 acres, more or less, a part of Lot 4, being more particularly described in that certain Warranty Deed dated June 14, 2000 from Larry D. Johnson and wife, Nola Johnson to L and N Johnson Properties, LLC., recorded in Volume 08, Page 433 of the Official Records of Rich County, Utah.

Lease No: 88843-F-0006-00
Lessor: Charity Ann Taylor
Lessee: MRC Rockies Company
Lease Date: 08/22/2007
Gross Acres: 1313.4700
Recording Info: 09/17/2007, Book L10, Page 1534, Entry 72695
State: Utah
County: Rich
Legal Description: T-14-N, R-07-E, SECS 02,03,04,05,06
Section 2 - Lot 1 (38.19), Lot 2 (38.18), Lot 3 (38.17), Lot 4 (38.16) and N/2 S/2
Section 3 - SW/4 NE/4, S/2 SW/4
Section 4 - Lot 1 (40.57) and SE/4 NE/4
Section 5 - SW/4 NW/4, W/2 SW/4
Section 6 - NE/4 SE/4, S/2 NE/4, LESS AND EXCEPT the NW/4 SW/4 NE/4

T-15-N, R-07-E, SECS 32,33,34,36
Section 32 - Lot 3 (41.95), Lot 4 (44.25), N/2 SE/4 and S/2 SW/4
Section 33 - S/2 SW/4
Section 34 - NW/4 SW/4
Section 36 - Lot 3 (20.90), Lot 4 (23.10), S/2 SE/4 and N/2 SW/4

Lease No: 88843-S-0008-00
St/Fed Lease No: ML51028
Lessor: ML-51028, State of Utah, acting by and through the School and Institutional Trust Lands Administration
Lessee: MRC Rockies Company
Lease Date: 09/01/2007
Gross Acres: 680.0000
Recording Info: 09/18/2007, Book L10, Page 1613, Entry 72713
State: Utah
County: Rich
Legal Description: T-13-N, R-07-E, SECS 02,10,11,12
Section 2 - S/2 SE/4
Section 10 - SE/4 SE/4
Section 11 - NE/4, NE/4 NW/4
Section 12 - N/2, NE/4 SE/4

Exhibit A

Lease No: 88843-S-0009-00
 St/Fed Lease No: ML51029
 Lessor: ML-51029, State of Utah, acting by and through the School and Institutional Trust Lands Administration
 Lessee: MRC Rockies Company
 Lease Date: 09/01/2007
 Gross Acres: 840.0000
 Recording Info: 09/18/2007, Book L10, Page 1624, Entry 72714
 State: Utah
 County: Rich
 Legal Description: T-13-N, R-07-E, SECS 13,14,24
 Section 13 - S/2 N/2, S/2
 Section 14 - NE/4, NE/4 NW/4, N/2 SE/4
 Section 24 - SE/4 NE/4, NE/4 SE/4

Lease No: 88843-S-0010-00
 St/Fed Lease No: ML51030
 Lessor: ML-51030, State of Utah, acting by and through the School and Institutional Trust Lands Administration
 Lessee: MRC Rockies Company
 Lease Date: 09/01/2007
 Gross Acres: 680.0000
 Recording Info: 09/18/2007, Book L10, Page 1635, Entry 72715
 State: Utah
 County: Rich
 Legal Description: T-13-N, R-07-E, SECS 27,36
 Section 27 - NE/4 SE/4
 Section 36 - All

Lease No: 88843-S-0011-00
 St/Fed Lease No: ML51031
 Lessor: ML-51031, State of Utah, acting by and through the School and Institutional Trust Lands Administration
 Lessee: MRC Rockies Company
 Lease Date: 09/01/2007
 Gross Acres: 1242.2000
 Recording Info: 09/18/2007, Book L10, Page 1646, Entry 72716
 State: Utah
 County: Rich
 Legal Description: T-13-N, R-08-E, SECS 05,08
 Section 5 - Lots 1 (40.66), 2 (40.59), 3 (40.51), 4 (40.44), S/2 N/2, S/2 (All)
 Section 8 - N/2, N/2 SW/4, SE/4 SW/4, SE/4

Lease No: 88843-S-0012-00
 St/Fed Lease No: ML51032
 Lessor: ML-51032, State of Utah, acting by and through the School and Institutional Trust Lands Administration
 Lessee: MRC Rockies Company
 Lease Date: 09/01/2007
 Gross Acres: 1323.8100
 Recording Info: 09/18/2007, Book L10, Page 1657, Entry 72717
 State: Utah
 County: Rich
 Legal Description: T-13-N, R-08-E, SECS 06,07,18
 Section 6 - Lots 4 (40.12), 5 (40.23), 6 (40.37), 7 (40.53), SE/4 SW/4 and SE/4
 Section 7 - Lots 1 (40.58), 2 (40.54), 3 (40.50), NE/4, E/2 NW/4, NE/4 SW/4, N/2 SE/4
 Section 18 - Lots 2 (40.36), 3 (40.32), 4(40.26), S/2 NE/4, SE/4 NW/4, E/2 SW/4, SE/4

Exhibit A

Lease No: 88843-S-0013-00
St/Fed Lease No: ML51033
Lessor: ML-51033, State of Utah, acting by and through the School and Institutional Trust Lands Administration
Lessee: MRC Rockies Company
Lease Date: 09/01/2007
Gross Acres: 680.0000
Recording Info: 09/18/2007, Book L10, Page 1668, Entry 72718
State: Utah
County: Rich
Legal Description: T-13-N, R-08-E, SECS 31,32
Section 31 - NE/4 NE/4, S/2 NE/4, N/2 SE/4
Section 32 - N/2, N/2 S/2

Lease No: 88843-S-0014-00
St/Fed Lease No: ML51034
Lessor: ML-51034, State of Utah, acting by and through the School and Institutional Trust Lands Administration
Lessee: MRC Rockies Company
Lease Date: 09/01/2007
Gross Acres: 1053.3000
Recording Info: 09/18/2007, Book L10, Page 1679, Entry 72719
State: Utah
County: Rich
Legal Description: T-14-N, R-07-E, SECS 05,06,07
Section 5 - Lot 1 (38.62), 2(37.87) S/2 NE/4, SE/4 NW/4, NE/4 SW/4 and SE/4
Section 6 - Lots 2(37.50), 3(38.50), 4(36.93), 6(37.40), 7(37.40), E/2 SW/4, NW/4 SE/4,
S/2 SE/4
Section 7 - Lots 1(37.16), 3(36.20), 4(35.72), E/2 NE/4, N/2 SE/4

Lease No: 88843-S-0015-00
St/Fed Lease No: ML51035
Lessor: ML-51035, State of Utah, acting by and through the School and Institutional Trust Lands Administration
Lessee: MRC Rockies Company
Lease Date: 09/01/2007
Gross Acres: 520.0000
Recording Info: 09/18/2007, Book L10, Page 1690, Entry 72720
State: Utah
County: Rich
Legal Description: T-14-N, R-07-E, SECS 08,17,18,20
Section 8 - NE/4 SE/4, SW/4 SE/4
Section 17 - W/2 E/2, SE/4 SE/4
Section 18 - SW/4 SE/4
Section 20 - N/2 NE/4, SE/4 NW/4, NE/4 SW/4, SW/4 SW/4

Lease No: 88843-S-0016-00
St/Fed Lease No: ML51036
Lessor: ML-51036, State of Utah, acting by and through the School and Institutional Trust Lands Administration
Lessee: MRC Rockies Company
Lease Date: 09/01/2007
Gross Acres: 400.0000
Recording Info: 09/18/2007, Book L10, Page 1701, Entry 72721
State: Utah
County: Rich
Legal Description: T-14-N, R-07-E, SECS 13,15
Section 13 - E/2 NE/4
Section 15 - S/2

Lease No: 88843-S-0017-00
 St/Fed Lease No: ML51037
 Lessor: ML-51037, State of Utah, acting by and through the School and Institutional Trust Lands Administration
 Lessee: MRC Rockies Company
 Lease Date: 09/01/2007
 Gross Acres: 1125.3900
 Recording Info: 09/18/2007, Book L10, Page 1712, Entry 72722
 State: Utah
 County: Rich
 Legal Description: T-14-N, R-07-E, SECS 19,29,30,31
 Section 19 - Lot 4(35.97), SE/4 SW/4, SW/4 SE/4
 Section 29 - W/2 SW/4
 Section 30 - Lots 1(35.99), 2(35.96), 3(35.93), N/2 NE/4, SW/4 NE/4, E/2 NW/4, NE/4 SW/4, N/2 SE/4
 Section 31 - Lots 1(35.94), 2(36.07), 3(36.20), 4(33.33), NE/4, E/2 NW/4, NE/4 SW/4, N/2 SE/4

Lease No: 88843-S-0018-00
 St/Fed Lease No: ML51038
 Lessor: ML-51038, State of Utah, acting by and through the School and Institutional Trust Lands Administration
 Lessee: MRC Rockies Company
 Lease Date: 09/01/2007
 Gross Acres: 659.8400
 Recording Info: 09/18/2007, Book L10, Page 1723, Entry 72723
 State: Utah
 County: Rich
 Legal Description: T-14-N, R-08-E, SECS 16,17,18
 Section 16 - Lots 1(14.27), 2(14.73) 3(15.19), 4(15.65) (All)
 Section 17 - N/2 NE/4, SE/4 NE/4, S/2 S/2, NE/4 SE/4
 Section 18 - W/2 E/2, N/2 SW/4, SW/4 SW/4

Lease No: 88843-S-0019-00
 St/Fed Lease No: ML51039
 Lessor: ML-51039, State of Utah, acting by and through the School and Institutional Trust Lands Administration
 Lessee: MRC Rockies Company
 Lease Date: 09/01/2007
 Gross Acres: 1239.2300
 Recording Info: 09/18/2007, Book L10, Page 1734, Entry 72724
 State: Utah
 County: Rich
 Legal Description: T-14-N, R-08-E, SECS 20,21,28,29
 Section 20 - All
 Section 21 - Lots 1(16.09), 2(16.52),3(16.94),4(17.37) (All)
 Section 28 - Lots 1 (17.51), 2(17.38), 3(17.24)
 Section 29 - Lot 1 (40.18), N/2, NE/4 SW/4, N/2 SE/4

Lease No: 88843-S-0020-00
 St/Fed Lease No: ML51040
 Lessor: ML-51040, State of Utah, acting by and through the School and Institutional Trust Lands Administration
 Lessee: MRC Rockies Company
 Lease Date: 09/01/2007
 Gross Acres: 750.1500
 Recording Info: 09/18/2007, Book L10, Page 1602, Entry 72712
 State: Utah
 County: Rich
 Legal Description: T-15-N, R-07-E, SECS 34,35
 Section 34 - Lots 1(27.75), 2(29.25), 3(30.75), E/2 SW/4, SE/4
 Section 35 - Lots 1(24.55), 2(25.25), 3(25.95), 4(26.65), S/2 (All)

Lease No: 88843-S-0021-00
 St/Fed Lease No: ML51041
 Lessor: ML-51041, State of Utah, acting by and through the School and Institutional Trust Lands Administration
 Lessee: MRC Rockies Company
 Lease Date: 09/01/2007
 Gross Acres: 769.3600
 Recording Info: 09/18/2007, Book L10, Page 1591, Entry 72711
 State: Utah
 County: Rich
 Legal Description: T-15-N, R-08-E, SECS 31,32,33
 Section 31 - Lots 1(15.22), 2(15.28), 3(15.32), 4(15.38), S/2 (All)
 Section 32 - Lots 1 (14.22), 2(14.50), 3(14.78), 4(15.06), S/2 (All)
 Section 33 - Lots 1 (2.45), 2(7.15)

Lease No: 88849-F-0001-01
 Lessor: Bear River Land and Cattle LLC
 Lessee: MRC Rockies Company
 Lease Date: 05/23/2007
 Gross Acres: 10500.8000
 Recording Info: 06/06/2007, Book 660, Page 833, Entry 930078
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-117-W
 Section 5: NW/4SW/4, SE/4SW
 Section 7: Lot 9 (40.00), Lot 15(40.00), SE/4NE/4
 Section 8: NE/4NE/4, SW/4NE/4, W/2SE/4
 Section 9: SW/4NW/4
 Section 17: NE/4NW/4, N/2SW/4
 Section 18: Lot 5 (40.00), Lot 8 (46.12), Lot 9 (40.00), Lot 10(40.00), Lot 11(40.00), Lot 12(40.00) Lot 13(46.16), SW/4NE/4, NE/4SE/4
 Section 19: Lot 13(46.39)
 Section 20: NW/4SW/4
 Section 22: SW/4SW/4
 Section 23: SW/4SW/4
 Section 26: NW/4NW/4, SW/4NW/4
 Section 27: SE/4SW/4
 Section 28: NW/4NE/4, NW/4NW/4
 Section 29: S/2NW/4
 Section 30: Lot 10(40.00), S/2NE/4
 Section 32: NE/4SW/4, SE/4NE/4
 Section 33: NW/4NE/4
 Section 34: NW/4SE/4, NW/4SW/4
 Section 35: SW/4NW/4
 T-23-N, R-118-W
 Section 4: Lot 8 (40.08), SW/4NW/4, S/2SW/4, NW/4SW/4
 Section 5: Lot 5 (40.08)
 Section 9: NW/4NW/4
 T-23-N, T-119-W
 Section 2 & 3: Lot 69(160.43)
 Section 5, 6, 7, & 8: All that part of Tract 67 and Tract 77 lying West of the Bear River and containing 453.91 acres, more or less.
 T-24-N, R-118-W
 Section 6: Lots 20, 21, 22, 26, W/2 SE/4 and all of Lot 17, and Lot 25
 Section 6: Part of Lot 14 and Lot 24 of Section 6, lying southerly of existing fence line.

Beginning at a point on the west line of Lot 24, N 00deg28'15"E,578.54 feet of corner #2 of said Tract 97, found as described in the corner record filed in the Office of Clerk Lincoln County thence S 89deg 01'12"E, 583.41 feet along said fence to a point; thence S 88deg 45'49" E 457.47 feet along said fence to a point thence S 88 deg50' 51"E, 421.64 feet along said fence and an easterly protraction of said fence to the east line of Lot 14.

Section 6: Tracts 97F, 97G (Less parcel deeded to John Russell Thornock Sr. and Emma Lucy Thornock at Book 509PR Page 572.

Section 7: Lot 5, Lot 10, Lot 11, W/2NE/4, NW/4SE/4 (138.46)

Section 7: Part of Tract 79, original Lots 3 and 4, Part of tract 80 original Lots 1 & 2 (287.9)

Section 33: SE/4 NW/4 & E/2 SW/4 (120)

T-24-N, R-119-W, SECS 07,08,17,18,20

- 918.36 acs described as follows:

Section 7: Resurvey Tract 70 (42.39)

Section 8: Resurvey Tract 72 (84.05)

Sections 7 & 18: Resurvey Tract 71(137.64)

Section 18: Resurvey Tract 69 (155.99)

Section 18: Lots 9 (35.27), 10 (35.33), 17 (35.39), 18 (35.45)

Section 19: Lot 5 (35.51)

Pt. of Sections 17 & 20: Resurvey Tract 57(157.47)

Pt. of Sections 8 & 20: Resurvey Tract 68(163.87)

T-24-N, R-119-W, SECS 01,02,03,10,11,12,13,14,17,22,27,29,30,31—5,297.74 acs being described as follows:

Section 1: Lots 20(39.47), 21(39.47), 24(39.45), 25 (9.97), 29(37.91), 33(35.15), 34(35.13), 37(35.12), 45 (25.97), Tract 97C (13.82)

Section 2: Lots 30 (39.47), 33 (39.46), 35 (39.45), 37 (39.44), S/2S/2

Section 3: Lot 43 (39.58), SE/4SE/4

Sections 2 and 3: Tract 95 (79.99)

Section 10: N/2SE/4, NE/4

Section 11: N/2, SE/4, E/2SW/4, NW/4SW/4

Section 12: Lots 10(25.56), 11(25.08), 18 (4.86), 21 (4.85), 22(4.84), 25(26.48)

Sections 1 and 12: Tract 78 (328.75), Tract 81 (164.50), Part of Tract 80 (21.77), Part of Tract 79 (23.01)

Section 13: Lot 3 (4.48)

Section 14: Lots 1 (4.48), 4 (4.48), 6(28.19), N/2NE/4, NE/14NW/4

Section 22: SE/4 NE/4 & N/2 SE/4 (120)

Section 23: Lots 10, 22, 23 & N/2 SW/4 Except North 75' of East 220' (192.67)

Section 31 and 32: That part of Tract 77 lying West of Bear River containing 98.72 acres, more or less.

Section 31: Lots 6 (21.41), 7(12.22), 10(12.28), 11(22.22), W/2NE/4, E/2NW/4

Section 30: Lots 8 (15.14), 10 (22.94), NE/4SE/4

Sections 29: Lot 20 (23.48)

Tract 50: Part of Sections 22,27,26,23 (159.49)

Tract 51: Less and Except 35.21 acres described in that certain Warranty Deed recorded in Book 643, Page 688 of Lincoln County Wyoming between Thompson Land and Livestock and William T. Thompson (160.40)

Section 27: N/2SW/4, Lots 12 and 15(150.58)

Pt. of Sections 29, 30, 32: Resurvey Tract 43 (335.67)

Pt. of Section 29, 32: Resurvey Tract 42 (163.82)

Tracts: 44 part of Sections 29, 20(327.16)

Tracts: 45 part of Sections 29,20,21,28 (159.73)

Tracts: 46 part of Sections 21, 28 (160.24)

Tracts: 54 part of Sections 20, 21(159.98)

Tracts: 59 part of Sections 20, 21(39.98)

Tracts: 58 part of Sections 17, 16,20,21(159.88)

Tracts: 66 part of Sections 17, 16 (159.67)

T-24-N, R-120-W

Section 13: Tract 39 (80)

Section 25: SW/4NE/4, SE/4NW/4

Lease No: 88849-F-0001-02
 Lessor: Thompson Land and Livestock Company
 Lessee: MRC Rockies Company
 Lease Date: 05/21/2007
 Gross Acres: 10500.8000
 Recording Info: 06/06/2007, Book 660, Page 829, Entry 930077
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-117-W

Section 5: NW/4SW/4, SE/4SW
 Section 7: Lot 9 (40.00), Lot 15(40.00), SE/4NE/4
 Section 8: NE/4NE/4, SW/4NE/4, W/2SE/4
 Section 9: SW/4NW/4
 Section 17: NE/4NW/4, N/2SW/4
 Section 18: Lot 5 (40.00), Lot 8 (46.12), Lot 9 (40.00), Lot 10(40.00), Lot 11(40.00), Lot 12(40.00) Lot 13(46.16), SW/4NE/4, NE/4SE/4
 Section 19: Lot 13(46.39)
 Section 20: NW/4SW/4
 Section 22: SW/4SW/4
 Section 23: SW/4SW/4
 Section 26: NW/4NW/4, SW/4NW/4
 Section 27: SE/4SW/4
 Section 28: NW/4NE/4, NW/4NW/4
 Section 29: S/2NW/4
 Section 30: Lot 10(40.00), S/2NE/4
 Section 32: NE/4SW/4, SE/4NE/4
 Section 33: NW/4NE/4
 Section 34: NW/4SE/4, NW/4SW/4
 Section 35: SW/4NW/4

T-23-N, R-118-W

Section 4: Lot 8 (40.08), SW/4NW/4, S/2SW/4, NW/4SW/4
 Section 5: Lot 5 (40.08)
 Section 9: NW/4NW/4

T-23-N, T-119-W

Section 2 & 3: Lot 69(160.43)
 Section 5, 6, 7, & 8: All that part of Tract 67 and Tract 77 lying West of the Bear River and containing 453.91 acres, more or less.

T-24-N, R-118-W

Section 6: Lots 20, 21, 22, 26, W/2 SE/4 and all of Lot 17, and Lot 25
 Section 6: Part of Lot 14 and Lot 24 of Section 6, lying southerly of existing fence line.
 Beginning at a point on the west line of Lot 24, N 00deg28'15"E,578.54 feet of corner #2 of said Tract 97, found as described in the corner record filed in the Office of Clerk Lincoln County thence S 89deg 01'12"E, 583.41 feet along said fence to a point; thence S 88deg 45'49" E 457.47 feet along said fence to a point thence S 88 deg50' 51"E, 421.64 feet along said fence and an easterly protraction of said fence to the east line of Lot 14.
 Section 6: Tracts 97F, 97G (Less parcel deeded to John Russell Thornock Sr. and Emma Lucy Thornock at Book 509PR Page 572.
 Section 7: Lot 5, Lot 10, Lot 11, W/2NE/4, NW/4SE/4(138.46)
 Section 7: Part of Tract 79, original Lots 3 and 4, Part of tract 80 original Lots 1 & 2 (287.9)
 Section 33: SE/4 NW/4 & E/2 SW/4 (120)

T-24-N, R-119-W, SECS 07,08,17,18,20

- 918.36 acs described as follows:
 Section 7: Resurvey Tract 70 (42.39)
 Section 8: Resurvey Tract 72 (84.05)
 Sections 7 & 18; Resurvey Tract 71(137.64)
 Section 18: Resurvey Tract 69 (155.99)
 Section 18: Lots 9 (35.27), 10 (35.33), 17 (35.39), 18 (35.45)

Section 19: Lot 5 (35.51)

Pt. of Sections 17 & 20: Resurvey Tract 57(157.47)

Pt. of Sections 8 & 20: Resurvey Tract 68(163.87)

T-24-N, R-119-W, SECS 01,02,03,10,11,12,13,14,17,22,27,29,30,31 - 5,297.74 acs being described as follows:

Section 1: Lots 20(39.47), 21(39.47), 24(39.45), 25 (9.97), 29(37.91), 33(35.15), 34(35.13), 37(35.12), 45 (25.97), Tract 97C (13.82)

Section 2: Lots 30 (39.47), 33 (39.46), 35 (39.45), 37 (39.44), S/2S/2

Section 3: Lot 43 (39.58), SE/4SE/4

Sections 2 and 3: Tract 95 (79.99)

Section 10: N/2SE/4, NE/4

Section 11: N/2, SE/4, E/2SW/4, NW/4SW/4

Section 12: Lots 10(25.56), 11(25.08), 18 (4.86), 21 (4.85), 22(4.84), 25(26.48)

Sections 1 and 12: Tract 78 (328.75), Tract 81 (164.50), Part of Tract 80 (21.77), Part of Tract 79 (23.01)

Section 13: Lot 3 (4.48)

Section 14: Lots 1 (4.48), 4 (4.48), 6(28.19), N/2NE/4, NE/14NW/4

Section 22: SE/4 NE/4 & N/2 SE/4 (120)

Section 23: Lots 10, 22, 23 & N/2 SW/4 Except North 75' of East 220' (192.67)

Section 31 and 32: That part of Tract 77 lying West of Bear River containing 98.72 acres, more or less.

Section 31: Lots 6 (21.41), 7(12.22), 10(12.28), 11(22.22), W/2NE/4, E/2NW/4

Section 30: Lots 8 (15.14), 10 (22.94), NE/4SE/4

Sections 29: Lot 20 (23.48)

Tract 50: Part of Sections 22,27,26,23 (159.49)

Tract 51: Less and Except 35.21 acres described in that certain Warranty Deed recorded in Book 643, Page 688 of Lincoln County Wyoming between Thompson Land and Livestock and William T. Thompson (160.40)

Section 27: N/2SW/4, Lots 12 and 15(150.58)

Pt. of Sections 29, 30, 32: Resurvey Tract 43 (335.67)

Pt. of Section 29, 32: Resurvey Tract 42 (163.82)

Tracts: 44 part of Sections 29, 20(327.16)

Tracts: 45 part of Sections 29,20,21,28 (159.73)

Tracts: 46 part of Sections 21, 28 (160.24)

Tracts: 54 part of Sections 20, 21(159.98)

Tracts: 59 part of Sections 20, 21(39.98)

Tracts: 58 part of Sections 17, 16,20,21(159.88)

Tracts: 66 part of Sections 17, 16 (159.67)

T-24-N, R-120-W

Section 13: Tract 39 (80)

Section 25: SW/4NE/4, SE/4NW/4

Lease No: 88849-F-0002-00
 Lessor: Samuel O Bennion Jr and Patricia Ann Bennion
 Lessee: MRC Rockies Company
 Lease Date: 02/28/2007
 Gross Acres: 479.5300
 Recording Info: 04/06/2007, Book 653, Page 687, Entry 928194
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-118-W SECS 32, 33; T-21-N, R-118-W, SEC 6; T-21-N, R-119-W, SEC 1 - 479.53 acs, more or less described as follows:
 T-23-N, R-118-W, SEC 32 - 200.00 acs being the SE/4, SE/4 NE/4
 T-23-N, R-118-W, SEC 33 - 120.00 acs being the W/2 NW/4, NW/4 SW/4 of Section 33
 T-21-N, R-118-W, SEC 06 - 39.53 acs being Lot 14
 T-21-N, R-119-W, SEC 01 - 120.00 acs being the S/2 SE/4, SE/4 SW/4

Lease No: 88849-F-0003-01
 Lessor: George W Cooper and Judy Lynn Coletti
 Lessee: MRC Rockies Company
 Lease Date: 05/01/2007
 Gross Acres: 678.8100
 Recording Info: 07/23/2007, Book 666, Page 543, Entry 931509
 State: Wyoming
 County: Lincoln
 Legal Description: T-21-N, R-118-W, SEC 4; T-22-N, R-118-W, SECS 28, 29, 32, 33 - 678.81 acs more or less described as follows:
 T-21-N, R-118-W, SEC 04 - 158.81 acs being the SW/4 NW/4, Lot 8 and W/2 SW/4
 T-22-N, T-118-W, SEC 28 - 40.00 acs being the NW/4 NW/4
 T-22-N, R-118-W, SEC 29 - 120.00 acs being the SE/4 SE/4, E/2 NE/4
 T-22-N, R-118-W, SEC 32 - 80.00 acs being the E/2 NE/4
 T-22-N, R-118-W, SEC 33 - 280.00 acs being the SW/4 SW/4, N/2 SW/4, NW/4

Lease No: 88849-F-0003-02
 Lessor: Don D Failoni, Trustee of the Don D Failoni Trust dated November 16, 2005
 Lessee: MRC Rockies Company
 Lease Date: 05/01/2007
 Gross Acres: 678.8100
 Recording Info: 07/23/2007, Book 666, Page 548, Entry 931511
 State: Wyoming
 County: Lincoln
 Legal Description: T-21-&,22-N, R-118-W, SECS 04,28,29,32,33
 678.81 acs more or less described as follows:
 21N118W04 - 158.81 acs being the SW/4 NW/4, Lot 8 and W/2 SW/4
 22N118W28 - 40.00 acs being the NW/4 NW/4
 22N118W29 - 120.00 acs being the SE/4 SE/4, E/2 NE/4
 22N118W32 - 80.00 acs being the E/2 NE/4
 22N118W33 - 280.00 acs being the SW/4 SW/4, N/2 SW/4, NW/4

Lease No: 88849-F-0004-00
 Lessor: Aaron Joseph Carollo and Kristy K Carollo
 Lessee: MRC Rockies Company
 Lease Date: 07/09/2007
 Gross Acres: 418.3700
 Recording Info: 07/23/2007, Book 666, Page 562, Entry 931516
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-117-W, SECS 26,35 - 418.37 acs more or less, described as follows:
 T-24-N, R-117-W, SEC 35 - Tract 38 LESS AND EXCEPT 6.43 acs being a part of Tract 38 as described in Warranty Deed from Aaron Joseph Carollo to Sabra Richins, Randy Richins and Pat Kirberg as Joint Tenants with rights of survivorship, Book 414, Page 45, Deed Records Lincoln County, Wyoming;
 LESS AND EXCEPT All of Lots 2 and 4 in Section 35, and all of Lot 2 in Section 26, T-24-N, R-117-W, 6th PM described in Warranty Deed from Mary C Carollo to Utah Power and Light Company, in Book 116, Page 640 Deed Records of Lincoln County, Wyoming
 T-23-N, R-117-W, SEC 26 - Tract 45 and Tract 46

Lease No: 88849-F-0005-01
 Lessor: Fred Allen Feller, Individually and as Trustee of the F Allen Feller Trust dtd 12-19-77
 Lessee: MRC Rockies Company
 Lease Date: 06/14/2007
 Gross Acres: 535.5500
 Recording Info: 07/09/2007, Book 664, Page 814, Entry 931052
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-120-W, SECS 11,12,13,14,15 -- 535.55 acs described as follows:
 Beginning at a point that lies upon the North boundary of said Tract 46 and situated in the middle of the channel through which the Bear River flows; a point from whence the Southeast corner of said Section 11 bears South 39°36' East 17.20 chains; Thence following the center thread of the channel for the Bear River; South 27°08' West 2.02 chains; South 80°49' East 10.03 chains; South 56°08' East 9.15 chains; South 34°59' East

Exhibit A

8.54 chains; South 15°02' East 6.94 chains; South 02°17' West 2.50 chains; South 26°1 1' West 6.80 chains; South 54°41' West 5.88 chains; South 72°39' West 5.03 chains; North 80°32' West 6.69 chains; North 81°22' West 7.99 chains; South 06°21' East 6.34 chains; South 36°18' East 6.08 chains; South 26°06' East 5.50 chains; South 27°13' West 3.94 chains; South 47°01' West 4.11 chains; to a point in the middle of the channel of the Bear River, the intent being to deed to the center of the channel through which the Bear River flows; thence West along a line parallel to the South boundary of said Tract 48, 101.34 chains to the West boundary of said Tract 48; thence North 15.40 chains along said West boundary to Corner No. 6 of said Tract 48, thence East 20.00 chains along a North boundary of said Tract 48 to Corner No. 7; thence North 20.20 chains along a West boundary of said Tract 48 to Corner No. 8; thence East 20.00 chains, along a North boundary of said Tract 48 to Corner No. 9; thence North 20.20 chains along a West boundary of said Tract 48 to Corner No. 10; thence East 68.97 chains along the North boundary of said Tract 46 and Tract 48 to the point of beginning; containing 535.553 acres, more or less.

Lease No: 88849-F-0005-02
Lessor: Irene Feller, Individually and as Trustee of the Irene Feller Trust dtd 12-19-77
Lessee: MRC Rockies Company
Lease Date: 06/14/2007
Gross Acres: 535.5500
Recording Info: 07/09/2007, Book 664, Page 811, Entry 931051
State: Wyoming
County: Lincoln
Legal Description: T-22-N, R-120-W, SECS 11,12,13,14,15 -- 535.55 acs described as follows:

Beginning at a point that lies upon the North boundary of said Tract 46 and situated in the middle of the channel through which the Bear River flows; a point from whence the Southeast corner of said Section 11 bears South 39°36' East 17.20 chains; Thence following the center thread of the channel for the Bear River; South 27°08' West 2.02 chains; South 80°49' East 10.03 chains; South 56°08' East 9.15 chains; South 34°59' East 8.54 chains; South 15°02' East 6.94 chains; South 02°17' West 2.50 chains; South 26°1 1' West 6.80 chains; South 54°41' West 5.88 chains; South 72°39' West 5.03 chains; North 80°32' West 6.69 chains; North 81°22' West 7.99 chains; South 06°21' East 6.34 chains; South 36°18' East 6.08 chains; South 26°06' East 5.50 chains; South 27°13' West 3.94 chains; South 47°01' West 4.11 chains; to a point in the middle of the channel of the Bear River, the intent being to deed to the center of the channel through which the Bear River flows; thence West along a line parallel to the South boundary of said Tract 48, 101.34 chains to the West boundary of said Tract 48; thence North 15.40 chains along said West boundary to Corner No. 6 of said Tract 48, thence East 20.00 chains along a North boundary of said Tract 48 to Corner No. 7; thence North 20.20 chains along a West boundary of said Tract 48 to Corner No. 8; thence East 20.00 chains, along a North boundary of said Tract 48 to Corner No. 9; thence North 20.20 chains along a West boundary of said Tract 48 to Corner No. 10; thence East 68.97 chains along the North boundary of said Tract 46 and Tract 48 to the point of beginning; containing 535.553 acres, more or less.

Lease No: 88849-F-0006-01
Lessor: Julian Land and Livestock Company
Lessee: MRC Rockies Company
Lease Date: 04/30/2007
Gross Acres: 4615.1400
Recording Info: 05/21/2007, Book 658, Page 783, Entry 929570
State: Wyoming
County: Lincoln
Legal Description: T-21-N, R-119-W, SECS 02,11,12,23,26 - 677.96 acs more or less described as follows: Section 02: 37.96 acres, more or less, as described in that certain Warranty Deed dated February 4, 1932 from A. D. Hoskins and wife, Kate S. Hoskins to William Julian and recorded in Book 19, Page 43 of the Deed Records of Lincoln County, Wyoming.

Section 11: N/2
Section 12: NW/4NW/4, SW/4NW/4, NW/4SW/4
Section 23: SW/4NE/4, NW/4SE/4, E/2SW/4
Section 26: NW/4NW/4

TRA 2
T-22-N, R-118-W, SECS 17,20 - 240.00 acs more or less described as follows:
Section 17: W/2 E/2

Section 20: W/2 NE/4

TRA 3

T-22-N, R-115-W, SECS 06,07,08,18,19 - 982.33 acs more or less described as follows: Section 6: Lot 4 (38.23), Lot 5 (38.21), Lot 6 (38.25), Lot 7 (38.30), E/2SW/4, SE/4

Section 7: Lot 1(38.34), Lot 2 (38.39), Lot 3 (38.43), Lot 4 (38.48), NE/4, NE/4SE/4

Section 8: NW/4NW/4, NW/4SW/4

Section 18: Lot 1 (38.57), Lot 2 (38.72)

Section 19: Lot 1 (39.14), Lot 2 (39.27)

TRA 4

T-22-N, R-116-W, SECS 01,12,13,24,- 1798.19 acs more or less described as follows:

Section 1: Lot 3 (16.11), Lot 4(23.89), NE/4SW/4, E/2

Section 12: Lot 1(41.67), Lot 2 (41.65), Lot 3(41.62), Lot 4 (41.59), Lot 5 (38.48), Lot 6 (40.09), Lot 7 (40.09), Lot 8 (38.51) Lot 9 (38.54), Lot 10 (40.09), Lot 11 (23.19), Lot 12 (16.18), Lot 13 (22.23), Lot 14 (16.21), E/2NE/4, E/2SE/4

Section 13: Lot 1 (41.59), Lot 2 (41.60), Lot 5 (38.54), Lot 6 (40.04), Lot 7 (40.04), Lot 8 (38.52), Lot 10 (0.65), Lot 11(38.49), Lot 15 (16.18), Lot 16 (22.28), Lot 17 (0.89), E/2E/2, W/2SE/4

Section 24: Lot 5 (38.44), NE/4

TRA 5

T-23-N, R-115-W, SECS 19,30 - 223.94 acs more or less described as:

Section 19: Lot 15(40.07), Lot 16(40.11)

Section 30: Lot 5 (40.13), Lot 6(40.15), Lot 15 (40.17), Lot 16(23.31)

TRA 6

T-23-N, T-116-W, SECS 24,25,26 - 692.72 acs more or less, described as follows:

Section 24: E/2SE/4, SW/4SE/4, SE/4SW/4

Section 25: NW/4NE/4, E/2NE/4, NE/4SE/4, W/2NW/4, NE/4NW/4, N/2SW/4, Lot 1 (23.18), Lot 4 (23.18), Lot 5 (23.18)

Section 26: SE/4NE/4, NE/4SE/4, Lot 1 (23.18)

TRA 1, 2, 3, 4, 5, 6, containing 4,615.40 acs as described above

88849-F-0006-02

Michael Robert Julian

MRC Rockies Company

04/30/2007

917.9600

05/21/2007, Book 658, Page 777, Entry 929568

Wyoming

Lincoln

T-21-N, R-119-W, SECS 02,11,12,23,26 - 677.96 acs more or less described as follows:

Section 02: 37.96 acres, more or less, as described in that certain Warranty Deed dated February 4, 1932 from A. D. Hoskins and wife, Kate S. Hoskins to William Julian and recorded in Book 19, Page 43 of the Deed Records of Lincoln County, Wyoming.

Section 11: N/2

Section 12: NW/4NW/4, SW/4NW/4, NW/4SW/4

Section 23: SW/4NE/4, NW/4SE/4, E/2SW/4

Section 26: NW/4NW/4

T-22-N, R-118-W, SECS 17,20 - 240.00 acs more or less described as follows:

Section 17: W/2 E/2

Section 20: W/2 NE/4

Lease No:
Lessor:
Lessee:
Lease Date:
Gross Acres:
Recording Info:
State:
County:
Legal Description:

Lease No: 88849-F-0006-03
Lessor: Joni Kae Gunderson
Lessee: MRC Rockies Company
Lease Date: 04/30/2007
Gross Acres: 917.9600
Recording Info: 05/21/2007, Book 658, Page 780, Entry 929569
State: Wyoming
County: Lincoln
Legal Description: T-21-N, R-119-W, SECS 02,11,12,23,26 - 677.96 acs more or less described as follows:
Section 02: 37.96 acres, more or less, as described in that certain Warranty Deed dated February 4, 1932 from A. D. Hoskins and wife, Kate S. Hoskins to William Julian and recorded in Book 19, Page 43 of the Deed Records of Lincoln County, Wyoming.
Section 11: N/2
Section 12: NW/4NW/4, SW/4NW/4, NW/4SW/4
Section 23: SW/4NE/4, NW/4SE/4, E/2SW/4
Section 26: NW/4NW/4

T-22-N, R-118-W, SECS 17,20 - 240.00 acs more or less described as follows:
Section 17: W/2 E/2
Section 20: W/2 NE/4

Lease No: 88849-F-0007-01
Lessor: Evan H and Dotty Jo Pope
Lessee: MRC Rockies Company
Lease Date: 05/29/2007
Gross Acres: 2073.9500
Recording Info: 06/15/2007, Book 662, Page 110, Entry 930375
State: Wyoming
County: Lincoln
Legal Description: T-22-N, R-120-W, SECS 13,14,23,24,25,26 - 1373.61 acs more or less, described as follows:
1,097.73 acs more or less, more particularly described in that certain Warranty Deed dated December 8, 1952 from Beckwith Quinn and Company to Clive Arden Pope and wife, Sylva H. Pope as recorded in Book 1, Page 363, of the Photostatic Records of Lincoln County, Wyoming; and
Section 25 - Lot 6 (22.95), Lot 7 (39.76), Lot 10 (39.57), Lot 14 (18.20), Lot 15 (18.40), SE/4 NW/4 and NE/4 SW/4
Section 26 - Lot 2 (39.58), Lot 13 (17.42)

T-22-N, R-119-W, SECS 07,08 - 319.53 acs more or less described as follows:
Section 8 - Lot 7 (19.23), Lot 9 (18.99), Lot 20 (39.59), Lot 21 (20.83), Lot 22 (20.89), NE/4 SW/4
Section 5 & 8 - Tract 45 (160.00)

T-22-N, R-118-W, SECS 20,29 - 240.00 acs more or less described as follows:
Section 20 - W/2 SE/4
Section 29 - W/2 NE/4, N/2 SE/4

T-21-N, T-119-W, SEC 07 - 19.62 acs more or less described as follows:
Section 7 - S/2 of Lot 7 and W/2 N/2 of Lot 8

T-22-N, R-119-W, SECS 25 - 121.19 acs more or less described as follows:
Section 25 - Lot 3 (22.79), Lot 16 (18.40), SW/4 NE/4 and NW/4 SE/4

Exhibit A

Lease No: 88849-F-0007-02
Lessor: Alice Pope Turner
Lessee: MRC Rockies Company
Lease Date: 05/29/2007
Gross Acres: 1952.7600
Recording Info: 06/28/2007, Book 663, Page 810, Entry 930774
State: Wyoming
County: Lincoln
Legal Description: T-22-N, R-120-W, SECS 13,14,23,24,25,26 - 1373.61 acs more or less, described as follows:
1,097.73 acs more or less, more particularly described in that certain Warranty Deed dated December 8, 1952 from Beckwith Quinn and Company to Clive Arden Pope and wife, Sylva H. Pope as recorded in Book 1, Page 363, of the Photostatic Records of Lincoln County, Wyoming; and
Section 25 - Lot 6 (22.95), Lot 7 (39.76), Lot 10 (39.57), Lot 14 (18.20), Lot 15 (18.40), SE/4 NW/4 and NE/4 SW/4
Section 26 - Lot 2 (39.58), Lot 13 (17.42)
T-22-N, R-119-W, SECS 07,08 - 319.53 acs more or less described as follows:
Section 8 - Lot 7 (19.23), Lot 9 (18.99), Lot 20 (39.59), Lot 21 (20.83), Lot 22 (20.89), NE/4 SW/4
Section 5 & 8 - Tract 45 (160.00)
T-22-N, T-118-W, SECS 20,29 - 240.00 acs more or less described as follows:
Section 20 - W/2 SE/4
Section 29 - W/2 NE/4, N/2 SE/4
T-21-N, R-119-W, SEC 07 - 19.62 acs more or less described as follows:
Section 7 - S/2 of Lot 7 and W/2 N/2 of Lot 8

Lease No: 88849-F-0007-03
Lessor: Clayton B Pope and Marilyn C Pope
Lessee: MRC Rockies Company
Lease Date: 05/29/2007
Gross Acres: 1952.7600
Recording Info: 06/25/2007, Book 663, Page 280, Entry 930649
State: Wyoming
County: Lincoln
Legal Description: T-22-N, T-120-W, SECS 13,14,23,24,25,26 - 1373.61 acs more or less, described as follows:
1,097.73 acs more or less, more particularly described in that certain Warranty Deed dated December 8, 1952 from Beckwith Quinn and Company to Clive Arden Pope and wife, Sylva H. Pope as recorded in Book 1, Page 363, of the Photostatic Records of Lincoln County, Wyoming; and
Section 25 - Lot 6 (22.95), Lot 7 (39.76), Lot 10 (39.57), Lot 14 (18.20), Lot 15 (18.40), SE/4 NW/4 and NE/4 SW/4
Section 26 - Lot 2 (39.58), Lot 13 (17.42)
T-22-N, R-119-W, SECS 07,08 - 319.53 acs more or less described as follows:
Section 8 - Lot 7 (19.23), Lot 9 (18.99), Lot 20 (39.59), Lot 21 (20.83), Lot 22 (20.89), NE/4 SW/4
Section 5 & 8 - Tract 45 (160.00)
T-22-N, R-118-W, SECS 20,29 - 240.00 acs more or less described as follows:
Section 20 - W/2 SE/4
Section 29 - W/2 NE/4, N/2 SE/4
T-21-N, R-119-W, SEC 07 - 19.62 acs more or less described as follows:
Section 7 - S/2 of Lot 7 and W/2 N/2 of Lot 8

Exhibit A

Lease No: 88849-F-0007-04
Lessor: Clive A Pope Jr and Vivian H Pope
Lessee: MRC Rockies Company
Lease Date: 05/29/2007
Gross Acres: 1952.7600
Recording Info: 06/25/2007, Book 663, Page 283, Entry 930650
State: Wyoming
County: Lincoln
Legal Description: T-22-N, R-120-W, SECS 13,14,23,24,25,26 - 1373.61 acs more or less, described as follows:
1,097.73 acs more or less, more particularly described in that certain Warranty Deed dated December 8, 1952 from Beckwith Quinn and Company to Clive Arden Pope and wife, Sylva H. Pope as recorded in Book 1, Page 363, of the Photostatic Records of Lincoln County, Wyoming; and
Section 25 - Lot 6 (22.95), Lot 7 (39.76), Lot 10 (39.57), Lot 14 (18.20), Lot 15 (18.40), SE/4 NW/4 and NE/4 SW/4
Section 26 - Lot 2 (39.58), Lot 13 (17.42)
T-22-N, R-119-W, SECS 07,08 - 319.53 acs more or less described as follows: Section 8 - Lot 7 (19.23), Lot 9 (18.99), Lot 20 (39.59), Lot 21 (20.83), Lot 22 (20.89), NE/4 SW/4
Section 5 & 8 - Tract 45 (160.00)
T-22-N, R-118-W, SECS 20,29 - 240.00 acs more or less described as follows:
Section 20 - W/2 SE/4
Section 29 - W/2 NE/4, N/2 SE/4
T-21-N, R-119-W, SEC 07 - 19.62 acs more or less described as follows:
Section 7 - S/2 of Lot 7 and W/2 N/2 of Lot 8

Lease No: 88849-F-0007-05
Lessor: Ray M Hall and La Fond P Hall
Lessee: MRC Rockies Company
Lease Date: 05/29/2007
Gross Acres: 1952.7600
Recording Info: 06/28/2007, Book 663, Page 807, Entry 930773
State: Wyoming
County: Lincoln
Legal Description: T-22-N, R-120-W, SECS 13,14,23,24,25,26 - 1373.61 acs more or less, described as follows:
1,097.73 acs more or less, more particularly described in that certain Warranty Deed dated December 8, 1952 from Beckwith Quinn and Company to Clive Arden Pope and wife, Sylva H. Pope as recorded in Book 1, Page 363, of the Photostatic Records of Lincoln County, Wyoming; and
Section 25 - Lot 6 (22.95), Lot 7 (39.76), Lot 10 (39.57), Lot 14 (18.20), Lot 15 (18.40), SE/4 NW/4 and NE/4 SW/4
Section 26 - Lot 2 (39.58), Lot 13 (17.42)
T-22-N, R-119-W, SECS 07,08 - 319.53 acs more or less described as follows: Section 8 - Lot 7 (19.23), Lot 9 (18.99), Lot 20 (39.59), Lot 21 (20.83), Lot 22 (20.89), NE/4 SW/4
Section 5 & 8 - Tract 45 (160.00)
T-22-N, R-118-W, SECS 20,29 - 240.00 acs more or less described as follows:
Section 20 - W/2 SE/4
Section 29 - W/2 NE/4, N/2 SE/4
T-21-N, R-119-W, SEC 07 - 19.62 acs more or less described as follows:
Section 7 - S/2 of Lot 7 and W/2 N/2 of Lot 8

Exhibit A

Lease No: 88849-F-0007-06
Lessor: Starlene Pope Holm and Jim Holm
Lessee: MRC Rockies Company
Lease Date: 05/29/2007
Gross Acres: 1952.7600
Recording Info: 06/25/2007, Book 663, Page 286, Entry 930651
State: Wyoming
County: Lincoln
Legal Description: T-22-N, R-120-W, SECS 13,14,23,24,25,26 - 1373.61 acs more or less, described as follows:
1,097.73 acs more or less, more particularly described in that certain Warranty Deed dated December 8, 1952 from Beckwith Quinn and Company to Clive Arden Pope and wife, Sylva H. Pope as recorded in Book 1, Page 363, of the Photostatic Records of Lincoln County, Wyoming; and
Section 25 - Lot 6 (22.95), Lot 7 (39.76), Lot 10 (39.57), Lot 14 (18.20), Lot 15 (18.40), SE/4 NW/4 and NE/4 SW/4
Section 26 - Lot 2 (39.58), Lot 13 (17.42)
T-22-N, R-119-W, SECS 07,08 - 319.53 acs more or less described as follows:
Section 8 - Lot 7 (19.23), Lot 9 (18.99), Lot 20 (39.59), Lot 21 (20.83), Lot 22 (20.89), NE/4 SW/4
Section 5 & 8 - Tract 45 (160.00)
T-22-N, R-118-W, SECS 20,29 - 240.00 acs more or less described as follows:
Section 20 - W/2 SE/4
Section 29 - W/2 NE/4, N/2 SE/4
T-21-N, R-119-W, SEC 07 - 19.62 acs more or less described as follows:
Section 7 - S/2 of Lot 7 and W/2 N/2 of Lot 8

Lease No: 88849-F-0007-07
Lessor: Roland C Willis and Linda L Willis
Lessee: MRC Rockies Company
Lease Date: 05/29/2007
Gross Acres: 1952.7600
Recording Info: 06/15/2007, Book 662, Page 115, Entry 930380
State: Wyoming
County: Lincoln
Legal Description: T-22-N, R-120-W, SECS 13,14,23,24,25,26 - 1373.61 acs more or less, described as follows:
1,097.73 acs more or less, more particularly described in that certain Warranty Deed dated December 8, 1952 from Beckwith Quinn and Company to Clive Arden Pope and wife, Sylva H. Pope as recorded in Book 1, Page 363, of the Photostatic Records of Lincoln County, Wyoming; and
Section 25 - Lot 6 (22.95), Lot 7 (39.76), Lot 10 (39.57), Lot 14 (18.20), Lot 15 (18.40), SE/4 NW/4 and NE/4 SW/4
Section 26 - Lot 2 (39.58), Lot 13 (17.42)
T-22-N, R-119-W, SECS 07,08 - 319.53 acs more or less described as follows:
Section 8 - Lot 7 (19.23), Lot 9 (18.99), Lot 20 (39.59), Lot 21 (20.83), Lot 22 (20.89), NE/4 SW/4
Section 5 & 8 - Tract 45 (160.00)
T-22-N, R-118-W, SECS 20,29 - 240.00 acs more or less described as follows:
Section 20 - W/2 SE/4
Section 29 - W/2 NE/4, N/2 SE/4
T-21-N, R-119-W, SEC 07 - 19.62 acs more or less described as follows:
Sect-ion 7 - S/2 of Lot 7 and W/2 N/2 of Lot 8

Lease No: 88849-F-0007-08
 Lessor: Merlyn Pope Sandberg
 Lessee: MRC Rockies Company
 Lease Date: 05/29/2007
 Gross Acres: 1952.7600
 Recording Info: 06/15/2007, Book 662, Page 118, Entry 930381
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-120-W, SECS 13,14,23,24,25,26 - 1373.61 acs more or less, described as follows:
 1,097.73 acs more or less, more particularly described in that certain Warranty Deed dated December 8, 1952 from Beckwith Quinn and Company to Clive Arden Pope and wife, Sylva H. Pope as recorded in Book 1, Page 363, of the Photostatic Records of Lincoln County, Wyoming; and
 Section 25 - Lot 6 (22.95), Lot 7 (39.76), Lot 10 (39.57), Lot 14 (18.20), Lot 15 (18.40), SE/4 NW/4 and NE/4 SW/4
 Section 26 - Lot 2 (39.58), Lot 13 (17.42)
 T-22-N, R-119-W, SECS 07,08 - 319.53 acs more or less described as follows:
 Section 8 - Lot 7 (19.23), Lot 9 (18.99), Lot 20 (39.59), Lot 21 (20.83), Lot 22 (20.89), NE/4 SW/4
 Section 5 & 8 - Tract 45 (160.00)
 T-22-N, R-118-W, SECS 20,29 - 240.00 acs more or less described as follows:
 Section 20 - W/2 SE/4
 Section 29 - W/2 NE/4, N/2 SE/4
 T-21-N, R-119-W, SEC 07 - 19.62 acs more or less described as follows:
 Section 7 - S/2 of Lot 7 and W/2 N/2 of Lot 8

Lease No: 88849-F-0008-00
 Lessor: Roland C Willis and Linda L Willis
 Lessee: MRC Rockies Company
 Lease Date: 06/05/2007
 Gross Acres: 1539.6300
 Recording Info: 06/25/2007, Book 663, Page 292, Entry 930653
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-120-W, SECS 01, 02, 10, 11, 12
 A Parcel of land situated in Secs 1, 2, 10, 11 & 12 of T22N, R120W 6th PM, described as follows:
 Beginning at corner S of Resurvey Tract No. 49 from whence the Northeast corner of said S 10 bears North 16° 27' East 69.76 chains; thence North 20.20 chains to corner No. 6 of Tract 49; thence East 20.00 chains to corner No. 7 of Tract 49; thence North 60.60 chains to corner No. 8 of tract 49; thence East 20 chains to corner No. 9 of tract 49; thence North 06° 00' East 20.56 chains to corner No. 10 of Tract 49; thence East 60 chains to corner No I of Tract 49; North 06° 00' East 20.56 chains to a point; thence East 32.54 chains to a point in the center of channel through which Bear River flows; thence on a meander of the central thread of Bear River; South 48° 24' West 12.96 chains; South 15° 16' West 6.84 chains; South 12° 38' East 17.83 chains; South 79° 09' West 8.45 chains; North 45° 00' West 5.37 chains; North 23° 00' West 18.79 chains; South 18° 26' West 7.59 chains; South 15° 24' East 17.32 chains; South 14° 07' West 18.04 chains; North 83° 51' West 6.54 chains ; South 46° 38' East 7.43 chains; South 14° 25' East 3.61 chains; South 23° 35' West 17.24 chains; South 42° 14' West 10.26 chains; South 62° 54' East 9.44 chains; North 51° 54' East 6.48 chains North 76° 30' East 5.14 chains; North 71° 34' East 1.90 chains; South 25° 57' East 4.11 chains; South 15° 53' West 12.79 chains; North 58° 00' West 10.38 chains; South 33° 09' West 11.71 chains; South 24° 24' West 11.86 chains; South 27° 09' West 11.71 chains; South 27° 09' West 11.71 chains; South 24° 24' West 11.86 chains; South 27° 09' West 6.97 chains to end of said meander, the intent being to deed to the center of said channel, as measured midway between the top of the bank escarpments at normal ground levels; thence West 88.97 chains to point of beginning, containing 916.93 acres more or less.
 T-22-N, R-120-W, SECS 02,03,10,11
 A Parcel of land in Secs 2, 3, 10 and 11 in T22N, R120W, more particularly described as follows:

Exhibit A

Beginning at the Northeast corner of Section 2, T22N, R120W of the 6th PM, Lincoln County, WY, thence S 00° 10' 41"E a distance of 1308.64 feet; thence S 89° 35'33" W a distance of 1319.87 feet thence S 00° 23'52" E a distance of 1303.85 feet; thence S 89° 54' 54" W a distance of 2640.68 feet; thence S 00 11'16" W a distance of 1719.96 feet; thence S 89° 56'53" W a distance of 1299.18 feet to a corner 8 of tract No. 49 of the Resurvey of T22N, R120W of the 6th PM; thence S 00° 01'00" E a distance of 4027.75 feet; thence N 87° 56'30" W a distance of 1315.49 feet to corner number 6 of tract 49 of the Resurvey of T22N, R120W of the 6th PM; thence S 00° 00'00" E distance of 1367.14 feet to corner number 5 of tract 49 of the Resurvey of T22N, R120W; thence N 89° 32' 08" W a distance of 753.68 feet; thence N 18° 47' 07" E a distance of 3677.25 feet; thence N 17° 10'00" E a distance of 737.07 feet; thence N 18° 23' 21" E a distance of 4791.86 feet; thence N 33° 37'14" E a distance of 1152.43 feet more or less to the North boundary line of Section 2 ,T22N, R120W of the 6th PM; thence S 89° 57' 07" E along the North boundary line of said Section 2 a distance of 3768.40 feet to the point of beginning of this description. containing 359.62 acres

T-22-N, R-120-W, SECS 14,15,22,23

A parcel of land situated in Sections 14, 15, 22 and 23 of T22N, R120W 6th PM in Lincoln County, Wyoming, described as follows:

Beginning at a point on the Eastern boundary of the holdings of Lawrence Johnson from whence the Southeast Corner of said section 15 bears South 76° 50' East 39.22 chains; thence East 86.82 chains to a point situated in center of channel Bear River flows; thence on a meander of the central thread of Bear River, South 18° 57' West 1.37 chains ; South 28° 43' West 8.32 chains ; North 78° 14' West, 4.90 chains; South 80° 24' West 7.20 chains; South 31° 24' East 6.91 chains; South 66° 02' East 6.89 chains; South 40° 29' East 5.39 chains; South 27° 39' West 4.73 chains; South 82° 36' West 7.76 chains; South 34° 19' West 7.63 chains, South 55° 24' East 9.68 chains to the end of said meander, the intent being to deed to the center of said channel, as measured midway between the banks of Bear River from top of said bank escarpments at normal ground levels; thence West 58.53 chains along the North boundary of the holdings of John Seday; thence North 26° 20' west 19.11 chains to the point of beginning containing 263.08 acres more or less.

Lease No: 88849-F-0009-00
Lessor: Roland Johns and Marilyn L Johns
Lessee: MRC Rockies Company
Lease Date: 06/07/2007
Gross Acres: 514.0700
Recording Info: 06/27/2007, Book 663, Page 289, Entry 930652
State: Wyoming
County: Lincoln

Legal Description: T-25-N, R-119-W, SECS 06 - 409.22 acs more or less described as follows:
Section 06 - Lot 9 (34.20), Lot 20 (38.95), Resurvey Tract 118 (42.70), a part of Resurvey Tract 117 (83.61), a part of Resurvey Tract 116 (41.04)
Section 06 and 07 - Resurvey Tract 128 (168.72)

T-25-N, R-120-W, SECS 01-104.85 acres, more or less described as follows:

Section 1: A part of Resurvey Tract 116, being all that part of Resurvey Tract 116 which lies North and East of the Bear River, said Parcel being more particularly described in that certain Quit Claim Deed dated August 20, 1934 from Parley T. Anderson and wife, Laura H. Anderson to Edward J. Ineck as recorded in Book 18, Page 153 of the Deed Records of Lincoln County, Wyoming. Containing 103.35 acres, more or less.

Section 1: A part of Resurvey Tract 117 (1.50)

Lease No: 88849-F-0010-00
 Lessor: L & N Johnson Properties LLC
 Lessee: MRC Rockies Company
 Lease Date: 06/26/2007
 Gross Acres: 144.2000
 Recording Info: 07/09/2007, Book 664, Page 808, Entry 931050
 State: Wyoming
 County: Lincoln
 Legal Description: T-21 & 22-N, R-120-W, SECS 33,34 - 144.20 acs more or less described as follows:
 Section 33 - Lot 9 and the S/2 of Lot 8 (39.84)
 Section 34 - Lot 17 and the S/2 of Lot 16 (0.335); and
 The Larry D Johnson Exchange Parcel described as follows: That part of Tract 37, T-21-N, and T-22-N, R-120-W, and Tract 38, T-22-N, R-120-W, Lincoln County, Wyoming, and being more particularly described in that certain Quit Claim Deed No. 4 dated April 5, 1999 from L Dallas Johnson et al to Larry D Johnson as recorded in Book 429, Page 013, of the Photo Records of Lincoln County, Wyoming and containing 104.02 acres, more or less

Lease No: 88849-F-0011-01
 Lessor: Esther M Hutchinson
 Lessee: MRC Rockies Company
 Lease Date: 04/30/2007
 Gross Acres: 2474.7200
 Recording Info: 06/04/2007, Book 660, Page 489, Entry 929983
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-119-W, SECS 12,13,14,15,16,21,22,23,24,25
 Section 12: S/2 S/2
 Section 13: N/2NW/4, NW/4NE/4, Lot 1(16.28), Lot 13 (44.58), Lot 14 (32.84), Tract 114-A (12.31), Tract 114-B (40.80), Tract 114-C (40.48), Tract 114-D (40.80), Tract 114-E (11.92), Tract 115-A (40.00), Tract 115-B (40.80), Tract 115-C (40.80), Tract 115-D (11.70)
 Section 14: Lot 7(28.31), Lot 22(26.66), Tract 61-A (40.00), W/2 of Tract 61-B (20.00) part in Section 23
 Section 15: S/2SE/4
 Section 16: Lot 26 (24.69), Lot 27(35.12), Lot 28 (10.44), all in Tract 60
 Section 16: Lot 24 (24.72), Lot 25 (10.43), each in Tract 52
 Section 21: Lot 4 (27.77), Lot 5 (40.00), Lot 6(12.23), Lot 13 (4.91), Lot 12 (1.53), Lot 16(3.38), all in Tract 60
 Section 21: Lot 14 (35.09), Lot 15 (24.02), Lot 11(11.07), Lot 24(40.00), Lot 23 (27.00), Lot 25 (13.01), Lot 30 (1.63), Lot 31 (4.86) Lot 34(3.21), all in Tract 53
 Section 21: Lot 2 (27.80), Lot 3 (12.23), Lot 18 (27.40), Lot 17 (12.60), Lot 21(27.00), Lot 22 (13.00), Lot 35 (1.57), Lot 38 (3.16), all in Tract 52
 Section 21: Lot 20(13.00), Lot 39(1.55)
 Section 22: Lot 3 (4.77), Lot 4 (4.71), N/2SW/4, SE/4NW/4, SW/4NE/4, N/2NE/4
 Section 23: Lot 9 (26.64)
 Section 24: E/40.00 acres of Tract 62, E/2NW/4SW/4, E/2 of Lot 8 (17.54), Lot 7 (36.72), SW/4NE/4,
 Section 25: Lot 1(12.46), Lot 6(37.12), Lot 4(12.45), Lot 9(2.90), Lot 7(4.42), all in Tract 111
 T-24-N, R-118-W, SECS 07,08,18,19
 Section 7: Lot 14 (4.33), Lot 15 (35.42), SE/4SW/4, S/2SE/4
 Section 8: W/2SW/4
 Section 18: Lot 5 (35.46), Lot 6 (35.50), E/2NW/4, NE/4SW/4
 Section 18 & 19: Tract 115-B (29.10)
 Section 19: Lot 6(35.68), Lot 7(35.72), Lot 9(31.99), NE/4NW/4
 Section 18: Tract 114-F (29.08)

Lease No: 88849-F-0012-00
 Lessor: Mildred Parks Revocable Trust dated 10-29-90
 Lessee: MRC Rockies Company
 Lease Date: 03/06/2007
 Gross Acres: 1759.0000
 Recording Info: 04/06/2007, Book 653, Page 689, Entry 928195
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-118-W, SECS 23,25,26
 Section 23 - SE/4 SE/4
 Section 25 - SW/4 NE/4, NW/4 NW/4, S/2 NW/4
 Section 26 - E/2 NE/4
 T-24-N, R-117-W, SECS 29,30,19
 Section 29 - Resurvey Tracts 54A (40.00), 54B (40.00), 54C (40.00) 54D (40.00)
 Section 30 - Lot 5 (37.68), Lot 8 (36.52), Resurvey Tracts 55A (40.00), 55B (40.00), 55C (40.00, 55D (40.00) and NE NE
 Section 19 - Lot 7 (40.96), Lot 8 (41.12), Lot 9 (40.00), Lot 12 (40.00), Lot 13 (41.28), Lot 14 (41.44), Lot 15 (40.00), Lot 16 (40.00), and SW SE
 T-22-N, R-117-W, SECS 18,19
 Section 18 - Lot 15(40.00), Lot 16 (40.00), and SW/4 SE/4
 Section 19 - Lot 9 (40.00), Lot 10 (40.00), SW/4 NE/4, SE/4 NE/4, NW/4 NE/4
 T-22-N, R-118-W, SECS 22,26,27
 Section 22 - N/2
 Tract 39A which is also known as:
 Section 26 - Tract 39A (W/2 NW/4 SW/4)
 Section 27 - Tract 39A (E/2 NE/4 SE/4)
 Containing in the aggregate 1,759.00 acs, more or less

Lease No: 88849-F-0013-01
 Lessor: James Brent McKinnon Trust
 Lessee: MRC Rockies Company
 Lease Date: 06/26/2007
 Gross Acres: 474.7800
 Recording Info: 07/09/2007, Book 664, Page 820, Entry 931054
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-119-W, SEC 07; T-22-N, R-120-W, SECS 11,12 -
 A parcel of land situated in Sections 11 and 12 of Township 22 North, Range 120 West and Section 7 of Township 22 North, Range 119 West of the 6th Principal Meridian in Lincoln County, Wyoming, described as follows: Beginning at corner #3 of Resurvey Tract # 47 from whence the Southwest corner of said Section 7 bears South 30°00' West 38.75 chains; thence South 15.20 chains to north boundary of Leo Telford lands; thence West 108.47 chains to a point situated in the center of the channel through which the Bear River flows; thence on a meander of the central thread of Bear River, North 27°08' East 1.35 chains; North 24°24' East 11.86 chains; North 33°09' East 11.71 chains; south 58°00' East 10.38 chains; North 15°53' East 12.79 chains; North 25°57' West 4.11 chains; South 71°34' West 1.90 chains; South 76°30' West 5.14 chains; South 51°54' West 6.48 chains; North 62°54' West 9.44 chains; North 42°14' East 9.60 chains to the end of said meander of Bear River; the intent being to deed to the center of said channel as measured midway from the top of the bank escarpments at normal ground levels; thence East 119.89 chains ; thence South 22.71 chains to Corner #2 of said tract # 47; thence West 20 chains to place of beginning. Containing 418.78 acres more or less.
 Also Included: Beginning at a point in the West line of the O.S L. now known as U.P. right of way which point is South 0°04' East, 21.72 chains and West 2004 feet of the East quarter corner of Section 7, Township 22 North, Range 119 West of the Sixth Principal Meridian in Lincoln County, Wyoming, and running thence West 1886 feet, more or less, to the West boundary line of tract 54, which point is identical with the East boundary line of Tract 47; running thence North along the West boundary line 15.20 chains to the corner No. 4 of Tract 54, which point is identical with the corner No. 3 of Tract 47; thence East 20

Exhibit A

chains along the North boundary line of Tract 54, which line is identical with the South boundary line of Tract 47, to corner No.1 of Tract 54, which point is identical with corner No. 2 of Tract 47; thence North 6.54 chains along East boundary of Tract 47; thence South 89°58' East 1000 feet, more or less to the West boundary line of the O.S.L. Railroad right of way; thence Southwesterly in said West line of the said O.S.L. right of way 1476 feet more or less to the place of beginning.

T-22-N, R-119-W, SEC 07 - 25.23 acs more or less described as follows: Beginn, R-ing at Corner No. 3 of Resurvey Tract No. 47 from whence the Southwest corner of said Section 7 bears South 30 deg 00' West, 38.75 chains; thence South 15.20 chains; thence West 16.60 chains; thence North 15.20 chains; thence East 16.60 chains to the point of beginning,

Lease No: 88849-F-0013-02
Lessor: Ross K & Debra R McKinnon Revocable Trust
Lessee: MRC Rockies Company
Lease Date: 06/26/2007
Gross Acres: 449.5500
Recording Info: 07/09/2007, Book 664, Page 817, Entry 931053
State: Wyoming
County: Lincoln
Legal Description: T-22-N, R-119-W, SEC 07; T-22-N, R-120-W, SECS 11,12 -

A parcel of land situated in Sections 11 and 12 of Township 22 North, Range 120 West and Section 7 of Township 22 North, Range 119 West of the 6th Principal Meridian in Lincoln County, Wyoming, described as follows: Beginning at corner #3 of Resurvey Tract # 47 from whence the Southwest corner of said Section 7 bears South 30°00' West 38.75 chains; thence South 15.20 chains to north boundary of Leo Telford lands; thence West 108.47 chains to a point situate in the center of the channel through which the Bear River flows; thence on a meander of the central thread of Bear River, North 27°08' East 1.35 chains; North 24°24' East 11.86 chains; North 33°09' East 11.71 chains; south 58°00' East 10.38 chains; North 15°53' East 12.79 chains; North 25°57' West 4.11 chains; South 71°34' West 1.90 chains; South 76°30' West 5.14 chains; South 51°54' West 6.48 chains; North 62°54' West 9.44 chains; North 42°14' East 9.60 chains to the end of said meander of Bear River; the intent being to deed to the center of said channel as measure midway from the top of the bank escarpments at normal ground levels; thence East 119.89 chains ; thence South 22.71 chains to Corner #2 of said tract # 47; thence West 20 chains to place of beginning. Containing 418.78 acres more or less.

Also Included: Beginning at a point in the West line of the O.S L. now known as U.P. right of way which point is South 0°04' East ,21.72 chains and West 2004 feet of the East quarter corner of Section 7, Township 22 North, Range 119 West of the Sixth Principal Meridian in Lincoln County, Wyoming, and running thence West 1886 feet, more or less, to the West boundary line of tract 54, which point is identical with the East boundary line of Tract 47; running thence North along the West boundary line 15.20 chains to the corner No. 4 of Tract 54, which point is identical with the corner No. 3 of Tract 47; thence East 20 chains along the North boundary line of Tract 54, which line is identical with the South boundary line of Tract 47, to corner No.1 of Tract 54, which point is identical with corner No. 2 of Tract 47; thence North 6.54 chains along East boundary of Tract 47; thence South 89°58' East 1000 feet, more or less to the West boundary line of the O.S.L. Railroad right of way; thence Southwesterly in said West line of the said O.S.L. right of way 1476 feet more or less to the place of beginning.

EXCEPTING therefrom the following:

A parcel of land situated in Section 7, Township 22 North, Range 119 West, of the 6th P.M., in Lincoln County, Wyoming, described as follows:

Beginning at corner No. 3 of Resurvey Tract 47 from whence the Southwest corner of said Section 7 bears South 30° 00' West, 38.75 chains; thence South 15.20 chains; thence West 16.6 chains; thence North 15.20 chains; thence East 16.6 chains to a point of beginning, said exception containing 25.23 acres, more or less.

Lease No: 88849-F-0013-03
 Lessor: Douglas Lynn McKinnon
 Lessee: MRC Rockies Company
 Lease Date: 06/26/2007
 Gross Acres: 449.5500
 Recording Info: 07/23/2007, Book 666, Page 559, Entry 931515
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-119-W, SEC 07; T-22-N, R-120-W, SECS 11,12 -

A parcel of land situated in Sections 11 and 12 of Township 22 North, Range 120 West and Section 7 of Township 22 North, Range 119 West of the 6th Principal Meridian in Lincoln County, Wyoming, described as follows: Beginning at corner #3 of Resurvey Tract # 47 from whence the Southwest corner of said Section 7 bears South 30°00' West 38.75 chains; thence South 15.20 chains to north boundary of Leo Telford lands; thence West 108.47 chains to a point situated in the center of the channel through which the Bear River flows; thence on a meander of the central thread of Bear River, North 27°08' East 1.35 chains; North 24°24' East 11.86 chains; North 33°09' East 11.71 chains; south 58°00' East 10.38 chains; North 15°53' East 12.79 chains; North 25°57' West 4.11 chains; South 71°34' West 1.90 chains; South 76°30' West 5.14 chains; South 51°54' West 6.48 chains; North 62°54' West 9.44 chains; North 42°14' East 9.60 chains to the end of said meander of Bear River; the intent being to deed to the center of said channel as measure midway from the top of the bank escarpments at normal ground levels; thence East 119.89 chains ; thence South 22.71 chains to Corner #2 of said tract # 47; thence West 20 chains to place of beginning. Containing 418.78 acres more or less.

Also Included: Beginning at a point in the West line of the O.S.L. now known as U.P. right of way which point is South 0°04' East, 21.72 chains and West 2004 feet of the East quarter corner of Section 7, Township 22 North, Range 119 West of the Sixth Principal Meridian in Lincoln County, Wyoming, and running thence West 1886 feet, more or less, to the West boundary line of Tract 54, which point is identical with the East boundary line of Tract 47; running thence North along the West boundary line 15.20 chains to the corner No.4 of Tract 54, which point is identical with the corner No. 3 of Tract 47; thence East 20 chains along the North boundary line of Tract 54, which line is identical with the South boundary line of Tract 47, to corner No.1 of Tract 54, which point is identical with corner No. 2 of Tract 47; thence North 6.54 chains along East boundary of Tract 47; thence South 89°58' East 1000 feet, more or less to the West boundary line of the O.S.L. Railroad right of way; thence Southwesterly in said West line of the said O.S.L. right of way 1476 feet more or less to the place of beginning.

EXCEPTING therefrom the following:

A parcel of land situated in Section 7, Township 22 North, Range 119 West, of the 6th P.M., in Lincoln County, Wyoming, described as follows:
 Beginning at corner No. 3 of Resurvey Tract 47 from whence the Southwest corner of said Section 7 bears South 30° 00' West, 38.75 chains; thence South 15.20 chains; thence West 16.6 chains; thence North 15.20 chains; thence East 16.6 chains to a point of beginning, said exception containing 25.23 acres, more or less.

Lease No: 88849-F-0014-01
 Lessor: Patricia Ann and Everett D Peterson
 Lessee: MRC Rockies Company
 Lease Date: 07/10/2007
 Gross Acres: 1888.5838
 Recording Info: 07/23/2007, Book 666, Page 545, Entry 931510
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-118-W, SEC 06

Section 6: Lots 9(54.30), 14, (40.00), 17(40.00), 23 (6.06), 24(4.69) and 25 (39.70) T-24-N, R-119-W, SEC 01

Section 1: Lots 7(54.02), 8 (54.02), 9(54.04), 10 (0.55), 12(0.54), 15 (0.53), now described as part of Resurvey Tract 98 Tracts 97H(10.12), 97I(40.00), 97J (40.00), 97K (40.00) and Lot 46(29.91)
 T-25-N, R-118-W, SECS 21,22,28,29,32,33

Section 21: Lot 16 (3.44)

Section 22: Lot 6 (3.42), 17(10.36), 25(30.10), 26(9.95), 27(30.05), 28(19.70), 29(20.30), 30(30.17)

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Section 28: Lots 5(26.20), 6(26.17), 20(6.42), 21(33.58), W/2NW/4, N/2SE/4
Section 29: Lots 23 (26.73), 24(26.12), SE/4NE/4, NE/4SE/4
Section 32: Tract 40(160.05) LESS AND EXCEPT: a parcel of land 300ft X 300ft in the Southwest corner of Tract 40 (2.0661157) containing 157.98389 acres, more or less.
Section 32: Lots 3(3.36), 4(10.52), 15(19.81) and 16(6.31)
Section 33: Tract 39 (640.03)

Lease No: 88849-F-0014-02
Lessor: Ernest A and Karen Thornock
Lessee: MRC Rockies Company
Lease Date: 07/10/2007
Gross Acres: 1888.5838
Recording Info: 07/23/2007, Book 666, Page 553, Entry 931513
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-118-W, SEC 06

Section 6: Lots 9(54.30), 14, (40.00), 17(40.00), 23 (6.06), 24(4.69) and 25 (39.70)
T-24-N, R-119-W, SEC 01

Section 1: Lots 7(54.02), 8 (54.02), 9(54.04), 10 (0.55), 12(0.54), 15 (0.53), now described as part of Resurvey Tract 98 Tracts 97H(10.12), 97I(40.00), 97J (40.00), 97K (40.00) and Lot 46(29.91)
T-25-N, R-118-W, SECS 21,22,28,29,32,33

Section 21: Lot 16 (3.44) 17(10.36), 25(30.10), 26(9.95), 27(30.05), 28(19.70), 29(20.30), 30(30.17)
Section 22: Lot 6 (3.42)

Section 28: Lots 5(26.20), 6(26.17), 20(6.42), 21(33.58), W/2NW/4, N/2SE/4
Section 29: Lots 23 (26.73), 24(26.12), SE/4NE/4, NE/4SE/4
Section 32: Tract 40(160.05) LESS AND EXCEPT: a parcel of land 300ft X 300ft in the Southwest corner of Tract 40 (2.0661157) containing 157.98389 acres, more or less.
Section 32: Lots 3(3.36), 4(10.52), 15(19.81) and 16(6.31)
Section 33: Tract 39 (640.03)

Lease No: 88849-F-0014-03
Lessor: J Russell Thornock
Lessee: MRC Rockies Company
Lease Date: 07/10/2007
Gross Acres: 1888.5838
Recording Info: 07/23/2007, Book 666, Page 556, Entry 931514
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-118-W, SEC 06

Section 6: Lots 9(54.30), 14, (40.00), 17(40.00), 23 (6.06), 24(4.69) and 25 (39.70)
T-24-N, R-119-W, SEC 01

Section 1: Lots 7(54.02), 8 (54.02), 9(54.04), 10 (0.55), 12(0.54), 15 (0.53), now described as part of Resurvey Tract 98 Tracts 97H(10.12), 97I(40.00), 97J (40.00), 97K (40.00) and Lot 46(29.91)
25N118W21,22,28,29,32,33

Section 21: Lot 16 (3.44) 17(10.36), 25(30.10), 26(9.95), 27(30.05), 28(19.70), 29(20.30), 30(30.17)
Section 22: Lot 6 (3.42)

Section 28: Lots 5(26.20), 6(26.17), 20(6.42), 21(33.58), W/2NW/4, N/2SE/4
Section 29: Lots 23 (26.73), 24(26.12), SE/4NE/4, NE/4SE/4
Section 32: Tract 40(160.05) LESS AND EXCEPT: a parcel of land 300ft X 300ft in the Southwest corner of Tract 40 (2.0661157) containing 157.98389 acres, more or less.
Section 32: Lots 3(3.36), 4(10.52), 15(19.81) and 16(6.31)
Section 33: Tract 39 (640.03)

Exhibit A

Lease No: 88849-F-0015-01
Lessor: J Russell Thornock
Lessee: MRC Rockies Company
Lease Date: 07/19/2007
Gross Acres: 419.8200
Recording Info: 08/14/2007, Book 668, Page 790, Entry 932144
State: Wyoming
County: Lincoln
Legal Description: T-22-N, R-119-W and T-22-N, R-120-W

A parcel of land situated in Section 1, 11, 12 of Township 22 North, Range 120 West and Sections 6 and 7 of Township 22 North, Range 119 West of the 6th Principal Meridian in Lincoln County, Wyoming, described in particular by metes and bounds referred to in the plats made by the General Land Office of the United States of America under date of March 31, 1909, and the amendments thereto, as follows, to-wit:

Beginning at a point upon the East boundary of Tract 47 from whence the Northwest corner of said Section 7 bears South 72°08' West, 42.18 chains, thence West 109.17 chains along the South boundary of the land known as the North Part of the MJB Lands to a point situated in the center of the channel through which Bear River flows; thence meandering the central thread of the channel of Bear River, South 14°07' West 13.03 chains; North 83°51' West 6.54 chains; South 46°38' East 7.43 chains; South 14°25' East 3.61 chains; South 23°35' West 17.24 chains; South 42°14' West 0.66 chains to the end of said meander; thence East 119.89 chains to a point on the East boundary of said Tract 47; thence North 36.83 chains to the point of beginning; containing 419.82 acres, more or less.

Lease No: 88849-F-0015-02
Lessor: Aden Kay & Kathleen Thornock
Lessee: MRC Rockies Company
Lease Date: 07/19/2007
Gross Acres: 419.8200
Recording Info: 08/06/2007, Book 668, Page 073, Entry 931907
State: Wyoming
County: Lincoln
Legal Description: T-22-N, R-119-W, SECS 06,07 and T-22-N, R-120-W, SECS 01,11,12

A parcel of land situated in Section 1, 11, 12 of Township 22 North, Range 120 West and Sections 6 and 7 of Township 22 North, Range 119 West of the 6th Principal Meridian in Lincoln County, Wyoming, described in particular by metes and bounds referred to in the plats made by the General Land Office of the United States of America under date of March 31, 1909, and the amendments thereto, as follows, to wit:

Beginning at a point upon the East boundary of Tract 47 from whence the Northwest corner of said Section 7 bears South 72°08' West, 42.18 chains, thence West 109.17 chains along the South boundary of the land known as the North Part of the MJB Lands to a point situated in the center of the channel through which Bear River flows; thence meandering the central thread of the channel of Bear River, South 14°07' West 13.03 chains; North 83°51' West 6.54 chains; South 46°38' East 7.43 chains; South 14°25' East 3.61 chains; South 23°35' West 17.24 chains; South 42°14' West 0.66 chains to the end of said meander; thence East 119.89 chains to a point on the East boundary of said Tract 47; thence North 36.83 chains to the point of beginning; containing 419.82 acres, more or less.

Lease No: 88849-F-0016-01
Lessor: Raymond T Petersen Family Trust
Lessee: MRC Rockies Company
Lease Date: 05/28/2007
Gross Acres: 1339.7000
Recording Info: 06/25/2007, Book 663, Page 278, Entry 930648
State: Wyoming
County: Lincoln
Legal Description: T-22-N, R-119-W, SEC 06 - 278.52 acs more or less being Lot 9 (40.07), Lot 10 (25.47), Lot 17 (7.12), Lot 20 (32.72), Lot 21 (33.98), Lot 35 (37.23), and that portion of the E/2 E/2 lying Westerly from the center-line of the Oregon Short Line Railroad (Union Pacific Railroad Company) right-of-way

T-23-N, R-119-W, SECS 14,17,20,21,23,29,31 - 1,061.18 acs more or less described as follows:
Section 14 - Lot 23 (23.64)
Section 17 - Lot 15 (17.03), Lot 32 (21.31)

Section 20 - Lot 1 (21.67), Lot 17 (22.02), Lot 18 (22.37), Lot 29 (22.72), and part of Tract #49 being that portion lying Easterly from the center-line of the Oregon Short Line Railroad (Union Pacific Railroad Company) right-of-way
 Section 21 - S/2 S/2
 Section 23 - Lot 3 (27.50), Lot 4 (27.46), E/2 NW/4
 Section 29 - Lot 1 (36.40), Lot 4 (18.03), Lot 16 (22.89), Lot 18 (36.41), SE NE, NE SE, and part of Tract #45, being that portion of the NE/4 lying Easterly from the center-line of the Oregon Short Line Railroad (Union Pacific Railroad Company) right-of-way
 Section 31 - Lot 32 (31.59), Lot 34 (17.13)

Containing in the aggregate 1339.70 acs, more or less

Lease No: 88849-F-0016-02
 Lessor: Richard D & Joanna M Petersen, Individually and as Trustees of the Richard D Petersen Family Trust
 Lessee: MRC Rockies Company
 Lease Date: 05/28/2007
 Gross Acres: 1339.7000
 Recording Info: 06/15/2007, Book 662, Page 113, Entry 930377
 State: Wyoming
 County: Lincoln

Legal Description: T-22-N, R-119-W, SEC 06 - 278.52 acs more or less being Lot 9 (40.07), Lot 10 (25.47), Lot 17 (7.12), Lot 20 (32.72), Lot 21 (33.98), Lot 35 (37.23), and that portion of the E/2 E/2 lying Westerly from the center-line of the Oregon Short Line Railroad (Union Pacific Railroad Company) right-of-way
 T-23-N, R-119-W, SECS 14,17,20,21,23,29,31 - 1061.18 acs more or less described as follows:
 Section 14 - Lot 23 (23.64)
 Section 17 - Lot 15 (17.03), Lot 32 (21.31)
 Section 20 - Lot 1 (21.67), Lot 17 (22.02), Lot 18 (22.37), Lot 29 (22.72), and part of Tract #49 being that portion lying Easterly from the center-line of the Oregon Short Line Railroad (Union Pacific Railroad Company) right-of-way
 Section 21 - S/2 S/2
 Section 23 - Lot 3 (27.50), Lot 4 (27.46), E/2 NW/4
 Section 29 - Lot 1 (36.40), Lot 4 (18.03), Lot 16 (22.89), Lot 18 (36.41), SE NE, NE SE, and part of Tract #45, being that portion of the NE/4 lying Easterly from the center-line of the Oregon Short Line Railroad (Union Pacific Railroad Company) right-of-way
 Section 31 - Lot 32 (31.59), Lot 34 (17.13)

Containing in the aggregate 1339.70 acs, more or less

Lease No: 88849-F-0016-03
 Lessor: Robert N Petersen and Carol D Petersen
 Lessee: MRC Rockies Company
 Lease Date: 05/28/2007
 Gross Acres: 1339.7000
 Recording Info: 06/28/2007, Book 663, Page 805, Entry 930772
 State: Wyoming
 County: Lincoln

Legal Description: T-22-N, R-119-W, SEC 06 - 278.52 acs more or less being Lot 9 (40.07), Lot 10 (25.47), Lot 17 (7.12), Lot 20 (32.72), Lot 21 (33.98), Lot 35 (37.23), and that portion of the E/2 E/2 lying Westerly from the center-line of the Oregon Short Line Railroad (Union Pacific Railroad Company) right-of-way
 T-23-N, R-119-W, SECS 14,17,20,21,23,29,31 - 1061.18 acs more or less described as follows:
 Section 14 - Lot 23 (23.64)
 Section 17 - Lot 15 (17.03), Lot 32 (21.31)
 Section 20 - Lot 1 (21.67), Lot 17 (22.02), Lot 18 (22.37), Lot 29 (22.72), and part of Tract #49 being that portion lying Easterly from the center-line of the Oregon Short Line Railroad (Union Pacific Railroad Company) right-of-way
 Section 21 - S/2 S/2
 Section 23 - Lot 3 (27.50), Lot 4 (27.46), E/2 NW/4
 Section 29 - Lot 1 (36.40), Lot 4 (18.03), Lot 16 (22.89), Lot 18 (36.41), SE/4 NE/4, NE/4 SE/4, and part of Tract #45, being that portion of the NE/4 lying Easterly from the

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center-line of the Oregon Short Line Railroad (Union Pacific Railroad Company) right-of-way
Section 31 - Lot 32 (31.59), Lot 34 (17.13)

Containing in the aggregate 1339.70 acs, more or less

Lease No: 88849-F-0017-01
Lessor: Judy Ann Julian
Lessee: MRC Rockies Company
Lease Date: 03/07/2007
Gross Acres: 433.5800
Recording Info: 04/06/2007, Book 653, Page 700, Entry 928200
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-117-W, SECS 02; 25N116W32 - 433.58 acs more or less described as follows:

T-24-N, R-117-W, SEC 02 - Lot 5 (57.19), Lot 7 (56.92), Lot 10 (40.00), Lot 11 (40.00), Lot 12 (39.47) and Lot 14 (40.00) of Section 2;

T-25-N, R-116-W, SEC 32 - E/2 SE/4, SW/4 SE/4 and SE/4 SW/4 of Section 32

Lease No: 88849-F-0017-02
Lessor: David James Roberts
Lessee: MRC Rockies Company
Lease Date: 03/07/2007
Gross Acres: 433.5800
Recording Info: 04/06/2007, Book 653, Page 696, Entry 928198
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-117-W, SEC 02; T-25-N, R-116-W, SEC 32 - 433.58 acs more or less described as follows:

T-24-N, R-117-W, SEC 02 - Lot 5 (57.19), Lot 7 (56.92), Lot 10 (40.00), Lot 11 (40.00), Lot 12 (39.47) and Lot 14 (40.00) of Section 2;

T-25-N, R-116-W, SEC 32 - E/2 SE/4, SW/4 SE/4 and SE/4 SW/4 of Section 32

Lease No: 88849-F-0017-03
Lessor: James E Roberts
Lessee: MRC Rockies Company
Lease Date: 03/07/2007
Gross Acres: 433.5800
Recording Info: 04/06/2007, Book 653, Page 692, Entry 928196
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-117-W, SEC 02; 25N116W32 - 433.58 acs more or less described as follows:

T-24-N, R-117-W, SEC 02 - Lot 5 (57.19), Lot 7 (56.92), Lot 10 (40.00), Lot 11 (40.00), Lot 12 (39.47) and Lot 14 (40.00) of Section 2;

T-25-N, R-116-W, SEC 32 - E/2 SE/4, SW/4 SE/4 and SE/4 SW/4 of Section 32

Lease No: 88849-F-0017-04
Lessor: Linda Kay Roberts
Lessee: MRC Rockies Company
Lease Date: 03/07/2007
Gross Acres: 433.5800
Recording Info: 04/06/2007, Book 653, Page 694, Entry 928197
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-117-W, SEC 02; 25N116W32 - 433.58 acs more or less described as follows:

T-24-N, R-117-W, SEC 02 - Lot 5 (57.19), Lot 7 (56.92), Lot 10 (40.00), Lot 11 (40.00), Lot 12 (39.47) and Lot 14 (40.00) of Section 2;

T-25-N, R-116-W, SEC 32 - E/2 SE/4, SW/4 SE/4 and SE/4 SW/4 of Section 32

Lease No: 88849-F-0017-05
 Lessor: Steven Jon Roberts
 Lessee: MRC Rockies Company
 Lease Date: 03/07/2007
 Gross Acres: 433.5800
 Recording Info: 04/06/2007, Book 653, Page 698, Entry 928199
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-117-W, SEC 02; 25N116W32 - 433.58 acs more or less described as follows:

T-24-N, R-117-W, SEC 02 - Lot 5 (57.19), Lot 7 (56.92), Lot 10 (40.00), Lot 11 (40.00), Lot 12 (39.47) and Lot 14 (40.00) of Section 2;
 T-25-N, R-116-W, SEC 32 - E/2 SE/4, SW/4 SE/4 and SE/4 SW/4 of Section 32

Lease No: 88849-F-0017-06
 Lessor: Jennifer J Votruba
 Lessee: MRC Rockies Company
 Lease Date: 03/07/2007
 Gross Acres: 433.5800
 Recording Info: 04/06/2007, Book 653, Page 702, Entry 928201
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-117-W, SEC 02; 25N116W32 - 433.58 acs more or less described as follows:

T-24-N, R-117-W, SEC 02 - Lot 5 (57.19), Lot 7 (56.92), Lot 10 (40.00), Lot 11 (40.00), Lot 12 (39.47) and Lot 14 (40.00) of Section 2;
 T-25-N, R-116-W, SEC 32 - E/2 SE/4, SW/4 SE/4 and SE/4 SW/4 of Section 32

Lease No: 88849-F-0018-01
 Lessor: Evan H and Dotty Jo Pope
 Lessee: MRC Rockies Company
 Lease Date: 05/01/2007
 Gross Acres: 4628.8400
 Recording Info: 06/04/2007, Book 660, Page 492, Entry 929984
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-119-W, SECS 12,13,14,15,16,21,22,23,24,25, 1,842.44 acs more or less described as follows:

Section 12: S/2S/2
 Section 13: N/2NW/4, NW/4NE/4, Lot 1(16.28), Lot 13 (44.58), Lot 14(32.84), Tract 114-A (12.31), Tract 114-B (40.80), Tract 114-C (40.48), Tract 114-D (40.80), Tract 114-E (11.92), Tract 115-A (40.00), Tract 115-B (40.80), Tract 115-C (40.80), Tract 115-D (11.70)
 Section 14: Lot 7 (28.31), Lot 22 (26.66), Tract 61-A (40.00), W/2 of Tract 61-B (20.00) part in Section 23
 Section 15: S/2SE/4
 Section 16: Lot 26(24.69), Lot 27(35.12), Lot 28(10.44), all in Tract 60
 Section 16: Lot 24 (24.72), Lot 25 (10.43), each in Tract 52
 Section 21: Lot 4(27.77), Lot 5(40.00), Lot 6(12.23), Lot 13 (4.91), Lot 12(1.53), Lot 16(3.38), all in Tract 60
 Section 21: Lot 14(35.09), Lot 15(24.02), Lot 11(11.07), Lot 24(40.00), Lot 23 (27.00), Lot 25 (13.01), Lot 30(1.63), Lot 31(4.86), Lot 34 (3.21), all in Tract 53
 Section 21: Lot 2(27.80), Lot 3 (12.23), Lot 18(27.40), Lot 17(12.60), Lot 21(27.00), Lot 22(13.00), Lot 35 (1.57), Lot 38(3.16), all in Tract 52
 Section 21: Lot 20 (13.00), Lot 39 (1.55)
 Section 22: Lot 3 (4.77), Lot 4(4.71), N/2SW/4, SE/4NW/4, SW/4NE/4, N/2NE/4
 Section 23: Lot 9 (26.64)
 Section 24: E/40.00 acres of Tract 62, E/2NW/4SW/4, E/2 of Lot 8(17.54), Lot 7(36.72), SW/4NE/4
 Section 25: Lot 1(12.46), Lot 6(37.12), Lot 4(12.45), Lot 9(2.90), Lot 7(4.42), all in Tract 111
 T-24-N, R-118-W, SECS 07,08,18,19 - 632.28 acs more or less, described as follows:
 Section 7: Lot 14(4.33), Lot 15(35.42), SE/4SW/4, S/2SE/4
 Section 8: W/2SW/4
 Section 18: Lot 5 (35.46), Lot 6(35.50), E/2NW/4, NE/4SW/4

Section 18 & 19: Tract 115-E (29.10)
Section 19: Lot 6 (35.68), Lot 7 (35.72), Lot 9 (31.99), NE/4NW/4
Section 18: Tract 114-F (29.08)

T-22-N, R-119-W, SECS 30,31 - 433.42 acs more or less described as follows:
Section 30: Lot 12(38.39), SE/4SW/4, SW/4SE/4
Section 31: Lot 9(38.27), Lot 10(38.35), Lot 11(38.41), W/2NE/4, SE/4NE/4, E/2NW/4

T-23-N, R-119-W, SECS 24,25 - 1,092.70 acs more or less, described as follows:
That certain Tract in Sections 24 and 25 in Township 23 North. Range 120 West, 6th PM and Sections 19, 20, 29, and 30 in Township 23 North, Range 119 West, 6th PM and more particularly described in that certain Warranty Deed dated January 18, 1995 from Margaret A. McKinnon to Evan H. Pope and wife, Dotty Jo Pope as recorded in Book 363, Page 689 of the Photostatic Records of Lincoln County, Wyoming. containing 1646.00 acres, more or less. LESS AND EXCEPT: That part of a tract of land in Sections 24 and 25 in Township 23 North, Range 120 West, 6th PM, and Sections 19 and 30 in Township 23 North, Range 119 West, 6th P.M. and more particularly described in that certain Warranty Deed dated May 1, 2000 from Evan 1-1. Pope and wife, Dotty Jo Pope to Margaret A. McKinnon as recorded in Book 458, Page 496 of the Photostatic Records of Lincoln County, Wyoming. containing 554 acres, more or less.

T-23-N, R-120-W; T-23-N, R-119-W, SECS 19,20,29,30 - 628.00 acs more or less described as follows:
That part of Tracts 44, 45, 71 and 72 of Township 23 North, Range 119 West, 6th PM and Township 23 North, Range 120 West, 6th PM and more particularly described in that certain Warranty Deed dated May 2, 1972 from Joseph J. Buckley and wife, Bonnie Buckley to Evan Pope and wife, Dotty Jo Pope as recorded in Book 233, Page 228 of the Photostatic Records of Lincoln County, Wyoming.

Lease No: 88849-F-0018-02
Lessor: Joseph J Buckley and Janet Buckley
Lessee: MRC Rockies Company
Lease Date: 07/30/2007
Gross Acres: 2656.1800
Recording Info: 08/20/2007, Book 669, Page 449, Entry 932318
State: Wyoming
County: Lincoln

T-23-N, R-119-W, SECS 24,25 - 1,092.70 acs more or less, described as follows:
That certain Tract in Sections 24 and 25 in Township 23 North. Range 120 West, 6th PM and Sections 19, 20, 29, and 30 in Township 23 North, Range 119 West, 6th PM and more particularly described in that certain Warranty Deed dated January 18, 1995 from Margaret A. Mckinnon to Evan H. Pope and wife, Dotty Jo Pope as recorded in Book 363, Page 689 of the Photostatic Records of Lincoln County, Wyoming. containing 1646.00 acres, more or less. LESS AND EXCEPT: That part of a tract of land in Sections 24 and 25 in Township 23 North, Range 120 West, 6th PM, and Sections 19 and 30 in Township 23 North, Range 119 West, 6th PM, and more particularly described in that certain Warranty Deed dated May 1, 2000 from Evan H. Pope and wife, Dotty Jo Pope to Margaret A. McKinnon as recorded in Book 458, Page 496 of the Photostatic Records of Lincoln County, Wyoming. containing 554 acres, more or less.

T-23-N, R-120-W; T-23-N, R-119-W, SECS 19,20,29,30 - 628.00 acs more or less described as follows:
That part of Tracts 44, 45, 71 and 72 of Township 23 North, Range 119 West, 6th PM and Township 23 North, Range 120 West, 6th PM and more particularly described in that certain Warranty Deed dated May 2, 1972 from Joseph J. Buckley and wife, Bonnie Buckley to Evan Pope and wife, Dotty Jo Pope as recorded in Book 233, Page 228 of the Photostatic Records of Lincoln County, Wyoming.

T-23-N, R-120-W, SECS 22,23,35 - 773.00 acs more or less described as follows:
Section 22 - 80.00 acs being the SW/4 SE/4, SE/4 SE/4
Section 23 - 80.00 acs being the SW/4 SW/4, SE/4 SW/4
Section 35 - 223.00 acs being the North 2,331 feet and being situated Westerly of the centerline of the Cokeville-Utah line County Road No. 12-207; and
Tract 37 - 390.00 acs being All of Tract 37 and situated Westerly of the centerline of the Cokeville-Utah County Road No. 12-207

T-23-N, R-120-W, SEC 35 - 162.48 acs more or less described as being the South 2,949 feet of Section 35, T-23-N, R-120-W, lying and being situated westerly of the centerline of Cokeville-Utah Line County Road No. 12-207

Exhibit A

Lease No: 88849-F-0018-03
Lessor: William S Buckley and Bonnie Buckley
Lessee: MRC Rockies Company
Lease Date: 07/30/2007
Gross Acres: 2656.1800
Recording Info: 08/20/2007, Book 669, Page 452, Entry 932319
State: Wyoming
County: Lincoln
Legal Description: T-23-N, R-119-W, SECS 24,25 - 1,092.70 acs more or less, described as follows:
That certain Tract in Sections 24 and 25 in Township 23 North, Range 120 West, 6th PM and Sections 19, 20, 29, and 30 in Township 23 North, Range 119 West, 6th PM and more particularly described in that certain Warranty Deed dated January 18, 1995 from Margaret A. McKinnon to Evan H. Pope and wife, Dotty Jo Pope as recorded in Book 363, Page 689 of the Photostatic Records of Lincoln County, Wyoming, containing 1646.00 acres, more or less. LESS AND EXCEPT: That part of a tract of land in Sections 24 and 25 in Township 23 North, Range 120 West, 6th PM, and Sections 19 and 30 in Township 23 North, Range 119 West, 6th PM, and more particularly described in that certain Warranty Deed dated May 1, 2000 from Evan H. Pope and wife, Dotty Jo Pope to Margaret A. McKinnon as recorded in Book 458, Page 496 of the Photostatic Records of Lincoln County, Wyoming, containing 554 acres, more or less.

T-23-N, R-120-W; T-23-N, T-119-W, SECS 19,20,29,30 - 628.00 acs more or less described as follows:
That part of Tracts 44, 45, 71 and 72 of Township 23 North, Range 119 West, 6th PM and Township 23 North, Range 120 West, 6th PM and more particularly described in that certain Warranty Deed dated May 2, 1972 from Joseph J. Buckley and wife, Bonnie Buckley to Evan Pope and wife, Dotty Jo Pope as recorded in Book 233, Page 228 of the Photostatic Records of Lincoln County, Wyoming.

T-23-N, R-120-W, SECS 22,23,35 - 773.00 acs more or less described as follows:
Section 22 - 80.00 acs being the SW/4 SE/4, SE/4 SE/4
Section 23 - 80.00 acs being the SW/4 SW/4, SE/4 SW/4
Section 35 - 223.00 acs being the North 2,331 feet and being situated Westerly of the centerline of the Cokeville-Utah line County Road No. 12-207; and
Tract 37 - 390.00 acs being All of Tract 37 and situated Westerly of the centerline of the Cokeville-Utah County Road No. 12-207

T-23-N, R-120-W, SEC 35 - 162.48 acs more or less described as being the South 2,949 feet of Section 35, T-23-N, R-120-W, lying and being situated westerly of the centerline of Cokeville-Utah Line County Road No. 12-207

Lease No: 88849-F-0018-04
Lessor: Ernest A and Karen Thornock
Lessee: MRC Rockies Company
Lease Date: 07/30/2007
Gross Acres: 773.0000
Recording Info: 08/27/2007, Book 670, Page 092, Entry 932500
State: Wyoming
County: Lincoln
Legal Description: T-23-N, R-120-W, SECS 22,23,35 - 773.00 acs more or less described as follows:
Section 22 - 80.00 acs being the SW/4 SE/4, SE/4 SE/4
Section 23 - 80.00 acs being the SW/4 SW/4, SE/4 SW/4
Section 35 - 223.00 acs being the North 2,331 feet and being situated Westerly of the centerline of the Cokeville-Utah line County Road No. 12-207; and
Tract 37 - 390.00 acs being All of Tract 37 and situated Westerly of the centerline of the Cokeville-Utah County Road No. 12-207

Exhibit A

Lease No: 88849-F-0019-00
Lessor: R & L Johnson Properties LLC by Robert M and Larue E Johnson
Lessee: MRC Rockies Company
Lease Date: 06/26/2007
Gross Acres: 322.3500
Recording Info: 07/09/2007, Book 664, Page 805, Entry 931049
State: Wyoming
County: Lincoln
Legal Description: T-22-N, R-120-W, SECS 21,27,28,33,34 - 322.35 acs more or less described as follows:
Section 21 & 28 - Tracts 54A(39.53), 54B (39.73), 54C (39.94), and 54D (40.14)
Section 28 - Lots 8 and 9 (40.02)
Section 27 - Lots 16 and 25 (0.37)
Section 33 - Lot 7 and the N/2 of Lot 8 (40.64)
Section 34 - Lot 6 and the N/2 of Lot 16 (0.39); and
The Robert M Johnson Exchange Parcel described as follows: That part of Tract 38, T-22-N, R-120-W, 6th PM, Lincoln County, WY, lying and being situated West of a line between Corner No. 6 of said Tract 38 identical with the NE/corner of said Lot 6 and Corner No. 3 of Tract 42 of said T-22-N, R-120-W, 6th PM, identical with the SE/corner of said Lot 16 in Section 27, containing 81.59 acres more or less.

Lease No: 88849-F-0020-00
Lessor: Sedey Ranch Inc
by John Sedey, President
Lessee: MRC Rockies Company
Lease Date: 06/25/2007
Gross Acres: 408.7200
Recording Info: 07/23/2007, Book 666, Page 550, Entry 931512
State: Wyoming
County: Lincoln
Legal Description: T-22-N, R-120-W, SECS 22,23,26 - 408.72 acs more or less out of Sections 22, 23, and 26 of T-22-N, R-12-W, bounded on the Westward side by a portion of the lands conveyed to Lawrence B Johnson by Beckwith Quinn and Company, as recorded in Book 196, Page 28 of the Photo Records of Lincoln County, Wyoming; bounded on the Eastward side by the middle channel thread of Bear River and bounded upon its North and South sides by lines bearing due East; described more particularly in that certain Quit Claim Deed dated March 27, 2000 from John Sedey Living Trust to Sedey Ranch Inc as recorded in Book 443, Page 387 of the Photo Records of Lincoln County, Wyoming

Lease No: 88849-F-0021-00
Lessor: Michael Sims
Lessee: MRC Rockies Company
Lease Date: 05/15/2007
Gross Acres: 1805.3400
Recording Info: 06/04/2007, Book 660, Page 483, Entry 929981
State: Wyoming
County: Lincoln
Legal Description: T-22-N, R-116-W, SECS 24,25,36, - 1,206.95 acs more or less, described as follows:
Section 24 - SE/4 (160.00)
Section 25 - Lot 1 (39.60), Lot 2 (38.79), Lot 3 (37.98), Lot 4 (38.73), Lot 5 (1.24), Lot 6 (2.00)
Section 25 - Lot 7 (1.20), Lot 8 (0.40), NE/4 (160.00), S/2 NW/4 (80.00), N/2 SW/4 (80.00), N/2 SE/4 (80.00)
Section 36 - N/2 Lot 7, being part of a line extended West from East-West line between 11 & 13 (15.00)
Section 36 - Lot 8 (40.10), Lot 9 (40.10), Lot 10 (40.10), Lot 11 (20.88), E/2 Lot 14 (20.05), Lot 15 (40.10)
Section 36 - Lot 16 (40.10), Lot 17 (40.10), Lot 18 (40.10), S/2 & NE/4 of Lot 19 (30.08)
Section 36 - Lot 24 (40.10), Lot 25 (40.10), Lot 26 (40.10)

T-22-N, R-115-W, SECS 19, 30, 31 - 598.39 acs more or less, described as follows:
Section 19 - Lot 3 (39.39), Lot 4 (39.52), Lot 37 (160.00)
Section 30 - Lot 1 (39.65), Lot 2 (39.80), Lot 3 (39.94), Lot 4 (40.09), E/2 SW/4 (80.00), SW/4 SE/4 (40.00)
Section 31 - NE/4 NW/4 (40.00), NW/4 NE/4 (40.00)

Exhibit A

Lease No: 88849-F-0022-01
Lessor: Bette R Stock
Lessee: MRC Rockies Company
Lease Date: 03/07/2007
Gross Acres: 292.1900
Recording Info: 04/06/2007, Book 653, Page 675, Entry 928190
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-117-W, SECS 10,15 - a parcel of land lying within the boundaries of Re-Surveyed T-24-N, R-117-W of the 6th PM and also lying within Tracts 66, 67 and 72 of said Re-Survey of said Township and Range, said parcel of land being more particularly described by metes and bounds as follows: Beginning at corner No. 4 of Tract 72 of the Re-Survey of T-24-N, R-117-W of the 6th PM, thence East 40.00 chains to Corner No. 1 of said Tract 72, thence South 20.00 chains, thence West 20.00 chains, thence South 57.50 chains, thence East 18.75 chains, thence South 5 chains, thence West 20 chains, thence North 105.00 chains to the place of beginning and containing 292.19 acres, more or less

Lease No: 88849-F-0022-02
Lessor: Dennis T Stock
Lessee: MRC Rockies Company
Lease Date: 03/07/2007
Gross Acres: 292.1900
Recording Info: 04/06/2007, Book 653, Page 678, Entry 928191
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-117-W, SECS 10,15 - a parcel of land lying within the boundaries of Re-Surveyed T-24-N, R-117-W of the 6th PM and also lying within Tracts 66, 67 and 72 of said Re-Survey of said Township and Range, said parcel of land being more particularly described by metes and bounds as follows: Beginning at corner No. 4 of Tract 72 of the Re-Survey of T-24-N, R-117-W of the 6th PM, thence East 40.00 chains to Corner No. 1 of said Tract 72, thence South 20.00 chains, thence West 20.00 chains, thence South 57.50 chains, thence East 18.75 chains, thence South 5.00 chains, thence West 20.00 chains, thence North 105.00 chains to the place of beginning and containing 292.19 acres, more or less

Lease No: 88849-F-0022-03
Lessor: Gary R Stock
Lessee: MRC Rockies Company
Lease Date: 03/07/2007
Gross Acres: 292.1900
Recording Info: 04/06/2007, Book 653, Page 684, Entry 928193
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-117-W, SECS 10,15 - a parcel of land lying within the boundaries of Re-Surveyed T-24-N, R-117-W of the 6th PM and also lying within Tracts 66, 67 and 72 of said Re-Survey of said Township and Range, said parcel of land being more particularly described by metes and bounds as follows: Beginning at corner No. 4 of Tract 72 of the Re-Survey of T-24-N, R-117-W of the 6th PM, thence East 40.00 chains to Corner No. 1 of said Tract 72, thence South 20.00 chains, thence West 20.00 chains, thence South 57.50 chains, thence East 18.75 chains, thence South 5.00 chains, thence West 20.00 chains, thence North 105.00 chains to the place of beginning and containing 292.19 acres, more or less

Exhibit A

Lease No: 88849-F-0022-04
Lessor: Robert F Stock
Lessee: MRC Rockies Company
Lease Date: 03/07/2007
Gross Acres: 292.1900
Recording Info: 04/06/2007, Book 653, Page 681, Entry 928192
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-117-W, SECS 10,15 - a parcel of land lying within the boundaries of Re-Surveyed T-24-N, R-117-W of the 6th PM and also lying within Tracts 66, 67 and 72 of said Re-Survey of said Township and Range, said parcel of land being more particularly described by metes and bounds as follows: Beginning at corner No. 4 of Tract 72 of the Re-Survey of T-24-N, R-117-W of the 6th PM, thence East 40.00 chains to Corner No. 1 of said Tract 72, thence South 20.00 chains, thence West 20.00 chains, thence South 57.50 chains, thence East 18.75 chains, thence South 5.00 chains, thence West 20.00 chains, thence North 105.00 chains to the place of beginning and containing 292.19 acres, more or less

Lease No: 88849-F-0023-01
Lessor: Thompson Land and Livestock Company
Lessee: MRC Rockies Company
Lease Date: 05/21/2007
Gross Acres: 1067.6600
Recording Info: 06/04/2007, Book 660, Page 486, Entry 929982
State: Wyoming
County: Lincoln
Legal Description: T-21-N, R-119-W, SEC 17 - 320.00 acs more or less, being described as being the W/2 NW/4, N/2 SW/4, SW/4 NE/4, W/2 SE/4 and SE/4 SW/4

T-21-N, R-119-W, SECS 19,20 - 160.00 acs more or less, more particularly described as follows:
Section 19 - 120.00 acs being the E/2 NE/4 and NE/4 SE/4
Section 20 - 40.00 acs being the SW/4 NW/4

T-21-N, R-120-W, SEC 01 - 240.00 acs more or less being the SW/4 NE/4, NE/4 SW/4, W/2 SE/4 and S/2 SW/4

T-22-N, R-117-W, SEC 25 - 160.00 acs more or less described as NE/4 NE/4, W/2 SE/4 and SE/4 SE/4

T-19-N, R-118-W, SEC 12 - 160.00 acs more or less being the SW/4

T-25-N, R-118-W, SEC 33 - 27.66 acs being Tract 97A and 97B

Lease No: 88849-F-0023-02
Lessor: Etcheverry Sheep Company
Lessee: MRC Rockies Company
Lease Date: 03/14/2008
Gross Acres: 320.0000
Recording Info: 08/29/2008, Book 703, Page 704, Entry 841774
State: Wyoming
County: Lincoln
Legal Description: T-21-N, R-119-W, SEC 17 - 320.00 acs more or less, being described as being the W/2 NW/4, N/2 SW/4, SW/4 NE/4, W/2 SE/4 and SE/4 SW/4

Exhibit A

Lease No: 88849-F-0024-01
Lessor: Alfred C Thoman Family Living Trust dtd 05-18-00
Lessee: MRC Rockies Company
Lease Date: 04/03/2007
Gross Acres: 684.4400
Recording Info: 05/02/2007, Book 656, Page 470, Entry 928944
State: Wyoming
County: Lincoln
Legal Description: T-21-N, R-119-W, SECS 02,03 - 564.44 acs more or less described as follows:
SECTION 2 - S/2 SW/4 and SW/4 SE/4 LESS AND EXCEPT 37.96 acs more or less as described in that certain Warranty Deed dated February 4, 1932 from A D Hoskins and wife, Kate S Hoskins to William Julian and recorded in Book 19 Page 43, of the Deed Records of Lincoln County, Wyoming, and LESS AND EXCEPT 18.40 acs more or less as described in that certain Warranty Deed dated February 2, 1932 from Alfred Thoman and wife, Floetta Thoman to Lincoln County, Wyoming and recorded in Book 17, Page 240 of the Deed Records of Lincoln County, Wyoming; and
SECTION 3 - Lot 6 (39.70), S/2 N/2 and S/2 of said Section 3, LESS AND EXCEPT 18.90 acs more or less as described in that certain Warranty Deed dated February 2, 1932 from Alfred Thoman and wife Floetta Thoman to Lincoln County, Wyoming and recorded in Book 17, Page 243 of the Deed Records of Lincoln County, Wyoming
T-22-N, R-119-W, SEC 34 - 120.00 acs more or less being the N/2 SE/4 and SW/4 SE/4

Lease No: 88849-F-0024-02
Lessor: Shirley K Thoman Family Living Trust dtd 05-18-00
Lessee: MRC Rockies Company
Lease Date: 04/03/2007
Gross Acres: 684.4400
Recording Info: 05/02/2007, Book 656, Page 467, Entry 928943
State: Wyoming
County: Lincoln
Legal Description: T-21-N, R-119--W, SECS 02,03 - 564.44 acs more or less described as follows:
SECTION 2 - S/2 SW/4 and SW/4 SE/4 LESS AND EXCEPT 37.96 acs more or less as described in that certain Warranty Deed dated February 4, 1932 from A D Hoskins and wife, Kate S Hoskins to William Julian and recorded in Book 19 Page 43, of the Deed Records of Lincoln County, Wyoming, and LESS AND EXCEPT 18.40 acs more or less as described in that certain Warranty Deed dated February 2, 1932 from Alfred Thoman and wife, Floetta Thoman to Lincoln County, Wyoming and recorded in Book 17, Page 240 of the Deed Records of Lincoln County, Wyoming; and
SECTION 3 - Lot 6 (39.70), S/2 N/2 and S/2 of said Section 3, LESS AND EXCEPT 18.90 acs more or less as described in that certain Warranty Deed dated February 2, 1932 from Alfred Thoman and wife Floetta Thoman to Lincoln County, Wyoming and recorded in Book 17, Page 243 of the Deed Records of Lincoln County, Wyoming
T-22-N, R-119-W, SEC 34 - 120.00 acs more or less being the N/2 SE/4 and SW/4 SE/4 of Section 34

Lease No: 88849-F-0025-00
Lessor: James W Buckley
Lessee: MRC Rockies Company
Lease Date: 08/01/2007
Gross Acres: 210.0000
Recording Info: 08/20/2007, Book 669, Page 457, Entry 932321
State: Wyoming
County: Lincoln
Legal Description: T-22-N, R-119-W, SEC 05; T-23-N, R-119-W, SEC 32 - 210.00 acs more or less described as follows:
22N119W05 - 80.87 acs being Lot 5 (40.49) and Lot 6 (40.38)
23N119W32 - 129.13 acs being Lots 12 (18.51) , 14 (18.32), 17 (39 40), 19 (39.65), and W/2 SE/4 less and except Lots 12, 14, a part of Lot 17 and part of the W/2 SE/4 being all that land lying North of the road going East and West to the East boundary from US Highway 30, including the Green Machine Shed.

Lease No: 88849-F-0026-00
 Lessor: Joseph J Buckley and Janet Buckley
 Lessee: MRC Rockies Company
 Lease Date: 08/01/2007
 Gross Acres: 66.7500
 Recording Info: 08/20/2007, Book 669, Page 455, Entry 932320
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-119-W, SEC 32 - 66.75 acs more or less, being Lot 12, Lot 14, a part of Lot 17 and part of the W/2 SE/4 being all that land lying North of the road going East and West to the East boundary from US Highway 30, including the Green Machine Shed,

Lease No: 88849-F-0028-00
 Lessor: Samuel O Bennion Jr and Patricia Ann Bennion
 Lessee: MRC Rockies Company
 Lease Date: 07/30/2007
 Gross Acres: 267.6800
 Recording Info: 08/27/2007, Book 670, Page 095, Entry 932501
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-119-W, SEC 28,33; T-23-N, R-119-W, SEC 04 - 267.68 ads described as follows:
 24N119W Sec 28 - Lot 15 (11.69), Lot 17 (35.23); Lot 18 (13.31) and Lot 25 (13.33) and the E/2 SE/4
 24N119W Sec 33 - Lot 1 (13.33) and the NE/4 NE/4
 23N119W Sec 4 - Lot 28 (13.15), Lot 30(36.28) and Lot 31 (11.36)

Lease No: 88849-F-0029-01
 Lessor: Lillian E Harrower
 Lessee: MRC Rockies Company
 Lease Date: 08/27/2007
 Gross Acres: 2521.4970
 Recording Info: 09/21/2007, Book 673, Page 023, Entry 933326
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-119-W, SECS 6, 7 et al 806.478 acs more or less, described as follows:
 T-24-N, R-119-W, SECS 06,07
 SECTION 6: Lots 49 and 50, that part of Lot 18, lying Westerly of the centerline of the Bear River.
 SECTION 7: Lots 12, 23, 24 and that part of Tract 121 lying Westerly of the centerline of the Bear River.
 T-24-N, R-119 & 120-W
 Those portions of Tracts 85 and 86 lying Westerly of the centerline of the Bear River.
 T-24-N, R-120-W, SECS 01,03,04,09,12,14
 SECTION 1: S/2SE/4, Tracts 41A, 41C, 41D, 45 and 130.
 SECTION 3: Lot 9, East of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994.
 SECTION 4: Lots 5 and 10.
 SECTION 9: Lot 7, South of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994.
 SECTION 12: NE/4.
 SECTION 14: NW/4NW/4
 1715.019 acs more or less described as follows:
 T-25-N, R-119-W, SECS 19,20,21,28,29,31,30,32,33,20
 SECTION 21: Lots 30, 32 and 34.
 SECTION 28: Lots 2,4, 5, 7, 11, 13, 16, 34 and 40 also that part of Tract 61, lying West of the Oregon Shortline Railroad Right of way and that part of Tract 129, lying Westerly of the centerline of the Bear River.

Exhibit A

SECTION 29: Lots 34, 36, 37 and Tract 56 and Tract 58.
SECTION 31: Lot 5, North of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994.
SECTION 30: Tract 53.
SECTION 32: Lot 7.
SECTION 33: Lots 8, 9, 14, 15, 25, 26, 32 and 42.
SECTIONS 20 & 29: Tract 59.
SECTIONS 29 & 32: Tract 57.
SECTIONS 21, 28, & 29: Tract 60 and that part of Tract 76, lying Westerly of the centerline of the Bear River.
SECTIONS 19 & 20: S/2 of Tract 80B and the S/2 of Tract 81.
All of the aforesaid containing 2521.497 acres, more or less, Being more particularly described in that certain Assignment of Agreement of Sale of Real Estate dated August 22, 2001 from John Russell Thornock and wife Emma Lucy Thornock to John Russell Thornock and Emma Lucy Thornock, Trustees as recorded in Book 471, Page 447 of the Photo Records of Lincoln County, Wyoming.

Lease No: 88849-F-0029-02
Lessor: Norman M Harrower
Lessee: MRC Rockies Company
Lease Date: 08/27/2007
Gross Acres: 2521.4970
Recording Info: 09/21/2007, Book 673, Page 032, Entry 933329
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-119-W, SECS 6, 7 et al 806.478 acs more or less, described as follows:

T-24-N, R-119-W, SECS 06,07
SECTION 6: Lots 49 and 50, that part of Lot 18, lying Westerly of the centerline of the Bear River.
SECTION 7: Lots 12, 23, 24 and that part of Tract 121 lying Westerly of the centerline of the Bear River.

T-24-N, R-119 & 120-W
Those portions of Tracts 85 and 86 lying Westerly of the centerline of the Bear River.

T-24-N, R-120-W, SECS 01,03,04,09,12,14
SECTION 1: S/2SE/4, Tracts 41A, 41C, 41D, 45 and 130.
SECTION 3: Lot 9, East of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994.
SECTION 4: Lots 5 and 10.
SECTION 9: Lot 7, South of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994.
SECTION 12: NE/4.
SECTION 14: NW/4NW/4

1715.019 acs more or less described as follows:
T-25-N, R-119-W, SECS 19,20,21,28,29,31,30,32,33,20
SECTION 21: Lots 30, 32 and 34.
SECTION 28: Lots 2,4, 5, 7, 11, 13, 16, 34 and 40 also that part of Tract 61, lying West of the Oregon Shortline Railroad Right ofway and that part of Tract 129, lying Westerly of the centerline of the Bear River.
SECTION 29: Lots 34, 36, 37 and Tract 56 and Tract 58.
SECTION 31: Lot 5, North of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994.
SECTION 30: Tract 53.
SECTION 32: Lot 7.
SECTION 33: Lots 8, 9, 14, 15, 25, 26, 32 and 42.
SECTIONS 20 & 29: Tract 59.
SECTIONS 29 & 32: Tract 57.
SECTIONS 21, 28, & 29: Tract 60 and that part of Tract 76, lying Westerly of the centerline

of the Bear River.

SECTIONS 19 & 20: S/2 of Tract 80B and the S/2 of Tract 81.

All of the aforesaid containing 2521.497 acres, more or less, Being more particularly described in that certain Assignment of Agreement of Sale of Real Estate dated August 22, 2001 from John Russell Thornock and wife Emma Lucy Thornock to John Russell Thornock and Emma Lucy Thornock, Trustees as recorded in Book 471, Page 447 of the Photo Records of Lincoln County, Wyoming.

Lease No: 88849-F-0029-03
Lessor: Thomas S Harrower
Lessee: MRC Rockies Company
Lease Date: 08/27/2007
Gross Acres: 2521.4970
Recording Info: 09/21/2007, Book 673, Page 026, Entry 933327
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-119-W, SECS 06,07 et al 806.478 acs more or less, described as follows:

T-24-N, R-119-W, SECS 06,07

SECTION 6: Lots 49 and 50, that part of Lot 18, lying Westerly of the centerline of the Bear River.

SECTION 7: Lots 12, 23, 24 and that part of Tract 121 lying Westerly of the centerline of the Bear River.

T-24-N, R-119 & 120-W

Those portions of Tracts 85 and 86 lying Westerly of the centerline of the Bear River.

T-24-N, R-120-W, SECS 01,03,04,09,12,14

SECTION 1: S/2SE/4, Tracts 41A, 41C, 41D, 45 and 130.

SECTION 3: Lot 9, East of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994.

SECTION 4: Lots 5 and 10.

SECTION 9: Lot 7, South of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994.

SECTION 12: NE/4.

SECTION 14: NW/4NW/4

1715.019 acs more or less described as follows:

T-25-N, R-119-W, SECS 19,20,21,28,29,31,30,32,33,20

SECTION 21: Lots 30, 32 and 34.

SECTION 28: Lots 2,4, 5, 7, 11, 13, 16, 34 and 40 also that part of Tract 61, lying West of the Oregon Shortline Railroad Right of way and that part of Tract 129, lying Westerly of the centerline of the Bear River.

SECTION 29: Lots 34, 36, 37 and Tract 56 and Tract 58.

SECTION 31: Lot 5, North of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994.

SECTION 30: Tract 53.

SECTION 32: Lot 7.

SECTION 33: Lots 8, 9, 14, 15, 25, 26, 32 and 42.

SECTIONS 20 & 29: Tract 59.

SECTIONS 29 & 32: Tract 57.

SECTIONS 21, 28, & 29: Tract 60 and that part of Tract 76, lying Westerly of the centerline of the Bear River.

SECTIONS 19 & 20: S/2 of Tract 80B and the S/2 of Tract 81.

All of the aforesaid containing 2521.497 acres, more or less, Being more particularly described in that certain Assignment of Agreement of Sale of Real Estate dated August 22, 2001 from John Russell Thornock and wife Emma Lucy Thornock to John Russell Thornock and Emma Lucy Thornock, Trustees as recorded in Book 471, Page 447 of the Photo Records of Lincoln County, Wyoming.

Exhibit A

Lease No: 88849-F-0029-04
Lessor: Julienne Harrower
Lessee: MRC Rockies Company
Lease Date: 08/27/2007
Gross Acres: 2521.4970
Recording Info: 09/21/2007, Book 673, Page 029, Entry 933328
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-119-W, SECS 06,07 et al 806.478 acs more or less, described as follows:
T-24-N, R-119-W, SECS 06,07
SECTION 6: Lots 49 and 50, that part of Lot 18, lying Westerly of the centerline of the Bear River.
SECTION 7: Lots 12, 23, 24 and that part of Tract 121 lying Westerly of the centerline of the Bear River.
T-24-N, R-119 & 120-W
Those portions of Tracts 85 and 86 lying Westerly of the centerline of the Bear River.
T-24-N, R-120-W, SECS 01,03,04,09,12,14
SECTION 1: S/2SE/4, Tracts 41A, 41C, 41D, 45 and 130.
SECTION 3: Lot 9, East of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994.
SECTION 4: Lots 5 and 10.
SECTION 9: Lot 7, South of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994.
SECTION 12: NE/4.
SECTION 14: NW/4NW/4
1715.019 acs more or less described as follows:
T-25-N, R-119-W, SECS 19,20,21,28,29,31,30,32,33,20
SECTION 21: Lots 30, 32 and 34.
SECTION 28: Lots 2,4, 5, 7, 11, 13, 16, 34 and 40 also that part of Tract 61, lying West of the Oregon Shortline Railroad Right of way and that part of Tract 129, lying Westerly of the centerline of the Bear River.
SECTION 29: Lots 34, 36, 37 and Tract 56 and Tract 58.
SECTION 31: Lot 5, North of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994.
SECTION 30: Tract 53.
SECTION 32: Lot 7.
SECTION 33: Lots 8,9, 14, 15, 25, 26, 32 and 42.
SECTIONS 20 & 29: Tract 59.
SECTIONS 29 & 32: Tract 57.
SECTIONS 21, 28, & 29: Tract 60 and that part of Tract 76, lying Westerly of the centerline of the Bear River.
SECTIONS 19 & 20: S/2 of Tract 80B and the S/2 of Tract 81.
All of the aforesaid containing 2521.497 acres, more or less, Being more particularly described in that certain Assignment of Agreement of Sale of Real Estate dated August 22, 2001 from John Russell Thornock and wife Emma Lucy Thornock to John Russell Thornock and Emma Lucy Thornock, Trustees as recorded in Book 471, Page 447 of the Photo Records of Lincoln County, Wyoming.

Exhibit A

Lease No: 88849-F-0055-00
Lessor: H & B Land Company
Lessee: MRC Rockies Company
Lease Date: 07/16/2007
Gross Acres: 410.0000
Recording Info: 09/21/2007, Book 673, Page 035, Entry 933330
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-119-W, SECS 28,29,32,33 - 410.00 acs more or less being Tract 47, LESS & EXCEPT that part of said Tract 47 in that certain Warranty Deed dated July 15, 2004, from Herman K Teichert and wife, Buhla B Teichert to H & B Land Company LLC as recorded in Book 562, Page 627 of the Photo Records of Lincoln County, Wyoming

Lease No: 88849-F-0057-01
Lessor: Kenneth W & Nanette Cook
Lessee: MRC Rockies Company
Lease Date: 09/06/2007
Gross Acres: 205.0000
Recording Info: 09/21/2007, Book 673, Page 040, Entry 933332
State: Wyoming
County: Lincoln
Legal Description: T-25-N, R-119-W, SECS 33,34 - 205.00 acs more or less being that part of Tracts 46 and 49, more particularly described as Cottonwood Ranch North Tract in that certain Corporation Warranty Deed dated May 28, 2004, from Cottonwood Ranch Inc to Kenneth W Cook and wife Nanette Cook as recorded in Book 557, Page 322, of the Photo Records of Lincoln County, Wyoming

Lease No: 88849-F-0058-01
Lessor: Esther M Hutchinson
Lessee: MRC Rockies Company
Lease Date: 08/23/2007
Gross Acres: 159.9800
Recording Info: 09/21/2007, Book 673, Page 038, Entry 933331
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-119-W, SEC 21 - 159.98 acs more or less being Tract 53 (159.98)

Lease No: 88849-F-0058-02
Lessor: Evan H and Dotty Jo Pope
Lessee: MRC Rockies Company
Lease Date: 08/23/2007
Gross Acres: 159.9800
Recording Info: 10/03/2007, Book 674, Page 269, Entry 933684
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-119-W, SEC 21 - 159.98 acs more or less being Tract 53 (159.98)

Lease No: 88849-F-0059-01
Lessor: Norman M Harrower
Lessee: MRC Rockies Company
Lease Date: 09/07/2007
Gross Acres: 608.0000
Recording Info: 10/03/2007, Book 674, Page 266, Entry 933683
State: Wyoming
County: Lincoln
Legal Description: T-25-N, R-119-W, SECS 32,33; 24 & 25N120W06 - 608.00 acs, more or less and being more particularly described in that certain Warranty Deed dated March 8, 1983 from S. Reed Dayton and wife, Lois T Dayton, to Norman M Harrower, as recorded in Book 199, Page 287, Photo Records of Lincoln County, Wyoming, and described as follows:

T-25-N, R-119-W, SECS 32,33, 6th PM
Section 32 - Tract 49
Section 33 - Tract 46

T-24 & 25-N, R-120-W, SEC 06, 6th PM

Section 6 - Tract 108, a part of Tract 109 and a part of Tract 107, being that part lying West of the Union Pacific Railroad right-of-way

All of the aforesaid containing 608.00 acres, more or less being more particularly described in that certain Warranty Deed dated March 8, 1983 from S Reed Dayton and wife, Lois T Dayton to Norman M Harrower as recorded in Book 199, Page 287 of the Photo Records of Lincoln County, Wyoming

Lease No: 88849-F-0059-02
 Lessor: Cottonwood Ranch Inc
 Lessee: MRC Rockies Company
 Lease Date: 09/06/2007
 Gross Acres: 403.0000
 Recording Info: 09/28/2007, Book 673, Page 667, Entry 933536
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-119-W, SECS 32,33; T-24 & 25-N, R-120-W, SEC 06 - 608.00 acs, more or less and being more particularly described in that certain Warranty Deed dated March 8, 1983 from S. Reed Dayton and wife, Lois T Dayton, to Norman M Harrower, as recorded in Book 199, Page 287, Photo Records of Lincoln County, Wyoming, and described as follows:

T-25-N, R-119-W, SECS 32,33, 6th PM

Section 32 - Tract 49

Section 33 - Tract 46

LESS AND EXCEPT 205.00 acs more or less, being that part of Tracts 46 and 49 within Sections 33 and 34, T-25-N, R-119-W, and more particularly described as Cottonwood Ranch North Tract in that certain Corporation Warranty Deed dated May 28, 2004 from Cottonwood Ranch Inc to Kenneth W Cook and wife, Nanette Cook as recorded in Book 557, Page 332 of the Photo Records of Lincoln County, Wyoming

T-24 & 25-N, R-120-W, SEC 06, 6th PM

Section 6 - Tract 108, a part of Tract 109 and a part of Tract 107, being that part lying West of the Union Pacific Railroad right-of-way All of the aforesaid containing 608.00 acres, more or less being more particularly described in that certain Warranty Deed dated March 8, 1983 from S Reed Dayton and wife, Lois T Dayton to Norman M Harrower as recorded in Book 199, Page 287 of the Photo Records of Lincoln County, Wyoming

Lease No: 88849-F-0060-01
 Lessor: Ernest A and Karen Thornock
 Lessee: MRC Rockies Company
 Lease Date: 09/04/2007
 Gross Acres: 3328.4480
 Recording Info: 09/21/2007, Book 673, Page 017, Entry 933323
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-119-W, 6th PM, 1,715.019 acs described as follows:

Section 21 - Lots 30, 32 and 34

Section 28 - Lots 2,4, 5,7, 11, 13, 16, 34 and 40 also that part of Tract 61, lying West of the Oregon Shortline Railroad Right-of-way and that part of Tract 129, lying Westerly of the centerline of the Bear River

Section 29 - Lots 34, 36, 37 and Tract 56 and Tract 58

Section 31 - Lot 5, North of property line/fence line as described by Surveyor

Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994

Section 30 - Tract 53

Section 32 - Lot 7

Section 33 - Lots 8, 9, 14, 15, 25, 26, 32 and 42

Sections 20 & 29 - Tract 59

Sections 29 & 32 - Tract 57

Sections 21, 28, & 29 - Tract 60 and that part of Tract 76, lying Westerly of the centerline of the Bear River

Sections 19 & 20 - S/2 of Tract 80B and the S/2 of Tract 81

Exhibit A

T-24-N, R-119-W, SECS 06,07; T-24-N, R-119 &120-W; T-24-N, R-120-W, SECS 01,03,04,09,12,14 - 806.478 acs described as follows:

T-24-N, R-119-W, 6th P.M.

Section 6 - Lots 49 and 50, that part of Lot 18, lying Westerly of the centerline of the Bear River
Section 7 - Lots 12, 23, 24 and that part of Tract 121 lying Westerly of the centerline of the Bear River

T-24-N, R-119 & 120-W 6th P.M.

Those portions of Tracts 85 and 86 lying Westerly of the centerline of the Bear River

T-24-N, R-120-W, 6th P. M.

Section 1 - S/2 SE/4, Tracts 41A, 41C, 41D,45 and 130

Section 3 - Lot 9, East of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994

Section 4 - Lots 5 and 10

Section 9 - Lot 7, South of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994

Section 12 - NE/4

Section 14 - NW/4NW/4

Lease No: 88849-F-0061-01
Lessor: Ronald H & Vonda L Teichert
Lessee: MRC Rockies Company
Lease Date: 07/19/2007
Gross Acres: 194.0000
Recording Info: 09/21/2007, Book 673, Page 046, Entry 933334
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-119-W, SECS 28,29,32,33 - 194.00 acs being Tract 47, and that part of said Tract 47 described in that certain Warranty Deed dated May 31, 1999 from Herman K Teichert and wife, Buhla B Teichert to Ronald H Teichert and wife, Vonda L Teichert as recorded in Book 432, Page 126 of the Photo Records of Lincoln County, Wyoming

Lease No: 88849-F-0061-02
Lessor: Richard B & Debra F Teichert
Lessee: MRC Rockies Company
Lease Date: 07/19/2007
Gross Acres: 194.0000
Recording Info: 09/21/2007, Book 673, Page 049, Entry 933335
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-119-W, SECS 28,29,32,33 - 194.00 acs being Tract 47, and that part of said Tract 47 described in that certain Warranty Deed dated May 31, 1999 from Herman K Teichert and wife, Buhla B Teichert to Ronald H Teichert and wife, Vonda L Teichert as recorded in Book 432, Page 126 of the Photo Records of Lincoln County, Wyoming

Lease No: 88849-F-0061-03
Lessor: Chad B Teichert
Lessee: MRC Rockies Company
Lease Date: 07/19/2007
Gross Acres: 194.0000
Recording Info: 09/21/2007, Book 673, Page 043, Entry 933333
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-119-W, SECS 28,29,32,33 - 194.00 acs being Tract 47, and that part of said Tract 47 described in that certain Warranty Deed dated May 31, 1999 from Herman K Teichert and wife, Buhla B Teichert to Ronald H Teichert and wife, Vonda L Teichert as recorded in Book 432, Page 126 of the Photo Records of Lincoln County, Wyoming

Exhibit A

Lease No: 88849-F-0061-04
 Lessor: Briant B and Clyda J Teichert
 Lessee: MRC Rockies Company
 Lease Date: 07/19/2007
 Gross Acres: 194.0000
 Recording Info: 09/21/2007, Book 673, Page 020, Entry 933325
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-119-W, SECS 28,29,32,33 - 194.00 acs being Tract 47 described in that certain Warranty Deed dated May 31, 1999 from Herman K Teichert and wife, Buhla B Teichert to Ronald H Teichert and wife, Vonda L Teichert as recorded in Book 432, Page 126, of the Photo Records of Lincoln County, Wyoming.

Lease No: 88849-F-0062-00
 Lessor: K-H Cornia Investments LLC
 Lessee: MRC Rockies Company
 Lease Date: 09/13/2007
 Gross Acres: 555.0000
 Recording Info: 09/28/2007, Book 673, Page 661, Entry 933534
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-120-W, SEC 27, 6th PM - 555.00 acs more ore less described as beginning at a point situated on the West Boundary of Tract 42 from whence the NW/corner of Section 27, T-22-N, R-12-W, Lincoln County, Wyoming bears South 1343.10 feet; thence South 84 deg 25' East, 3062 feet, thence North 74 deg 20' East, 1164.0 feet; thence South 81 deg 38' East, 890.40 feet; thence South 26 deg 20' East, 508.80 feet; thence South 20 Deg 41" East, 4249.00 feet; thence South 2 deg 27' West, 1320.70 feet along the Western boundary of the holdings of John Sedey and Beckquith-Quinn and Company of A. B Weston; thence North 63 deg 57' West, 7453.50 feet to a point situated in the West boundary of Tract 42; thence North 2574.90 feet along the West boundary of said Tract 42 to the point of beginning and containing 555.00 acres, more or less

Lease No: 88849-F-0063-00
 Lessor: Dayton Sublette LLC
 Lessee: MRC Rockies Company
 Lease Date: 09/10/2007
 Gross Acres: 504.3100
 Recording Info: 09/28/2007, Book 673, Page 664, Entry 933535
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-119-W, SECS 14,23,24 - 504.31 acs more or less, described as follows:
 Section 14, 23 - E/2 of Tract 61B and all of Tract 61C
 Section 23 - Tract 61D, Lot 5, 6, 13, 18, 20, 21, S/2 SE/4 and SE/4 SW/4
 Section 23, 24 - Tract 62 less and except the East 40.00 acres
 Section 24 - W/2 of Lot 8, W/2 NW/4 SW/4

Lease No: 88849-F-0093-00
 Lessor: Anderson Brothers Trust dated 09-26-84, by Craig D Anderson, Trustee and Claudia M Anderson, Individually and as Trustees
 Lessee: MRC Rockies Company
 Lease Date: 11/08/2007
 Gross Acres: 1930.6700
 Recording Info: 02/01/2008, Book 685, Page 495, Entry 936671
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-119-W, SECS 06, 6th PM
 Section 6: All of Resurvey Tract 115

 T-25-N, R-120-W, SEC 01, 6th PM
 Section 1: Tracts 43 and 44 (described under original survey as Lots 2, 3,4, SW/4NW/4, N/2SE/4 and E/2SW/4) LESS AND EXCEPT: 1.00 acres, more or less, described in that Certain Warranty Deed dated November 23, 1949 from Parley T. Anderson et al to Alma K. Walton as recorded in Book 27, Page 380 of the Photo Records of Lincoln County, Wyoming. LESS

Exhibit A

AND EXCEPT: 1.65 acres, more or less, described in that certain Warranty Deed dated June 14, 1915 from Parley T Anderson to Oregon Short Line Railroad Company, as recorded in Book 2, Page 318 of the Deed Records of Lincoln County, Wyoming.

LESS AND EXCEPT: 0.73 acres, more or less, described in that certain Warranty Deed dated August 23, 1916 from Parley T. Anderson to Oregon Short Line Railroad Company as recorded in Book 2, Page 509 of the Deed Records of Lincoln County, Wyoming.

All of Resurvey Tract 115

A parcel of land bounded on the North by Tracts 44 and 116, on the East by Tract 116 on the South by Tract 43 and on the West by the Idaho State Line, containing 91.46 acres, more or less.

T-26-N, R-119-W, SECS 29,30,31,32, 6th PM

Section 29: SE/4SW/4

Section 30: SW/4SE/4, S/2SW/4

Section 31: S/2, S/2N/2, N/2NW/4, NW/4NE/4

Section 32: Lots 1 and 2, SW/4NE/4, E/2NW/4, SW/4NW/4, N/2SW/4, NW/4SW/4

T-26-N, R-120-W, SEC 25, 6th PM

Section 25: S/2SE/4 LESS AND EXCEPT: 1.568 acres, more or less, described in that certain Warranty Deed dated May 28, 1932 from Parley T. Anderson et ux to John Peccolo and Ermett Colobarie, as recorded in Book 17, Page 286 of the Deed Records of Lincoln County, Wyoming. LESS AND EXCEPT: 1.58 acres, more or less, described in that certain Warranty Deed dated April 2, 1938 from Parley T Anderson etux to Reuei T, Call, as recorded in Book 18, Page 606 of the Deed Records of Lincoln County, Wyoming. LESS AND EXCEPT: 1.00 acres, more or less, described in that certain Warranty Deed dated July 28, 1959 from Theodore Anderson et al to Robert Lewis Dayton, as recorded in Book 35, Page 518 of the Photo Records of Lincoln County, Wyoming.

Section 36: NE/4, E/2SE/4 LESS AND EXCEPT: from the hereinabove described lands, 18.16 acres, more or less, described in that certain Warranty Deed dated March 30, 1935 from Parley T. Anderson to Lincoln County, Wyoming as recorded in Book 20, Page 185 of the Deed Records of Lincoln County, Wyoming.

Lease No: 88849-F-0094-00
Lessor: Fisher Revocable Trust dated 06-23-05
Lessee: MRC Rockies Company
Lease Date: 11/14/2007
Gross Acres: 161.6600
Recording Info: 02/01/2008, Book 685, Page 493, Entry 936670
State: Wyoming
County: Lincoln
Legal Description: T-25-N, R-120-W, SECS 01,12, 6th PM
Section 1 and 12, 161.66 acs being Tract 42

Lease No: 88849-F-0095-00
Lessor: Darcy Brent & Mary Ann Holden
Lessee: MRC Rockies Company
Lease Date: 11/27/2007
Gross Acres: 149.2300
Recording Info: 02/01/2008, Book 685, Page 498, Entry 936672
State: Wyoming
County: Lincoln
Legal Description: T-26-N, R-120-W, SECS 25,36
149.23 acs being Lot 4 of Section 25, and Lots 1 & 2 of Section 36

Exhibit A

Lease No: 88849-F-0129-00
Lessor: Michael R Whitby
Lessee: MRC Rockies Company
Lease Date: 01/28/2008
Gross Acres: 97.4600
Recording Info: 02/26/2008, Book 688, Page 050, Entry 937203
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-119-W, SEC 03 - 97.46 acs, more or less, being all that portion of Tract 94, LESS AND EXCEPT land previously deeded to George L Hankin and Mavis A Hankin recorded in Book 157PR, Page 29 and Book 296PR Page 89. Also LESS AND EXCEPT Lots 35, 43 and 44 of Tract 94, subject to easements and rights-of-way of record and vision

Lease No: 88849-F-0130-01
Lessor: Carma R Fabrizio
Lessee: MRC Rockies Company
Lease Date: 01/30/2008
Gross Acres: 851.1400
Recording Info: 02/26/2008, Book 688, Page 041, Entry 937200
State: Wyoming
County: Lincoln
Legal Description: T-24 & 25-N, R-119- W, 6th P. M.

All of Tract 45, LESS AND EXCEPT: that part described as follows: Beginning at a point designated as 2/45 of Tract 45, Township 25 North, Range 119 West, 6th P. M., Wyoming, and running thence West 302 feet, more or less, to the center of the present state highway; thence South 11°55' East along the middle of said state highway to the West line of Tract 42; thence North to point number 5/45; thence East 39.75 chains to corner number 4; thence North 00 deg 54' East 19.88 chains to corner number 3; thence West 39.90 chains to corner number 2 and point of beginning. LESS AND EXCEPT: that part of Tract 45 Township 25 North, Range 119 West, 6th P. M. Wyoming, described as follows:

Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof, thence West along the South line of said Tract to the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning.

That part of Tracts 42 and 45, Township 25 North, Range 119 West, 6th P.M. described as follows: Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof; thence West along the South line of said Tract to Point Number 7/45, being the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning. Commencing at corner Number 8/45 in Tract 45, Township 25 North, Range 119 West, 6th P.M. and running thence North 9° West 527 feet, thence North 42° East 104 feet, thence North 37° West 104 feet, thence West 184 feet to the Oregon Short Line Railroad right of way, thence South 10 deg 39', East 693 feet along the East Boundary of the Oregon Short Line Railroad Company's right of way, thence South 89°30' East 130 feet to the place of beginning.

All of Tract 48, Township 25 North, Range 119 West, 6th P. M.

All of Tract 69, Township 25 North, Range 119 West, 6th P. M.

T-24-N, R-119-W, SECS 04,05

A parcel of land situated within the westernmost portion of Resurvey Tract Number 104 of Township 24 North, Range 119 West, 6th P.M. described in particular as follows: Beginning at Corner 3 of said Tract 104; thence south 89 deg 40' East, 13.03 chains along the southern boundary of said Tract 104 to the Western boundary of land deeded to the San Francisco Sulphur Company as described on page 68 of Book 18 of Lincoln County deeds; thence North 27 deg 3' East, 2.97 chains to a point on the northeasterly bank of the Kinney Irrigation Ditch, a meander point on said western boundary; thence meandering northerly on the northeasterly bank said irrigation Ditch; North 62 deg 1' West 9.03 chains; North 26 deg 25' West 7.76 chains; North 11 deg 3' West, 8.81 chains; North 6 deg 36', 10.86 chains to the northern boundary of said Tract 104; thence South 89 deg 50' West, 2.51 chains to Corner No. 4 of said Tract 104; thence South 33.18 chains to the place of beginning.

That part of Tract 105, Township 24 North, Range 119 West of the 6th P.M.

That part of Tract 105. Township 24 North, Range 119 West; lying East of the present

Exhibit A

Wyoming State Highway known as 30 North excepting a parcel of land situated within the boundaries of Resurvey Tract No. 105, Township 24 North, Range 119 West, 6th P.M.; said parcel of land forming a portion of the right of way for U.S. Highway No. 30N, as shown in particular upon the plat of the survey for F.A.P. No. 34-Sec. "A" by the Wyoming State Highway Department, as follows, to wit: Beginning at a point on the Southern boundary line of said Tract 107 from whence Corner No.2 of Tract 105 of said T. & R. Bears S. 89 deg 20' East 1258.4 feet; thence North 89 deg 20' West 153.4 feet; thence North 11 deg 58' West, 2211.9 feet, thence North 89 deg 50' East, 153.2 feet along the Northern boundary line of said Tract 105; thence South 11 deg 58' East, 2214.40 feet to the place of beginning.

A parcel of land situated within Tract 106 of Township 24 North, Range 119 West of the 6th P.M., described in particular as follows, to-wit:

Beginning at Highway fence on West side of Highway 30N and 30 feet North of Smiths Fork River bank, running 125 feet west, thence North 300 feet, thence East 125 feet, thence south 300 feet to place of beginning, with right of way privileges to enter above described land through driveway to Tract 106.

Lease No: 88849-F-0130-02
Lessor: Raymond H Moon
Lessee: MRC Rockies Company
Lease Date: 01/30/2008
Gross Acres: 851.1400
Recording Info: 02/26/2008, Book 688, Page 056, Entry 937205
State: Wyoming
County: Lincoln
Legal Description: T-24 & 25-N, R-119-W, 6th P. M.

All of Tract 45, LESS AND EXCEPT: that part described as follows: Beginning at a point designated as 2/45 of Tract 45, Township 25 North, Range 119 West, 6th P. M., Wyoming, and running thence West 302 feet, more or less, to the center of the present state highway; thence South 11°55' East along the middle of said state highway to the West line of Tract 42; thence North to point number 5/45; thence East 39.75 chains to corner number 4; thence North 00 deg 54' East 19.88 chains to corner number 3; thence West 39.90 chains to corner number 2 and point of beginning. LESS AND EXCEPT: that part of Tract 45 Township 25 North, Range 119 West, 6th P. M. Wyoming, described as follows:

Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof, thence West along the South line of said Tract to the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning.

That part of Tracts 42 and 45, Township 25 North, Range 119 West, 6th P.M. described as follows: Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof; thence West along the South line of said Tract to Point Number 7/45, being the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning. Commencing at corner Number 8/45 in Tract 45, Township 25 North, Range 119 West, 6th P.M. and running thence North 9° West 527 feet, thence North 42° East 104 feet, thence North 37° West 104 feet, thence West 184 feet to the Oregon Short Line Railroad right of way, thence South 10 deg 39', East 693 feet along the East Boundary of the Oregon Short Line Railroad Company's right of way, thence South 89°30' East 130 feet to the place of beginning.

All of Tract 48, Township 25 North, Range 119 West, 6th P. M.

All of Tract 69, Township 25 North, Range 119 West, 6th P. M.

T-24-N, R-119-W, SECS 04,05

A parcel of land situated within the westernmost portion of Resurvey Tract Number 104 of Township 24 North, Range 119 West, 6th P.M. described in particular as follows:

Beginning at Corner 3 of said Tract 104; thence south 89 deg 40' East, 13.03 chains along the southern boundary of said Tract 104 to the Western boundary of land deeded to the San Francisco Sulphur Company as described on page 68 of Book 18 of Lincoln County deeds; thence North 27 deg 3' East, 2.97 chains to a point on the northeasterly bank of the Kinney Irrigation Ditch, a meander point on said western boundary; thence meandering northerly on the northeasterly bank said irrigation Ditch; North 62 deg 1' West 9.03 chains; North 26 deg 25' West 7.76 chains; North 11 deg 3' West, 8.81 chains; North 6 deg 36', 10.86 chains to the northern boundary of said Tract 104; thence South 89 deg 50' West, 2.51 chains to Corner No. 4 of said Tract 104; thence South 33.18 chains to the place of beginning.

Exhibit A

That part of Tract 105, Township 24 North, Range 119 West of the 6th P.M.

That part of Tract 105. Township 24 North, Range 119 West; lying East of the present Wyoming State Highway known as 30 North excepting a parcel of land situated within the boundaries of Resurvey Tract No. 105, Township 24 North, Range 119 West, 6th P.M.; said parcel of land forming a portion of the right of way for U.S. Highway No. 30N, as shown in particular upon the plat of the survey for F.A.P. No. 34-Sec. "A" by the Wyoming State Highway Department, as follows, to wit: Beginning at a point on the Southern boundary line of said Tract 107 from whence Corner No. 2 of Tract 105 of said T. & R. Bears S. 89 deg 20' East 1258.4 feet; thence North 89 deg 20' West 153.4 feet; thence North 11 deg 58' West, 2211.9 feet, thence North 89 deg 50' East, 153.2 feet along the Northern boundary line of said Tract 105; thence south 11 deg 58' East, 2214.40 feet to the place of beginning.

A parcel of land situated within Tract 106 of Township 24 North, Range 119 West of the 6th P.M., described in particular as follows, to-wit:

Beginning at Highway fence on West side of Highway 30N and 30 feet North of Smiths Fork River bank, running 125 feet west, thence North 300 feet, thence East 125 feet, thence south 300 feet to place of beginning, with right of way privileges to enter above described land through driveway to Tract 106.

Lease No:	88849-F-0130-03
Lessor:	Carolyn R Moon
Lessee:	MRC Rockies Company
Lease Date:	01/30/2008
Gross Acres:	851.1400
Recording Info:	03/05/2008, Book 688, Page 697, Entry 937384
State:	Wyoming
County:	Lincoln
Legal Description:	T-24 & 25-N, R-119-W, 6th P. M.

All of Tract 45, LESS AND EXCEPT: that part described as follows: Beginning at a point designated as 2/45 of Tract 45, Township 25 North, Range 119 West, 6th P. M., Wyoming, and running thence West 302 feet, more or less, to the center of the present state highway; thence South 11°55' East along the middle of said state highway to the West line of Tract 42; thence North to point number 5/45; thence East 39.75 chains to corner number 4; thence North 00 deg 54' East 19.88 chains to corner number 3; thence West 39.90 chains to corner number 2 and point of beginning. LESS AND EXCEPT: that part of Tract 45 Township 25 North, Range 119 West, 6th P. M. Wyoming, described as follows: Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof, thence West along the South line of said Tract to the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning.

That part of Tracts 42 and 45, Township 25 North, Range 119 West, 6th P.M. described as follows: Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof; thence West along the South line of said Tract to Point Number 7/45, being the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning. Commencing at corner Number 8/45 in Tract 45, Township 25 North, Range 119 West, 6th P.M. and running thence North 9° West 527 feet, thence North 42° East 104 feet, thence North 37° West 104 feet, thence West 184 feet to the Oregon Short Line Railroad right of way, thence South 10 deg 39', East 693 feet along the East Boundary of the Oregon Short Line Railroad Company's right of way, thence South 89°30' East 130 feet to the place of beginning.

All of Tract 48, Township 25 North, Range 119 West, 6th P. M.

All of Tract 69, Township 25 North, Range 119 West, 6th P. M.

T-24-N, R-119-W, SECS 04,05

A parcel of land situated within the westernmost portion of Resurvey Tract Number 104 of Township 24 North, Range 119 West, 6th P.M. described in particular as follows:

Beginning at Corner 3 of said Tract 104; thence south 89 deg 40' East, 13.03 chains along the southern boundary of said Tract 104 to the Western boundary of land deeded to the San Francisco Sulphur Company as described on page 68 of Book 18 of Lincoln County deeds; thence North 27 deg 3' East, 2.97 chains to a point on the northeasterly bank of the Kinney Irrigation Ditch, a meander point on said western boundary; thence meandering northerly on the northeasterly bank said irrigation Ditch; North 62 deg 1' West 9.03 chains;

Exhibit A

North 26 deg 25' West 7.76 chains; North 11 deg 3' West, 8.81 chains; North 6 deg 36', 10.86 chains to the northern boundary of said Tract 104; thence South 89 deg 50' West, 2.51 chains to Corner No. 4 of said Tract 104; thence South 33.18 chains to the place of beginning.

That part of Tract 105, Township 24 North, Range 119 West of the 6th P.M.

That part of Tract 105. Township 24 North, Range 119 West; lying East of the present Wyoming State Highway known as 30 North excepting a parcel of land situated within the boundaries of Resurvey Tract No. 105, Township 24 North, Range 119 West, 6th P.M.; said parcel of land forming a portion of the right of way for U.S. Highway No. 30N, as shown in particular upon the plat of the survey for F.A.P. No. 34-Sec. "A" by the Wyoming State Highway Department, as follows, to wit: Beginning at a point on the Southern boundary line of said Tract 107 from whence Corner No.2 of Tract 105 of said T. & R. Bears South 89 deg 20' East 1258.4 feet; thence North 89 deg 20' West 153.4 feet; thence North 11 deg 58' West, 2211.90 feet, thence North 89 deg 50' East, 153.2 feet along the Northern boundary line of said Tract 105; thence South 11 deg 58' East, 2214.40 feet to the place of beginning.

A parcel of land situated within Tract 106 of Township 24 North, Range 119 West of the 6th P.M., described in particular as follows, to-wit:

Beginning at Highway fence on West side of Highway 30N and 30 feet North of Smiths Fork River bank, running 125 feet west, thence North 300 feet, thence East 125 feet, thence south 300 feet to place of beginning, with right of way privileges to enter above described land through driveway to Tract 106.

Lease No:	88849-F-0130-04
Lessor:	Monea Mathews
Lessee:	MRC Rockies Company
Lease Date:	01/30/2008
Gross Acres:	851.1400
Recording Info:	02/26/2008, Book 688, Page 044, Entry 937201
State:	Wyoming
County:	Lincoln
Legal Description:	T-24 & 25-N, R-119-W, 6th P. M.

All of Tract 45, LESS AND EXCEPT: that part described as follows: Beginning at a point designated as 2/45 of Tract 45, Township 25 North, Range 119 West, 6th P. M., Wyoming, and running thence West 302 feet, more or less, to the center of the present state highway; thence South 11°55' East along the middle of said state highway to the West line of Tract 42; thence North to point number 5/45; thence East 39.75 chains to corner number 4; thence North 00 deg 54' East 19.88 chains to corner number 3; thence West 39.90 chains to corner number 2 and point of beginning. LESS AND EXCEPT: that part of Tract 45 Township 25 North, Range 119 West, 6th P. M. Wyoming, described as follows: Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof, thence West along the South line of said Tract to the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning.

That part of Tracts 42 and 45, Township 25 North, Range 119 West, 6th P.M. described as follows: Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof; thence West along the South line of said Tract to Point Number 7/45, being the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning. Commencing at corner Number 8/45 in Tract 45, Township 25 North, Range 119 West, 6th P.M. and running thence North 9° West 527 feet, thence North 42° East 104 feet, thence North 37° West 104 feet, thence West 184 feet to the Oregon Short Line Railroad right of way, thence South 10 deg 39', East 693 feet along the East Boundary of the Oregon Short Line Railroad Company's right of way, thence South 89°30' East 130 feet to the place of beginning.

All of Tract 48, Township 25 North, Range 119 West, 6th P. M.

All of Tract 69, Township 25 North, Range 119 West, 6th P. M.

T-24-N, R-119-W, SECS 04,05

A parcel of land situated within the westernmost portion of Resurvey Tract Number 104 of Township 24 North, Range 119 West, 6th P.M. described in particular as follows:

Beginning at Corner 3 of said Tract 104; thence south 89 deg 40' East, 13.03 chains along the southern boundary of said Tract 104 to the Western boundary of land deeded to the San Francisco Sulphur Company as described on page 68 of Book 18 of Lincoln County

deeds; thence North 27 deg 3' East, 2.97 chains to a point on the northeasterly bank of the Kinney Irrigation Ditch, a meander point on said western boundary; thence meandering northerly on the northeasterly bank said irrigation Ditch; North 62 deg 1' West 9.03 chains; North 26 deg 25' West 7.76 chains; North 11 deg 3' West, 8.81 chains; North 6 deg 36', 10.86 chains to the northern boundary of said Tract 104; thence South 89 deg 50' West, 2.51 chains to Corner No.4 of said Tract 104; thence South 33.18 chains to the place of beginning.

That part of Tract 105, Township 24 North, Range 119 West of the 6th P.M.

That part of Tract 105, Township 24 North, Range 119 West; lying East of the present Wyoming State Highway known as 30 North excepting a parcel of land situated within the boundaries of Resurvey Tract No. 105, Township 24 North, Range 119 West, 6th P.M.; said parcel of land forming a portion of the right of way for U.S. Highway No. 30N, as shown in particular upon the plat of the survey for F.A.P. No. 34-Sec. "A" by the Wyoming State Highway Department, as follows, to wit: Beginning at a point on the Southern boundary line of said Tract 107 from whence Corner No.2 of Tract 105 of said T. & R. Bears S. 89 deg 20' East 1258.4 feet; thence North 89 deg 20' West 153.4 feet; thence North 11 deg 58' West, 2211.9 feet, thence North 89 deg 50' East, 153.2 feet along the Northern boundary line of said Tract 105; thence south 11 deg 58' East, 2214.40 feet to the place of beginning.

A parcel of land situated within Tract 106 of Township 24 North, Range 119 West of the 6th P.M., described in particular as follows, to-wit:

Beginning at Highway fence on West side of Highway 30N and 30 feet North of Smiths Fork River bank, running 125 feet west, thence North 300 feet, thence East 125 feet, thence south 300 feet to place of beginning, with right of way privileges to enter above described land through driveway to Tract 106.

Lease No:	88849-F-0130-05
Lessor:	Gwen Taylor
Lessee:	MRC Rockies Company
Lease Date:	01/30/2008
Gross Acres:	851.1400
Recording Info:	02/26/2008, Book 688, Page 053, Entry 937204
State:	Wyoming
County:	Lincoln
Legal Description:	T-24 & 25-N, R-119-W, 6th P. M.

All of Tract 45, LESS AND EXCEPT: that part described as follows: Beginning at a point designated as 2/45 of Tract 45, Township 25 North, Range 119 West, 6th P. M., Wyoming, and running thence West 302 feet, more or less, to the center of the present state highway; thence South 11°55' East along the middle of said state highway to the West line of Tract 42; thence North to point number 5/45; thence East 39.75 chains to corner number 4; thence North 00 deg 54' East 19.88 chains to corner number 3; thence West 39.90 chains to corner number 2 and point of beginning. LESS AND EXCEPT: that part of Tract 45 Township 25 North, Range 119 West, 6th P. M. Wyoming, described as follows: Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof, thence West along the South line of said Tract to the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning.

That part of Tracts 42 and 45, Township 25 North, Range 119 West, 6th P.M. described as follows: Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof; thence West along the South line of said Tract to Point Number 7/45, being the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning. Commencing at corner Number 8/45 in Tract 45, Township 25 North, Range 119 West, 6th P.M. and running thence North 9° West 527 feet, thence North 42° East 104 feet, thence North 37° West 104 feet, thence West 184 feet to the Oregon Short Line Railroad right of way, thence South 10 deg 39', East 693 feet along the East Boundary of the Oregon Short Line Railroad Company's right of way, thence South 89°30' East 130 feet to the place of beginning.

All of Tract 48, Township 25 North, Range 119 West, 6th P. M.

All of Tract 69, Township 25 North, Range 119 West, 6th P. M.

T-24-N, R-119-W, SECS 04,05

A parcel of land situated within the westernmost portion of Resurvey Tract Number 104 of Township 24 North, Range 119 West, 6th P.M. described in particular as follows:

Exhibit A

Beginning at Corner 3 of said Tract 104; thence south 89 deg 40' East, 13.03 chains along the southern boundary of said Tract 104 to the Western boundary of land deeded to the San Francisco Sulphur Company as described on page 68 of Book 18 of Lincoln County deeds; thence North 27 deg 3' East, 2.97 chains to a point on the northeasterly bank of the Kinney Irrigation Ditch, a meander point on said western boundary; thence meandering northerly on the northeasterly bank said irrigation Ditch; North 62 deg 1' West 9.03 chains; North 26 deg 25' West 7.76 chains; North 11 deg 3' West, 8.81 chains; North 6 deg 36', 10.86 chains to the northern boundary of said Tract 104; thence South 89 deg 50' West, 2.51 chains to Corner No.4 of said Tract 104; thence South 33.18 chains to the place of beginning.

That part of Tract 105, Township 24 North, Range 119 West of the 6th P.M.

That part of Tract 105, Township 24 North, Range 119 West; lying East of the present Wyoming State Highway known as 30 North excepting a parcel of land situated within the boundaries of Resurvey Tract No. 105, Township 24 North, Range 119 West, 6th P.M.; said parcel of land forming a portion of the right of way for U.S. Highway No. 30N, as shown in particular upon the plat of the survey for F.A.P. No. 34-Sec. "A" by the Wyoming State Highway Department, as follows, to wit: Beginning at a point on the Southern boundary line of said Tract 107 from whence Corner No.2 of Tract 105 of said T. & R. Bears South 89 deg 20' East 1258.4 feet; thence North 89 deg 20' West 153.4 feet; thence North 11 deg 58' West, 2211.9 feet, thence North 89 deg 50' East, 153.2 feet along the Northern boundary line of said Tract 105; thence south 11 deg 58' East, 2214.40 feet to the place of beginning.

A parcel of land situated within Tract 106 of Township 24 North, Range 119 West of the 6th P.M., described in particular as follows, to-wit:

Beginning at Highway fence on West side of Highway 30N and 30 feet North of Smiths Fork River bank, running 125 feet west, thence North 300 feet, thence East 125 feet, thence south 300 feet to place of beginning, with right of way privileges to enter above described land through driveway to Tract 106.

Lease No:	88849-F-0130-06
Lessor:	David L Moon
Lessee:	MRC Rockies Company
Lease Date:	01/30/2008
Gross Acres:	851.1400
Recording Info:	02/26/2008, Book 688, Page 047, Entry 937202
State:	Wyoming
County:	Lincoln
Legal Description:	T-24 & 25-N, R-119-W, 6th P. M.

All of Tract 45, LESS AND EXCEPT: that part described as follows: Beginning at a point designated as 2/45 of Tract 45, Township 25 North, Range 119 West, 6th P. M., Wyoming, and running thence West 302 feet, more or less, to the center of the present state highway; thence South 11°55' East along the middle of said state highway to the West line of Tract 42; thence North to point number 5/45; thence East 39.75 chains to corner number 4; thence North 0 deg 54' East 19.88 chains to corner number 3; thence West 39.90 chains to corner number 2 and point of beginning. LESS AND EXCEPT: that part of Tract 45 Township 25 North, Range 119 West, 6th P. M. Wyoming, described as follows: Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof, thence West along the South line of said Tract to the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning.

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All of Tract 48, Township 25 North, Range 119 West, 6th P. M.

All of Tract 69, Township 25 North, Range 119 West, 6th P. M.

T-24-N, R-119-W, SECS 04,05

A parcel of land situated within the westernmost portion of Resurvey Tract Number 104 of Township 24 North, Range 119 West, 6th P.M. described in particular as follows: Beginning at Corner 3 of said Tract 104; thence south 89 deg 40' East, 13.03 chains along the southern boundary of said Tract 104 to the Western boundary of land deeded to the San Francisco Sulphur Company as described on page 68 of Book 18 of Lincoln County deeds; thence North 27 deg 3' East, 2.97 chains to a point on the northeasterly bank of the Kinney Irrigation Ditch, a meander point on said western boundary; thence meandering northerly on the northeasterly bank said irrigation Ditch; North 62 deg 1' West 9.03 chains; North 26 deg 25' West 7.76 chains; North 11 deg 3' West, 8.81 chains; North 6 deg 36', 10.86 chains to the northern boundary of said Tract 104; thence South 89 deg 50' West, 2.51 chains to Corner No.4 of said Tract 104; thence South 33.18 chains to the place of beginning.

That part of Tract 105, Township 24 North, Range 119 West of the 6th P.M.

That part of Tract 105, Township 24 North, Range 119 West; lying East of the present Wyoming State Highway known as 30 North excepting a parcel of land situated within the boundaries of Resurvey Tract No. 105, Township 24 North, Range 119 West, 6th P.M.; said parcel of land forming a portion of the right of way for U.S. Highway No. 30N, as shown in particular upon the plat of the survey for F.A.P. No. 34-Sec. "A" by the Wyoming State Highway Department, as follows, to wit: Beginning at a point on the Southern boundary line of said Tract 107 from whence Corner No.2 of Tract 105 of said T. & R. Bears S. 89 deg 20' East 1258.4 feet; thence North 89 deg 20' West 153.4 feet; thence North 11 deg 58' West, 2211.9 feet, thence North 89 deg 50' East, 153.2 feet along the Northern boundary line of said Tract 105; thence south 11 deg 58' East, 2214.40 feet to the place of beginning.

A parcel of land situated within Tract 106 of Township 24 North, Range 119 West of the 6th P.M., described in particular as follows, to-wit:

Beginning at Highway fence on West side of Highway 30N and 30 feet North of Smiths Fork River bank, running 125 feet west, thence North 300 feet, thence East 125 feet, thence south 300 feet to place of beginning, with right of way privileges to enter above described land through driveway to Tract 106.

Lease No:	88849-F-0130-07
Lessor:	Ilene Harward
Lessee:	MRC Rockies Company
Lease Date:	01/30/2008
Gross Acres:	851.1400
Recording Info:	04/02/2008, Book 691, Page 056, Entry 937973
State:	Wyoming
County:	Lincoln
Legal Description:	T-24 & 25-N, R-119-W, 6th P. M.

All of Tract 45, LESS AND EXCEPT: that part described as follows: Beginning at a point designated as 2/45 of Tract 45, Township 25 North, Range 119 West, 6th P. M., Wyoming, and running thence West 302 feet, more or less, to the center of the present state highway; thence South 11°55' East along the middle of said state highway to the West line of Tract 42; thence North to point number 5/45; thence East 39.75 chains to corner number 4; thence North 00 deg 54' East 19.88 chains to corner number 3; thence West 39.90 chains to corner number 2 and point of beginning. LESS AND EXCEPT: that part of Tract 45 Township 25 North, Range 119 West, 6th P. M. Wyoming, described as follows:

Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof, thence West along the South line of said Tract to the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning.

That part of Tracts 42 and 45, Township 25 North, Range 119 West, 6th P.M. described as follows: Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof; thence West along the South line of said Tract to Point Number 7/45, being the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning. Commencing at corner Number 8/45 in Tract 45, Township 25 North, Range 119 West, 6th P.M. and running thence North 9° West 527 feet, thence North 42° East 104 feet, thence North 37° West 104 feet, thence West 184 feet to the Oregon Short Line Railroad right of way, thence South 10 deg 39', East 693 feet along the East Boundary of the Oregon Short Line Railroad Company's right of way, thence South 89°30' East 130 feet to the place of beginning.

Exhibit A

All of Tract 48, Township 25 North, Range 119 West, 6th P. M.
All of Tract 69, Township 25 North, Range 119 West, 6th P. M.

T-24-N, R-119-W, SECS 04,05

A parcel of land situated within the westernmost portion of Resurvey Tract Number 104 of Township 24 North, Range 119 West, 6th P.M. described in particular as follows: Beginning at Corner 3 of said Tract 104; thence south 89 deg 40' East, 13.03 chains along the southern boundary of said Tract 104 to the Western boundary of land deeded to the San Francisco Sulphur Company as described on page 68 of Book 18 of Lincoln County deeds; thence North 27 deg 3' East, 2.97 chains to a point on the northeasterly bank of the Kinney Irrigation Ditch, a meander point on said western boundary; thence meandering northerly on the northeasterly bank said irrigation Ditch; North 62 deg 1' West 9.03 chains; North 26 deg 25' West 7.76 chains; North 11 deg 3' West, 8.81 chains; North 6 deg 36', 10.86 chains to the northern boundary of said Tract 104; thence South 89 deg 50' West, 2.51 chains to Corner No.4 of said Tract 104; thence South 33.18 chains to the place of beginning.

That part of Tract 105, Township 24 North, Range 119 West of the 6th P.M.

That part of Tract 105. Township 24 North, Range 119 West; lying East of the present Wyoming State Highway known as 30 North excepting a parcel of land situated within the boundaries of Resurvey Tract No. 105, Township 24 North, Range 119 West, 6th P.M.; said parcel of land forming a portion of the right of way for U.S. Highway No. 30N, as shown in particular upon the plat of the survey for F.A.P. No. 34-Sec. "A" by the Wyoming State Highway Department, as follows, to wit: Beginning at a point on the Southern boundary line of said Tract 107 from whence Corner No.2 of Tract 105 of said T. & R. Bears South 89 deg 20' East 1258.4 feet; thence North 89 deg 20' West 153.4 feet; thence North 11 deg 58' West, 2211.9 feet, thence North 89 deg 50' East, 153.2 feet along the Northern boundary line of said Tract 105; thence south 11 deg 58' East, 2214.40 feet to the place of beginning.

A parcel of land situated within Tract 106 of Township 24 North, Range 119 West of the 6th P.M., described in particular as follows, to-wit:

Beginning at Highway fence on West side of Highway 30N and 30 feet North of Smiths Fork River bank, running 125 feet west, thence North 300 feet, thence East 125 feet, thence south 300 feet to place of beginning, with right of way privileges to enter above described land through driveway to Tract 106.

Lease No: 88849-F-0131-00
Lessor: Reed Land and Cattle Company LLP
Lessee: MRC Rockies Company
Lease Date: 02/14/2008
Gross Acres: 729.3700
Recording Info: 04/02/2008, Book 691, Page 059, Entry 937974
State: Wyoming
County: Lincoln
Legal Description: T-25-N, R-119-W, SECS 20,21 - 729.37 acs being All of Tracts 78, 79 and 86

Lease No: 88849-F-0132-00
Lessor: Julie Anne Reed
Lessee: MRC Rockies Company
Lease Date: 02/05/2008
Gross Acres: 238.4500
Recording Info: 04/02/2008, Book 691, Page 067, Entry 937977
State: Wyoming
County: Lincoln
Legal Description: T-25-N, R-119-W, SEC 27 - 238.45 acs being all of Tract 62 and all of Tract 61 of Township 25 North, Range 119 West, 6th P.M., lying and being situated Easterly of the Oregon Short Line Railroad; EXCEPTING THEREFROM the following described Tracts of land:

Beginning at corner No. 2 of Tract 129 where is found a concrete tack set in Highway 30N with 2" 1 P&BC witness corners set Westerly and Southerly; thence South 87°42' East, 458.00 feet to a point; thence South 10°11' East, 407.90 feet to a point; thence South 83°31' West, 954.30 feet, more or less, to the East right-of-way line of the Oregon Short Line Railroad; thence North 09°37' West, 537.00 feet, more or less, along the said right-of-way line to the North line of said Tract 61; thence South 89°47' East, 103.00 feet along the said North line to a point; thence continuing South 89°47' East, 405.00 feet, more or less, along the said North line to the place of beginning; each point being marked by a 2" galvanized steel pipe 30" long with brass cap appropriately inscribed; encompassing an area of 10.40 acres, more or less; and

Exhibit A

That part of Tract 61 of Township 25 North, Range 119 West, Lincoln County, Wyoming, described as follows: Beginning at Corner No. 3 of Tract 48, Township 25 North, Range 119 West, 6th P.M., and running North 9° West 527.00 feet; thence North 42° East 104.00 feet; thence North 37° West 104.00 feet; thence West 184.00 feet to the Oregon Short Line Railroad (or right-of-way, as the case may be); thence South 10°39' East 693.00 feet along the Oregon Short Line Railroad (or East boundary of the Oregon Short Line Railroad right-of-way, as the case may be); thence South 89°30' East 130.00 feet to the place of beginning, containing 2.38 acres, more or less.

Lease No: 88849-F-0133-01
Lessor: Frederic C Reed
Lessee: MRC Rockies Company
Lease Date: 02/22/2008
Gross Acres: 76.6900
Recording Info: 04/02/2008, Book 691, Page 061, Entry 937975
State: Wyoming
County: Lincoln

Legal Description: T-25-N, R-119-W, SECS 21,22 - 76.69 acs being all that portion of the most Northerly forty acres, more or less, of Tract 129, of Township 25 North, Range 119 West, 6th P. M., lying and being East of the right-of-way of the Oregon Short Line Railroad (Union Pacific System) formerly described as the SW/4SW/4 of Section 21, Township 25 North, Range 19 West 6th P. M., more particularly described by metes and bounds as follows: Beginning at corner No. I of said Tract 129 and running thence South 0 deg 16' East 20.43 chains; thence North 89°53' West to the Easterly boundary line of the right-of-way of the Oregon Short Line Railroad (Union Pacific System); thence running in a Northwesterly direction along said right-of-way boundary to a point on the North boundary of said Tract 129; thence South 80°53' East to Corner No. I of said Tract 129, the place of beginning.

All of that portion of Tract 76, of Township 25 North, Range 119 West, 6th P. M., lying and being situated East of the East line of the right-of-way of the Oregon Short Line Railroad (Union Pacific System), according to the resurvey and known and described under the original survey thereof as being approximately the whole of the NW/4SW/4 of Section 22, Township 25 North, Range 119 West, 6th P. M., LESS AND EXCEPT: approximately 3.31 acres conveyed to Lincoln County by Deed dated March 30, 1935 and Recorded December 17, 1937 in Book 21, Page 60 of the Deed Records, Lincoln County, Wyoming, for highway purpose and which portion lies on the Easterly portion of said hereinabove-described land.

Lease No: 88849-F-0133-02
Lessor: Bernadine A Reed and Frederic C Reed, Trustees of the Bernadine A Reed Revocable Trust dated December 26, 1991
Lessee: MRC Rockies Company
Lease Date: 02/22/2008
Gross Acres: 76.6900
Recording Info: 04/02/2008, Book 691, Page 064, Entry 937976
State: Wyoming
County: Lincoln

Legal Description: T-25-N, R-119-W, SECS 21,22 - 76.69 acs being all that portion of the most Northerly forty acres, more or less, of Tract 129, of Township 25 North, Range 119 West, 6th P. M., lying and being East of the right-of-way of the Oregon Short Line Railroad (Union Pacific System) formerly described as the SW/4SW/4 of Section 21, Township 25 North, Range 119 West 6th P. M., more particularly described by metes and bounds as follows:

Beginning at corner No. I of said Tract 129 and running thence South 0 deg 16' East 20.43 chains; thence North 89°53' West to the Easterly boundary line of the right-of-way of the Oregon Short Line Railroad (Union Pacific System); thence running in a Northwesterly direction along said right-of-way boundary to a point on the North boundary of said Tract 129; thence South 80°53' East to Corner No. I of said Tract 129, the place of beginning. All of that portion of Tract 76, of Township 25 North, Range 119 West, 6th P. M., lying and being situated East of the East line of the right-of-way of the Oregon Short Line Railroad (Union Pacific System), according to the resurvey and known and described under the original survey thereof as being approximately the whole of the NW1/4SW1/4 of Section 22, Township 25 North, Range 119 West, 6th P. M., LESS AND EXCEPT: approximately 3.31 acres conveyed to Lincoln County by Deed dated March 30, 1935 and Recorded December 17, 1937 in Book 21, Page 60 of the Deed Records, Lincoln County, Wyoming, for highway purpose and which portion lies on the Easterly portion of said hereinabove-described land.

Exhibit A

Lease No: 88849-F-0134-00
Lessor: Jeanne Reed Esterholdt
Lessee: MRC Rockies Company
Lease Date: 02/26/2008
Gross Acres: 23.5800
Recording Info: 04/02/2008, Book 691, Page 070, Entry 937978
State: Wyoming
County: Lincoln
Legal Description: T-25-N, R-119-W, SECS 27,28 - 23.58 acs being that part of Tract 61 and 62 described as follows:

Beginning at corner No.2 of Tract 129 where is found a concrete tack set in Highway 30N with 2" 1P&BC witness corners set Westerly and Southerly; thence South 87°42' East, 458.00 feet to a point; thence South 10 deg 11' East, 407.90 feet to a point; thence South 83°31' West, 954.30 feet, more or less, to the East right-of-way line of the Oregon Short Line Railroad; thence North 09°37' West, 537.00 feet, more or less, along the said right-of-way line to the North line of said Tract 61; thence South 89°47' East, 103.00 feet along the said North line to a point; thence continuing South 39047' East, 405.00 feet, more or less, along the said North line to the place of beginning; each point being marked by a 2" alvanized steel pipe 30" long with brass cap appropriately inscribed. LESS AND EXCEPT: 2.00 acres, more or less, deeded to the State Highway Commission of Wyoming and described as Parcel I on that certain Quit Claim Deed recorded in Book 127, Page 318 of the Photostatic Records, Lincoln County, Wyoming.

That part of Tract 129 of Township 25 North, Range 119 West, 6th P. M., Lincoln County, Wyoming described as follows:

Beginning at Corner No., 4 of Tract 62; thence North 450.0 feet along the East line of said Tract 129 to a point; thence West 287.4 feet to a point; thence South 450.0 feet to a point; thence South 12°02' West 388.2 feet to a point; thence South 02°08' West 980.5 feet to a point on the South line of said Tract 129 South 89°47' East 405.0 feet to Corner No. 2 of said Tract 129; thence North 1360.92 feet, more or less, along the East line of said Tract 129 to the corner of beginning; each point being marked by a 2" galvanized steel pipe with brass cap appropriately inscribed.

That part of Lot 8 of Section 27, Township 25 North, Range 119 West, 6th P. M., Lincoln County, Wyoming described as follows:

Beginning at said Corner No. 4 of Tract 62; thence South 89°52' East 51.5 feet along the South boundary of said Lot 8; thence Northerly 450.8 feet along the West right-of-way line of Highway 30 North; thence West 70.5 feet to a point on the West line of said Lot 8 which is identical with the East line of said Tract 129; thence South 450.0 feet along the said West line of Lot 8 to the place of beginning; all in accordance with the map prepared and filed for record in the Office of the Clerk of Lincoln County, Wyoming.

Lease No: 88849-P-0097-00
St/Fed Lease No: WYW174332
Lessor: BLM - MMS WYW174332
Lessee: Meath LLC
Lease Date: 01/01/2008
Gross Acres: 2200.7300
Recording Info: 02/05/2008, Book 685, Page 740, Entry 936733
State: Wyoming
County: Lincoln
Legal Description: T-23-N, R-120-W, SECS 03,04,09,10,15 - 2,200.73 acs described as follows:
Section 03 - Lots 5-8, S/2 N/2, S/2
Section 04 - Lots 5-8
Section 09 - Lots 5-8
Section 10 - NE/4, NE/4 NW/4, S/2 NW/4, S/2
Section 15 - All

Exhibit A

Lease No: 88849-P-0098-00
St/Fed Lease No: WYW174333
Lessor: BLM - MMS WYW174333
Lessee: Meath LLC
Lease Date: 01/01/2008
Gross Acres: 1443.8200
Recording Info: 02/05/2008, Book 685, Page 750, Entry 936734
State: Wyoming
County: Lincoln
Legal Description: T-23-N, R-120-W, SECS 14,23,26 - 1,443.82 acs described as follows:
Section 14 - Lots 1, 4, 5, 8, 9, 12, 13, 16 and the N/2
Section 23 - Lots 1, 4, N/2 and N/2 S/2
Section 26 - Lots 3, 4, 9, 10, 13 and W/2

Lease No: 88849-P-0099-00
St/Fed Lease No: WYW174334
Lessor: BLM - MMS WYW174334
Lessee: Meath LLC
Lease Date: 01/01/2008
Gross Acres: 1507.0900
Recording Info: 02/05/2008, Book 685, Page 761, Entry 936735
State: Wyoming
County: Lincoln
Legal Description: T-23-N, R-120-W, SECS 21,22,27,28 - 1,507.09 acs described as follows:
Section 21 - Lots 5-8
Section 22 - N/2, SW/4, N/2 SE/4
Section 27 - All
Section 28 - Lots 5-8

Lease No: 88849-P-0100-00
St/Fed Lease No: WYW174335
Lessor: BLM - MMS WYW174335
Lessee: Matador Resources Company
Lease Date: 01/01/2008
Gross Acres: 1552.8400
Recording Info: 02/05/2008, Book 685, Page 771, Entry 936736
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-120-W, SECS 02,03,04 - 1,552.84 acs described as follows:
Section 02 - Lots 6, 9-13,15, 22, 24-26, 29, SW/4 and S/2 SE/4
Section 03 - Lots 5-8, 10-16 and S/2
Section 04 - Lots 6-8

Lease No: 88849-P-0101-00
St/Fed Lease No: WYW174336
Lessor: BLM - MMS WYW174336
Lessee: Matador Resources Company
Lease Date: 01/01/2008
Gross Acres: 2089.0500
Recording Info: 02/05/2008, Book 685, Page 780, Entry 936737
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-120-W, SECS 09,10,15,21,22 - 2,089.05 acs described as follows:
Section 09 - Lots 6, 8
Section 10 - N/2, NE/4 SW/4, S/2 SW/4, SE/4
Section 15 - All
Section 21 - Lots 5-8
Section 22 - N/2 NE/4, SW/4 NE/4, W/2 and SE/4

Exhibit A

Lease No: 88849-P-0102-00
St/Fed Lease No: WYW174337
Lessor: BLM - MMS WYW174337
Lessee: Matador Resources Company
Lease Date: 01/01/2008
Gross Acres: 1783.5700
Recording Info: 02/05/2008, Book 685, Page 789, Entry 936738
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-120-W, SECS 11,14,23 - 1,783.57 acs described as follows:
Section 11 - All
Section 14 - NE/4 NE/4 NW/4, S/2 NW/4, S/2
Section 23 - Lots 1, 4, 5, 8, NE/4, N/2 NW/4, SE/4 NW/4 and SW/4

Lease No: 88849-P-0103-00
St/Fed Lease No: WYW174338
Lessor: BLM - MMS WYW174338
Lessee: Matador Resources Company
Lease Date: 01/01/2008
Gross Acres: 2052.5200
Recording Info: 02/05/2008, Book 685, Page 799, Entry 936739
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-120-W, SECS 27,28,33,34,35 - 2052.52 acs described as follows:
Section 27 - All
Section 28 - Lots 5-8
Section 33 - Lots 5-8
Section 34 - All
Section 35 - N/2 NE/4, NE/4 NW/4, S/2

Lease No: 88849-P-0104-00
St/Fed Lease No: WYW174823
Lessor: BLM - MMS WYW174823
Lessee: Meath LLC
Lease Date: 10/01/2007
Gross Acres: 1346.8800
Recording Info: 09/26/2007, Book 673, Page 356, Entry 933451
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-116-W, SECS 04,20 - 1346.88 acs described as follows:
Section 04 - Lots 1-12 and S/2
Section 20 - E/2, E/2 W/2

Lease No: 88849-P-0105-00
St/Fed Lease No: WYW174825
Lessor: BLM - MMS WYW174825
Lessee: Meath LLC
Lease Date: 04/01/2008
Gross Acres: 40.0000
Recording Info: 03/20/2008, Book 689, Page 854, Entry 937709
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-116-W, SECS 35 - 40.00 acs being the NE/4 NE/4 of Section 35

Lease No: 88849-P-0106-00
 St/Fed Lease No: WYW174826
 Lessor: BLM - MMS WYW174826
 Lessee: Meath LLC
 Lease Date: 04/01/2008
 Gross Acres: 1745.3900
 Recording Info: 03/20/2008, Book 689, Page 863, Entry 937710
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-117-W, SECS 01,02,12,13,24,25 - 1,745.39 acs described as follows:
 Section 01 - Lots 5-12
 Section 02 - Lots 6, 8, 9, 13, 16-19,
 Section 12 - Lots 2, 3, SW/4 NE/4, SE/4 NW/4, E/2 SW/4, SE/4
 Section 13 - NE/4, SE/4 NW/4, E/2 SW/4, NE/4 SE/4, S/2 SE/4
 Section 24 - Lots 4, 7, NE/4, E/2 NW/4, NW/4 SE/4, Lot 5 of TR 48 and Lot 6 of TR 48
 Section 25 - Lots 5, 6

Lease No: 88849-P-0107-00
 St/Fed Lease No: WYW174827
 Lessor: BLM - MMS WYW174827
 Lessee: Meath LLC
 Lease Date: 04/01/2008
 Gross Acres: 972.7700
 Recording Info: 03/20/2008, Book 689, Page 879, Entry 937711
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-117-W, SECS 07,08,09 - 972.77 acs described as follows:
 Section 07 - Lots 10, 11, NE/4 NE/4, S/2 NE/4, N/2 SE/4
 Section 08 - N/2, N/2 S/2, SE/4 SE/4
 Section 09 - Lots 1-7

Lease No: 88849-P-0108-00
 St/Fed Lease No: WYW174828
 Lessor: BLM - MMS WYW174828
 Lessee: Meath LLC
 Lease Date: 04/01/2008
 Gross Acres: 2202.9600
 Recording Info: 03/20/2008, Book 689, Page 890, Entry 937712
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-118-W, SECS 03,10,15,22 - 2202.96 acs described as follows:
 Section 03 - Lots 5, 6, S/2 N/2, NW/4 SW/4, S/2 SW/4, SE/4
 Section 10 - N/2, N/2 SW/4, SE/4 SW/4, SE/4
 Section 15 - Lots 1-4, 9, 15, 16, N/2 N/2, SE/4 SW/4, S/2 SE/4
 Section 22 - Lots 1, 4, 5, E/2, E/2 W/2, NW/4 SW/4

Lease No: 88849-P-0109-00
 St/Fed Lease No: WYW174829
 Lessor: BLM - MMS WYW174829
 Lessee: Meath LLC
 Lease Date: 04/01/2008
 Gross Acres: 736.2500
 Recording Info: 03/20/2008, Book 690, Page 001, Entry 937713
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-118-W, SECS 04,09,16,21,28 - 736.25 acs described as follows:
 Section 04 - Lot 8, S/2 NE/4, SE/4
 Section 09 - Lots 1-4, 9, NE/4, SE/4 NW/4
 Section 16 - Lots 1, 10
 Section 21 - Lot 15
 Section 28 - Lots 4, 14, SE/4 NE/4

Lease No: 88849-P-0110-00
 St/Fed Lease No: WYW174830
 Lessor: BLM - MMS WYW174830
 Lessee: Meath LLC
 Lease Date: 04/01/2008
 Gross Acres: 504.8330
 Recording Info: 03/20/2008, Book 690, Page 015, Entry 937715
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-118-W, SECS 18,19,30 - 504.83 acs described as follows:
 Section 18 - Lots 6, 7, 10, 14, 16, 17, 20, 26-31
 Section 19 - Lots 9-12, 26--28, 31
 Section 30 - Lots 21-24

Lease No: 88849-P-0135-00
 St/Fed Lease No: WYW175167
 Lessor: BLM - MMS WYW175167
 Lessee: MRC Rockies Company
 Lease Date: 06/01/2008
 Gross Acres: 2080.0000
 Recording Info: 06/20/2008, Book 697, Page 870, Entry 939942
 State: Wyoming
 County: Lincoln
 Legal Description: T-21-N, R-118--W, SECS 13,14,15,17 - 2,080.00 acs described as follows:
 Section 13 - N/2, SW/4
 Section 14 - All
 Section 15 - All
 Section 17 - E/2

Lease No: 88849-P-0136-00
 St/Fed Lease No: WYW175168
 Lessor: BLM - MMS WYW175168
 Lessee: MRC Rockies Company
 Lease Date: 06/01/2008
 Gross Acres: 599.6200
 Recording Info: 06/20/2008, Book 697, Page 895, Entry 939944
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-118-W, SECS 01,12,13, 599.60 acs described as follows:
 Section 1 - Lots 6 - 8
 Section 1 - SW/4 NE/4
 Section 12 - W/2 NW/4, NW/4 SW/4
 Section 13 - NE/4 NE/4, S/2 NE/4, NW/4 NW/4, SE/4 NW/4, NE/4 SW/4
 Section 13 - N/2 SE/4

Lease No: 88849-P-0137-00
 St/Fed Lease No: WYW175169
 Lessor: BLM - MMS WYW175169
 Lessee: MRC Rockies Company
 Lease Date: 06/01/2008
 Gross Acres: 1240.0000
 Recording Info: 06/20/2008, Book 697, Page 882, Entry 939943
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-118-W, SECS 04,09,21,22 - 1,240.00 acs described as follows:
 Section 4 - SE/4 NE/4, NE/4 SE/4
 Section 9 - SE/4 NE/4, N/2 S/2
 Section 21 - All
 Section 22 - S/2

Lease No: 88849-P-0138-00
 St/Fed Lease No: WYW176009
 Lessor: BLM - MMS WYW176009
 Lessee: MRC Rockies Company
 Lease Date: 12/01/2008
 Gross Acres: 76.0000
 Recording Info: 11/25/2008, Book 709, Page 717, Entry 943827
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-118-W, SEC 20 - 76.00 acs being Lots 2, 3, 12, 13 and 33

Lease No: 88849-P-0139-00
 St/Fed Lease No: WYW176010
 Lessor: BLM - MMS WYW176010
 Lessee: MRC Rockies Company
 Lease Date: 12/01/2008
 Gross Acres: 55.7500
 Recording Info: 11/25/2008, Book 709, Page 730, Entry 943828
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-118-W, SEC 28 - 55.75 acs being Lot 15 of TR 54; Lot 1 of TR 55; and Lot 2 of TR 55

Lease No: 88849-P-0140-00
 St/Fed Lease No: WYW176011
 Lessor: BLM - MMS WYW176011
 Lessee: MRC Rockies Company
 Lease Date: 12/01/2008
 Gross Acres: 150.3400
 Recording Info: 11/25/2008, Book 709, Page 742, Entry 943829
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-118-W, SECS 30,31 - 150.34 acs described as follows:
 Sec 30 - Lot 33 of TR 44
 Sec 30 - Lot 34 of TR 44
 Sec 30 - Lot 11 of TR 47
 Sec 30 - Lot 12 of TR 47
 Sec 30 - Lot 13 of TR 47
 Sec 30 - Lot 14 of TR 47
 Sec 31 - Lot 11 of TR 44
 Sec 31 - Lot 12 of TR 44
 Sec 31 - Lot 21 of TR 44
 Sec 31 - Lot 22 of TR 44

Lease No: 88849-P-0141-00
 St/Fed Lease No: WYW176012
 Lessor: BLM - MMS WYW176012
 Lessee: MRC Rockies Company
 Lease Date: 12/01/2008
 Gross Acres: 365.3200
 Recording Info: 11/25/2008, Book 709, Page 754, Entry 943830
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-119-W, SECS 13,14,24 - 365.32 acs being described as follows:
 Section 13 - Lots 8, 14, 24
 Section 13 - Lot 4 of TR 92
 Section 13 - Lot 5 of TR 92
 Section 13 - Lot 15 of TR 92
 Section 14 - Lot 2 of TR 91
 Section 14 - Lot 1 of TR 92
 Section 24 - Lot 13
 Section 24 - E/2 NE/4, NE/4 SE/4
 Section 24 - Lot 14 of TR 47

Lease No: 88849-P-0142-00
 St/Fed Lease No: WYW174331
 Lessor: BLM - MMS WYW174331
 Lessee: Meath LLC
 Lease Date: 01/01/2008
 Gross Acres: 2238.4800
 Recording Info: 02/05/2008, Book 685, Page 729, Entry 936732
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-120-W, SECS 01,02,11,12 - 2,238.48 acs described as follows:
 Section 01 - Lots 5-8, 11, 12, 14, 17, 18, 22, 24, 25, 28 and W/2 SW/4
 Section 02 - Lots 5, 8-11, 13, 16, 18, 19, 22, SW/4 NW/4, NW/4 SW/4 and S/2 S/2
 Section 11 - All
 Section 12 - All

Lease No: 88849-S-0030-00
 St/Fed Lease No: 06-00512
 Lessor: State of WY Lease #06-00512, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 06/02/2006
 Gross Acres: 640.0000
 Recording Info: 07/17/2006, Book 626, Page 496, Entry 920298
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-116-W, SEC 35 - 640.00 acs being All of Tract 65 (formerly Section 35)

Lease No: 88849-S-0031-00
 St/Fed Lease No: 07-00168
 Lessor: State of WY Lease #07-00168, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2007
 Gross Acres: 40.0000
 Recording Info: 03/08/2007, Book 650, Page 509, Entry 927436
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-117-W, SEC 19 - 40.00 acs being Lot 15

Lease No: 88849-S-0032-00
 St/Fed Lease No: 07-00169
 Lessor: State of WY Lease #07-00169, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2007
 Gross Acres: 46.5900
 Recording Info: 03/08/2007, Book 650, Page 506, Entry 927435
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-117-W, SEC 30 - 46.59 acs being Lot 8

Lease No: 88849-S-0033-00
 St/Fed Lease No: 07-00170
 Lessor: State of WY Lease #07-00170, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2007
 Gross Acres: 40.0000
 Recording Info: 03/08/2007, Book 650, Page 503, Entry 927434
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-117-W, SEC 31 - 40.00 acs being Lot 5

Lease No: 88849-S-0034-00
St/Fed Lease No: 07-00173
Lessor: State of WY Lease #07-00173, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/02/2007
Gross Acres: 78.9400
Recording Info: 03/08/2007, Book 650, Page 500, Entry 927433
State: Wyoming
County: Lincoln
Legal Description: T-21-N, R-118-W, SEC 04 - 78.49 acs more less being Lot 7 and SE/4 NW/4

Lease No: 88849-S-0035-00
St/Fed Lease No: 07-00174
Lessor: State of WY Lease #07-00174, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/02/2007
Gross Acres: 80.0000
Recording Info: 03/08/2007, Book 650, Page 497, Entry 927432
State: Wyoming
County: Lincoln
Legal Description: T-21-N, R-118-W, SEC 04 - 80.00 acs more or less being the E/2 SW/4

Lease No: 88849-S-0036-00
St/Fed Lease No: 07-00176
Lessor: State of WY Lease #07-00176, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/02/2007
Gross Acres: 640.0000
Recording Info: 03/08/2007, Book 650, Page 494, Entry 927431
State: Wyoming
County: Lincoln
Legal Description: T-21-N, R-118-W, SEC 36 - 640.00 acs being All of Section 36

Lease No: 88849-S-0037-00
St/Fed Lease No: 07-00179
Lessor: State of WY Lease #07-00179, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/02/2007
Gross Acres: 640.0000
Recording Info: 03/08/2007, Book 650, Page 491, Entry 927430
State: Wyoming
County: Lincoln
Legal Description: T-23-N, R-118-W, SEC 16 - 640.00 acs being All of Section 16

Lease No: 88849-S-0038-00
St/Fed Lease No: 07-00180
Lessor: State of WY Lease #07-00180, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/02/2007
Gross Acres: 320.0000
Recording Info: 03/08/2007, Book 650, Page 488, Entry 927429
State: Wyoming
County: Lincoln
Legal Description: T-23-N, R-118-W, SEC 20,29 - 320.00 acs being the SE/4 of Section 20, and the NE/4 of Section 29, T-23-N, R-118-W

Lease No: 88849-S-0039-00
St/Fed Lease No: 07-00181
Lessor: State of WY Lease #07-00181, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/07/2007
Gross Acres: 160.0000
Recording Info: 03/08/2007, Book 650, Page 485, Entry 927428
State: Wyoming
County: Lincoln
Legal Description: T-23-N, R-118-W, SEC 20 - 160.00 acs being the SW/4

Lease No: 88849-S-0040-00
St/Fed Lease No: 07-00184
Lessor: State of WY Lease #07-00184, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/07/2007
Gross Acres: 640.0000
Recording Info: 03/08/2007, Book 650, Page 482, Entry 927427
State: Wyoming
County: Lincoln
Legal Description: T-23-N, R-118-W, SECS 29, 32 - 640.00 acs being the W/2 of Section 29, and the W/2 of Section 32, T-23-N, R-118-W

Lease No: 88849-S-0041-00
St/Fed Lease No: 07-00186
Lessor: State of WY Lease #07-00186 (Parcel 197), Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/02/2007
Gross Acres: 640.0000
Recording Info: 03/08/2007, Book 650, Page 479, Entry 927426
State: Wyoming
County: Lincoln
Legal Description: T-23-N, R-118-W, SEC 36 - 640.00 acs being All of Section 36,

Lease No: 88849-S-0042-00
St/Fed Lease No: 07-00193
Lessor: State of WY Lease #07-00193, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 04/02/2007
Gross Acres: 320.0000
Recording Info: 04/26/2007, Book 655, Page 796, Entry 928773
State: Wyoming
County: Lincoln
Legal Description: T-23-N, R-120-W, SEC 36 - 320.00 acs being Tract 46 Resurvey (formerly W/2 Sec 36)

Lease No: 88849-S-0043-00
St/Fed Lease No: 07-00194
Lessor: State of WY Lease #07-00194, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 04/02/2007
Gross Acres: 39.5100
Recording Info: 04/26/2007, Book 655, Page 799, Entry 928774
State: Wyoming
County: Lincoln
Legal Description: T-25-N, R-115-W, SEC 06 - 39.51 acs more or less being Lot 1 Section 6 Resurvey

Lease No: 88849-S-0044-00
St/Fed Lease No: 06-00213
Lessor: State of WY Lease #06-00213, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/02/2006
Gross Acres: 640.0000
Recording Info: 03/06/2006, Book 613, Page 677, Entry 916427
State: Wyoming
County: Lincoln
Legal Description: T-23-N, R-116-W, SEC 36 - 640.00 acs being all of Lot 38 Resurvey (formerly known as All of Section 36)

Lease No: 88849-S-0045-00
St/Fed Lease No: 06-00214
Lessor: State of WY Lease #06-00214, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/02/2007
Gross Acres: 634.6600
Recording Info: 03/06/2006, Book 613, Page 680, Entry 916428
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-116-W, SEC 36 - 634.66 acs more or less being Lot 38 Resurvey (formerly All of Section 36)

Lease No: 88849-S-0046-00
St/Fed Lease No: 05-00376
Lessor: State of WY Lease #05-00376, Board of Land Commissioners
Lessee: Lane Lasrich
Lease Date: 08/02/2005
Gross Acres: 393.2600
Recording Info: 07/09/2007, Book 665, Page 104, Entry 931098
State: Wyoming
County: Lincoln
Legal Description: T-21-N, R-116-W, SEC 02 - 393.26 acs more or less being Tract 76 Lots 5 - 7, 12 - 17, 22 - 27 of said Section 2

Lease No: 88849-S-0047-00
St/Fed Lease No: 05-00377
Lessor: State of WY Lease #05-00377, Board of Land Commissioners
Lessee: Lane Lasrich
Lease Date: 08/02/2005
Gross Acres: 640.0000
Recording Info: 07/09/2007, Book 665, Page 102, Entry 931097
State: Wyoming
County: Lincoln
Legal Description: T-22-N, R-116-W, SEC 16 - 640.00 acs being Tract 59 Resurvey (formerly All of Section 16)

Lease No: 88849-S-0048-00
St/Fed Lease No: 05-00378
Lessor: State of WY Lease #05-00378, Board of Land Commissioners
Lessee: Lane Lasrich
Lease Date: 08/02/2005
Gross Acres: 38.0500
Recording Info: 07/09/2007, Book 665, Page 100, Entry 931096
State: Wyoming
County: Lincoln
Legal Description: T-22-N, R-116-W, SEC 35 - 38.05 acs being Lot 8 Resurvey (formerly Part of SE SW Sec 35)

Lease No: 88849-S-0049-00
St/Fed Lease No: 05-00379
Lessor: State of WY Lease #05-00379, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 08/02/2005
Gross Acres: 87.4100
Recording Info: 07/09/2007, Book 665, Page 098, Entry 931095
State: Wyoming
County: Lincoln
Legal Description: T-22-N, R-117-W, SEC 07 - 87.41 acs being Lots 10 and 14

Lease No: 88849-S-0050-00
St/Fed Lease No: 05-00380
Lessor: State of WY Lease #05-00380, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 08/02/2005
Gross Acres: 594.0000
Recording Info: 07/09/2007, Book 665, Page 096, Entry 931094
State: Wyoming
County: Lincoln
Legal Description: T-23-N, R-117-W, SEC 12 - 594.00 acs being Tract 56 Resurvey (formerly All Sec 12)

Lease No: 88849-S-0051-00
St/Fed Lease No: 05-00381
Lessor: State of WY Lease #05-00381, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 08/02/2005
Gross Acres: 596.9200
Recording Info: 07/09/2007, Book 665, Page 094, Entry 931093
State: Wyoming
County: Lincoln
Legal Description: T-23-N, R-117-W, SEC 13 - 596.92 acs being Tract 49 Resurvey (formerly All Section 13)

Lease No: 88849-S-0052-00
St/Fed Lease No: 05-00382
Lessor: State of WY Lease #05-00382, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 08/02/2005
Gross Acres: 320.0000
Recording Info: 07/09/2007, Book 665, Page 092, Entry 931092
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-117-W, SEC 10 - 320.00 acs being Tract 71 Resurvey (formerly W/2 Section 10)

Lease No: 88849-S-0053-00
St/Fed Lease No: 05-00383
Lessor: State of WY Lease #05-00383, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 08/02/2005
Gross Acres: 640.0000
Recording Info: 07/09/2007, Book 665, Page 090, Entry 931091
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-118-W, SEC 16 - 640.00 acs being All of Section 16

Lease No: 88849-S-0054-00
 St/Fed Lease No: 05-00384
 Lessor: State of WY Lease #05-00384, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 08/02/2005
 Gross Acres: 298.5300
 Recording Info: 07/09/2007, Book 665, Page 106, Entry 931099
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-118-W, SECS 19,21,28,30
 SEC 19 - 155.78 acs being S/2 NE, SE NW, Lot 8
 SEC 21 - 40.00 acs being the NE SW
 SEC 28 - 40.00 acs being the SW NE
 SEC 30 - 62.75 acs being Lots 6, 8, NE SW
 containing in the aggregate 298.53 acs more or less

Lease No: 88849-S-0064-00
 St/Fed Lease No: 07-00527
 Lessor: State of WY Lease #07-00527, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 640.0000
 Recording Info: 12/26/2007, Book 682, Page 006, Entry 935778
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-115-W SEC 16 - 640.00 acs being Lot 43 (formerly All Section 16) Resurvey

Lease No: 88849-S-0065-00
 St/Fed Lease No: 07-00530
 Lessor: State of WY Lease #07-00530, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 640.0000
 Recording Info: 12/26/2007, Book 682, Page 008, Entry 935779
 State: Wyoming
 County: Lincoln
 Legal Description: T-20-N, R-116-W, SEC 16 - 640.00 acs being All

Lease No: 88849-S-0066-00
 St/Fed Lease No: 07-00532
 Lessor: State of WY Lease #07-00532, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 640.0000
 Recording Info: 12/26/2007, Book 682, Page 010, Entry 935780
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-116-W, SEC 36 - 640.00 acs being All

Lease No: 88849-S-0067-00
 St/Fed Lease No: 07-00535
 Lessor: State of WY Lease #07-00535, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 598.7400
 Recording Info: 12/26/2007, Book 682, Page 014, Entry 935782
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-117-W, SEC 01 - 598.74 acs being Tract 58 (formerly All Section 1) Resurvey

Lease No: 88849-S-0068-00
St/Fed Lease No: 07-00537
Lessor: State of WY Lease #07-00537, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 10/02/2007
Gross Acres: 27.5900
Recording Info: 12/26/2007, Book 682, Page 016, Entry 935783
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-117-W, SEC 25 - 27.59 acs being Lots 7 - 18

Lease No: 88849-S-0069-00
St/Fed Lease No: 07-00538
Lessor: State of WY Lease #07-00538, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 10/02/2007
Gross Acres: 40.0000
Recording Info: 12/26/2007, Book 682, Page 018, Entry 935784
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-117-W, SEC 32 - 40.00 acs being the SE/4 NE/4 Resurvey

Lease No: 88849-S-0070-00
St/Fed Lease No: 07-00539
Lessor: State of WY Lease #07-00539, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 10/02/2007
Gross Acres: 640.0000
Recording Info: 12/26/2007, Book 682, Page 020, Entry 935785
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-117-W, SEC 36 - 640.00 acs being Tract 37 (formerly All Sec 36)

Lease No: 88849-S-0071-00
St/Fed Lease No: 07-00540
Lessor: State of WY Lease #07-00540, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 10/02/2007
Gross Acres: 240.0000
Recording Info: 12/26/2007, Book 682, Page 022, Entry 935786
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-117-W, SEC 27 - 240.00 acs being Tract 53 (formerly NE/4, E/2 NW/4 Section 27)

Lease No: 88849-S-0072-00
St/Fed Lease No: 07-00541
Lessor: State of WY Lease #07-00541, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 10/02/2007
Gross Acres: 480.0000
Recording Info: 12/26/2007, Book 682, Page 024, Entry 935787
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-117-W, SEC 22 - 480.00 acs being Tract 57 (formerly E/2, E/2 W/2 Section 22) Resurvey

Lease No: 88849-S-0073-00
St/Fed Lease No: 07-00542
Lessor: State of WY Lease #07-00542, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 10/02/2007
Gross Acres: 640.0000
Recording Info: 12/26/2007, Book 682, Page 026, Entry 935788
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-117-W, SEC 16 - 640.00 acs being Tract 69 (formerly All of Section 16) Resurvey

Lease No: 88849-S-0074-00
St/Fed Lease No: 07-00543
Lessor: State of WY Lease #07-00543, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 10/02/2007
Gross Acres: 80.0000
Recording Info: 12/26/2007, Book 682, Page 028, Entry 935789
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-117-W, SEC 09 - 80.00 acs being Tract 70 (formerly E/2 SE/4 of Section 9)

Lease No: 88849-S-0075-00
St/Fed Lease No: 07-00544
Lessor: State of WY Lease #07-00544, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 10/02/2007
Gross Acres: 240.0000
Recording Info: 12/26/2007, Book 682, Page 030, Entry 935790
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-117-W, SEC 03 - 240.00 acs being Tract 76 (formerly NE/4 SW/4 Sec 3); and Tract 77 (formerly Lots 2-4, SE/4 NW/4, NE/4 SW/4 Sec 3) Resurvey

Lease No: 88849-S-0076-00
St/Fed Lease No: 07-00545
Lessor: State of WY Lease #07-00545, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 10/02/2007
Gross Acres: 640.0000
Recording Info: 12/26/2007, Book 682, Page 032, Entry 935791
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-117-W, SEC 01 - 640.00 acs being Tract 81 (formerly All Sec 1) Resurvey

Lease No: 88849-S-0077-00
St/Fed Lease No: 07-00546
Lessor: State of WY Lease #07-00546, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 10/02/2007
Gross Acres: 640.0000
Recording Info: 12/26/2007, Book 682, Page 034, Entry 935792
State: Wyoming
County: Lincoln
Legal Description: T-25-N, R-117-W, SEC 16 - 640.00 acs being All of Section 16

Lease No: 88849-S-0078-00
St/Fed Lease No: 07-00547
Lessor: State of WY Lease #07-00547, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 10/02/2007
Gross Acres: 640.0000
Recording Info: 12/26/2007, Book 682, Page 036, Entry 935793
State: Wyoming
County: Lincoln
Legal Description: T-25-N, R-117-W, SEC 36 - 640.00 acs being All of Section 36 Resurvey

Lease No: 88849-S-0079-00
St/Fed Lease No: 07-00549
Lessor: State of WY Lease #07-00549, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 10/02/2007
Gross Acres: 80.0500
Recording Info: 12/26/2007, Book 682, Page 038, Entry 935794
State: Wyoming
County: Lincoln
Legal Description: T-25-N, R-118-W, SEC 03 - 80.05 acs being Lot 15 and NE/4 SW/4 of Section 3

Lease No: 88849-S-0080-00
St/Fed Lease No: 07-00550
Lessor: State of WY Lease #07-00550, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 10/02/2007
Gross Acres: 40.0000
Recording Info: 12/26/2007, Book 682, Page 040, Entry 935795
State: Wyoming
County: Lincoln
Legal Description: T-25-N, R-118-W, SEC 10 - 40.00 acs being the SW/4 SW/4 of Section 10 Resurvey

Lease No: 88849-S-0081-00
St/Fed Lease No: 07-00552
Lessor: State of WY Lease #07-00552, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 10/02/2007
Gross Acres: 318.8900
Recording Info: 12/26/2007, Book 682, Page 042, Entry 935796
State: Wyoming
County: Lincoln
Legal Description: T-25-N, R-118-W, SEC 34 - 319.89 acs being Tract 38 (formerly W/2 Section 34) Resurvey

Lease No: 88849-S-0082-00
St/Fed Lease No: 07-00554
Lessor: State of WY Lease #07-00554, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 10/02/2007
Gross Acres: 640.0200
Recording Info: 12/26/2007, Book 682, Page 044, Entry 935797
State: Wyoming
County: Lincoln
Legal Description: T-25-N, R-118-W, SEC 16 - 640.02 acs being Tract 60 (formerly All Sec 16) Resurvey

Lease No: 88849-S-0083-00
St/Fed Lease No: 07-00556
Lessor: State of WY Lease #07-00556, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 10/02/2007
Gross Acres: 403.8300
Recording Info: 12/26/2007, Book 682, Page 046, Entry 935798
State: Wyoming
County: Lincoln
Legal Description: T-25-N, R-118-W, SEC 06 - 403.83 acs, being Part of Tract 71, Lots 6-13; 16-18; 30-34 Resurvey

Lease No: 88849-S-0084-00
St/Fed Lease No: 07-00558
Lessor: State of WY Lease #07-00558, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 10/02/2007
Gross Acres: 320.0000
Recording Info: 12/26/2007, Book 682, Page 048, Entry 935799
State: Wyoming
County: Lincoln
Legal Description: T-21-N, R-120-W, SEC 11 - 320.00 acs being the S/2

Lease No: 88849-S-0085-00
St/Fed Lease No: 07-00559
Lessor: State of WY Lease #07-00559, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 10/02/2007
Gross Acres: 640.0000
Recording Info: 12/26/2007, Book 682, Page 050, Entry 935800
State: Wyoming
County: Lincoln
Legal Description: T-21-N, R-120-W, SEC 12 - 640.00 acs being All

Lease No: 88849-S-0086-00
St/Fed Lease No: 07-00560
Lessor: State of WY Lease #07-00560, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 10/02/2007
Gross Acres: 167.2400
Recording Info: 12/26/2007, Book 682, Page 052, Entry 935801
State: Wyoming
County: Lincoln
Legal Description: T-21-N, R-120-W, SEC 16 - 167.24 acs being Lots 5-8

Lease No: 88849-S-0087-00
St/Fed Lease No: 07-00565
Lessor: State of WY Lease #07-00565, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 10/02/2007
Gross Acres: 153.2000
Recording Info: 12/26/2007, Book 682, Page 054, Entry 935802
State: Wyoming
County: Lincoln
Legal Description: T-22-N, R-120-W, SEC 16 - 153.20 acs being Lots 5-8

Lease No: 88849-S-0088-00
St/Fed Lease No: 07-00566
Lessor: State of WY Lease #07-00566, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 10/02/2007
Gross Acres: 640.0000
Recording Info: 12/26/2007, Book 682, Page 056, Entry 935803
State: Wyoming
County: Lincoln
Legal Description: T-22-N, R-120-W, SEC 36 - 640.00 acs being Tract 58 (formerly All Sec 36) Resurvey

Lease No: 88849-S-0089-00
St/Fed Lease No: 07-00567
Lessor: State of WY Lease #07-00567, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 10/02/2007
Gross Acres: 191.9400
Recording Info: 12/26/2007, Book 682, Page 058, Entry 935804
State: Wyoming
County: Lincoln
Legal Description: T-23-N, R-120-W, SECS 10,16 - 191.94 acs being Lots 5-8 Section 16, and NW/4 NW/4 of Section 10, Resurvey

Lease No: 88849-S-0090-00
St/Fed Lease No: 07-00568
Lessor: State of WY Lease #07-00568, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 10/02/2007
Gross Acres: 160.0000
Recording Info: 12/26/2007, Book 682, Page 060, Entry 935805
State: Wyoming
County: Lincoln
Legal Description: T-23-N, R-120-W, SEC 14 - 160.00 acs being Tract 38 (formerly S/2S/2 Section 14) Resurvey

Lease No: 88849-S-0091-00
St/Fed Lease No: 07-00569
Lessor: State of WY Lease #07-00569, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 10/02/2007
Gross Acres: 320.0000
Recording Info: 12/26/2007, Book 682, Page 062, Entry 935806
State: Wyoming
County: Lincoln
Legal Description: T-23-N, R-120-W, SECS 01,02 - 320.00 acs being Tract 40 (formerly E/2 SW/4, W/2 SE/4 Section 1) Resurvey; and Tract 41 (formerly S/2 NE/4, NE/4 SW/4, NW/4 SE/4 Section 2) Resurvey

Lease No: 88849-S-0092-00
St/Fed Lease No: 07-00534
Lessor: State of WY Lease #07-00534, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 10/02/2007
Gross Acres: 40.0300
Recording Info: 12/26/2007, Book 682, Page 012, Entry 935781
State: Wyoming
County: Lincoln
Legal Description: T-23-N, R-117-W, SEC 04 - 40.03 acs being Lot 6 (Resurvey)

Lease No: 88849-S-0096-00
 St/Fed Lease No: 07-00513
 Lessor: State of WY Lease #07-00513, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 640.0000
 Recording Info: 12/26/2007, Book 682, Page 004, Entry 935777
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-115-W, SEC 36 - 640.00 acs being Lot 39 (formerly All Sec 36)

Lease No: 88849-S-0111-00
 St/Fed Lease No: 08-00116
 Lessor: State of WY Lease #08-00116, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2008
 Gross Acres: 80.0000
 Recording Info: 03/20/2008, Book 689, Page 830, Entry 937697
 State: Wyoming
 County: Lincoln
 Legal Description: T-21-N, R-115-W, SEC 10 - 80.00 acs being the NE/4 SW/4 and NW/4 SE/4 of Section 10 Resurvey

Lease No: 88849-S-0112-00
 St/Fed Lease No: 08-00117
 Lessor: State of WY Lease #08-00117, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2008
 Gross Acres: 640.0000
 Recording Info: 03/20/2008, Book 689, Page 828 Entry 937696
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-115-W, SEC 36 - 640.00 acs being Lot 38 (formerly All of Section 36) Resurvey

Lease No: 88849-S-0113-00
 St/Fed Lease No: 08-00128
 Lessor: State of WY Lease #08-00128, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2008
 Gross Acres: 160.0100
 Recording Info: 03/20/2008, Book 689, Page 820, Entry 937692
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-119-W, SEC 08 - 160.01 acs being Tract 46 (formerly NW/4 Section 8) Resurvey

Lease No: 88849-S-0114-00
 St/Fed Lease No: 08-00135
 Lessor: State of WY Lease #08-00135, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2008
 Gross Acres: 165.5800
 Recording Info: 03/20/2008, Book 689, Page 824, Entry 937694
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-119-W, SEC 09 - 165.58 acs being Tract 106 (formerly NW/4 Section 9) Resurvey

Lease No: 88849-S-0115-00
St/Fed Lease No: 08-00138
Lessor: State of WY Lease #08-00138, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/02/2008
Gross Acres: 41.3800
Recording Info: 03/20/2008, Book 689, Page 832, Entry 937698
State: Wyoming
County: Lincoln
Legal Description: T-25-N, R-119-W, SEC 05 - 41.38 acs being Part of Tract 123 Lots 19, 20 Section 5 Resurvey

Lease No: 88849-S-0116-00
St/Fed Lease No: 08-00139
Lessor: State of WY Lease #08-00139, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/02/2008
Gross Acres: 166.7000
Recording Info: 03/20/2008, Book 689, Page 834, Entry 937699
State: Wyoming
County: Lincoln
Legal Description: T-25-N, R-119-W, SEC 04 - 166.70 acs being Tract 125 (formerly SW/4 Section 4) Resurvey

Lease No: 88849-S-0117-00
St/Fed Lease No: 08-00140
Lessor: State of WY Lease #08-00140, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/02/2008
Gross Acres: 80.6400
Recording Info: 03/20/2008, Book 689, Page 836, Entry 937700
State: Wyoming
County: Lincoln
Legal Description: T-25-N, R-119-W, SEC 13 - 80.64 acs being Tract 131 A-B (formerly E/2 SE/4 Section 13) Resurvey

Lease No: 88849-S-0118-00
St/Fed Lease No: 08-00141
Lessor: State of WY Lease #08-00141, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/02/2008
Gross Acres: 41.2500
Recording Info: 03/20/2008, Book 689, Page 838, Entry 937701
State: Wyoming
County: Lincoln
Legal Description: T-25-N, R-119-W, SEC 08 - 41.52 acs being Tract 132 (formerly NE/4 NE/4 Section 8) Resurvey

Lease No: 88849-S-0119-00
St/Fed Lease No: 08-00142
Lessor: State of WY Lease #08-00142, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/02/2008
Gross Acres: 652.9000
Recording Info: 03/20/2008, Book 689, Page 840, Entry 937702
State: Wyoming
County: Lincoln
Legal Description: T-25-N, R-119-W, SEC 36 - 652.90 acs being Tract 37 (formerly All of Section 36) Resurvey

Lease No: 88849-S-0120-00
St/Fed Lease No: 08-00148
Lessor: State of WY Lease #08-00148, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/02/2008
Gross Acres: 659.8000
Recording Info: 03/20/2008, Book 689, Page 842, Entry 937703
State: Wyoming
County: Lincoln
Legal Description: T-25-N, R-119-W, SEC 15 - 659.80 acs being Tract 90 (formerly All of Section 15) Resurvey

Lease No: 88849-S-0121-00
St/Fed Lease No: 08-00149
Lessor: State of WY Lease #08-00149, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/02/2008
Gross Acres: 166.6000
Recording Info: 03/20/2008, Book 689, Page 844, Entry 937704
State: Wyoming
County: Lincoln
Legal Description: T-25-N, R-119-W, SEC 09 - 166.60 acs being Tract 97 (formerly SE/4 Section 9) Resurvey

Lease No: 88849-S-0122-00
St/Fed Lease No: 08-00150
Lessor: State of WY Lease #08-00150, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/02/2008
Gross Acres: 640.0000
Recording Info: 03/20/2008, Book 689, Page 846, Entry 937705
State: Wyoming
County: Lincoln
Legal Description: T-26-N, R-119-W, SEC 16 - 640.00 acs being All of Section 16

Lease No: 88849-S-0123-00
St/Fed Lease No: 08-00151
Lessor: State of WY Lease #08-00151, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/02/2008
Gross Acres: 160.0000
Recording Info: 03/20/2008, Book 689, Page 848, Entry 937706
State: Wyoming
County: Lincoln
Legal Description: T-26-N, R-119-W, SEC 25 - 160.00 acs being Lots 4, 9, 10 and SE/4 NW/4 of Section 25

Lease No: 88849-S-0124-00
St/Fed Lease No: 08-00152
Lessor: State of WY Lease #08-00152, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/02/2008
Gross Acres: 40.0000
Recording Info: 03/20/2008, Book 689, Page 850, Entry 937707
State: Wyoming
County: Lincoln
Legal Description: T-26-N, R-119-W, SEC 28 - 40.00 acs being the SW/4 SW/4

Exhibit A

Lease No: 88849-S-0125-00
St/Fed Lease No: 08-00153
Lessor: State of WY Lease #08-00153, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/02/2008
Gross Acres: 701.2600
Recording Info: 03/20/2008, Book 689, Page 822, Entry 937693
State: Wyoming
County: Lincoln
Legal Description: T-26-N, R-119-W, SEC 36 - 701.26 acs being Lots 1-14, NW/4 and N/2 SW/4 of Section 36

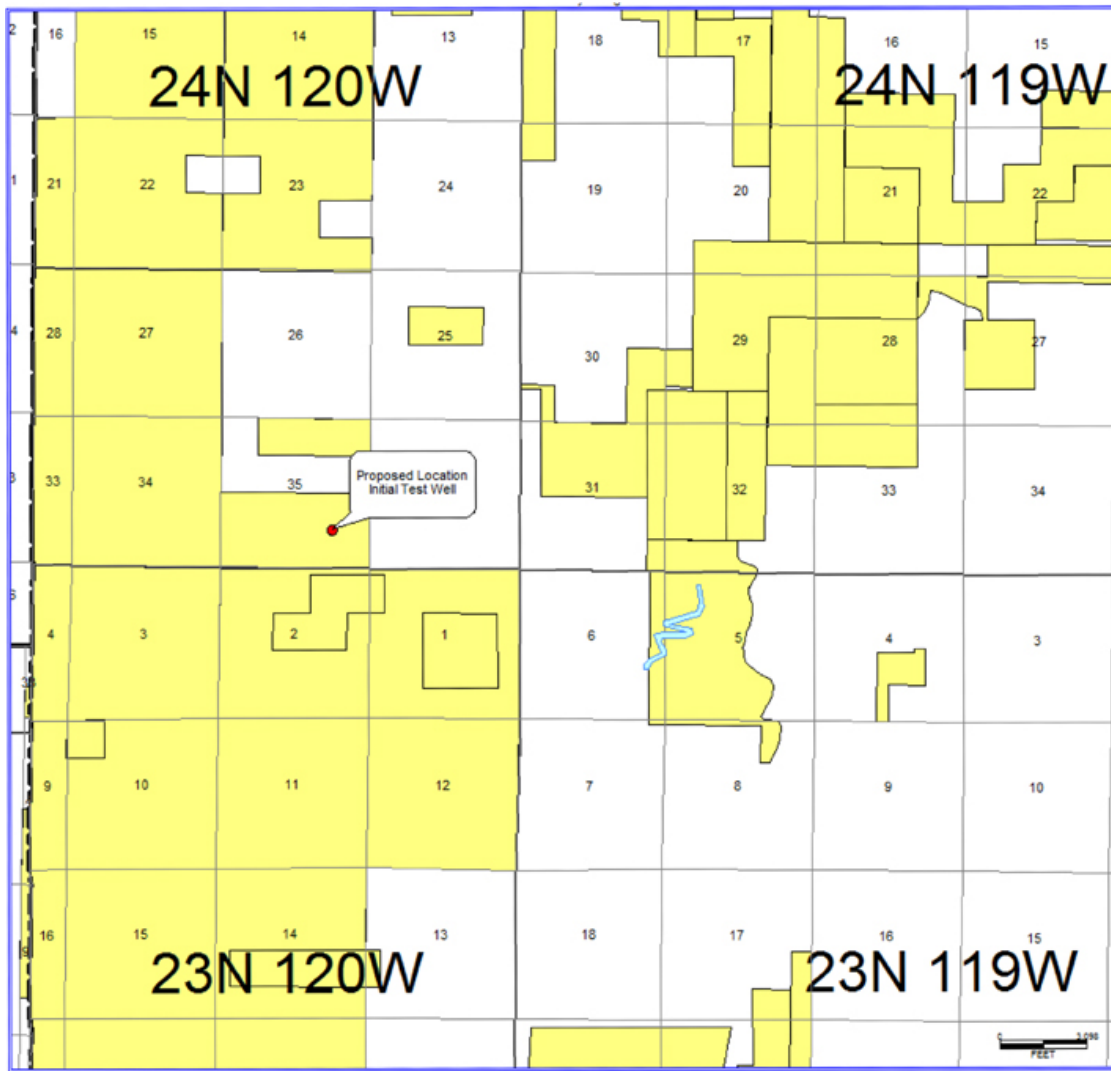
Lease No: 88849-S-0126-00
St/Fed Lease No: 08-00154
Lessor: State of WY Lease #08-00154, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/02/2008
Gross Acres: 40.0000
Recording Info: 03/20/2008, Book 689, Page 852, Entry 937708
State: Wyoming
County: Lincoln
Legal Description: T-27-N, R-119-W, SEC 13 - 40.00 acs being the SW4 NW/4 of Section 13

Lease No: 88849-S-0127-00
St/Fed Lease No: 08-00155
Lessor: State of WY Lease #08-00155, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/02/2008
Gross Acres: 80.0000
Recording Info: 03/20/2008, Book 689, Page 816, Entry 937690
State: Wyoming
County: Lincoln
Legal Description: T-27-N, R-119-W, SEC 15 - 80.00 acs being the E/2 SE/4 of Section 15

Lease No: 88849-S-0128-00
St/Fed Lease No: 08-00156
Lessor: State of WY Lease #08-00156, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/02/2008
Gross Acres: 725.6400
Recording Info: 03/20/2008, Book 689, Page 818, Entry 937691
State: Wyoming
County: Lincoln
Legal Description: T-27-N, R-119-W, SEC 36 - 725.64 acs being Lots 1-12 and W/2 of Section 36

Exhibit B

Attached to and made a part of that certain Participation Agreement dated May 14, 2010, by and among 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.



Proposed Location – Initial Test Well

Lincoln County, Wyoming

Exhibit C

MATADOR PRODUCTION COMPANY
 ONE LINCOLN CENTRE • 5400 LBJ FREEWAY • SUITE 1500 • DALLAS, TEXAS 75240
 Phone (972) 371-5200 • Fax (972) 371-5201

ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE

DATE:	May 14, 2010	AFE NO.:	TBD
PROSPECT NAME:	Crawford	FIELD:	Exploratory
LEASE NAME:	Crawford Fed 1	OPERATOR:	Matador Production Company
REMARKS:	Drill and case a 9235' vertical well, cut 160' of core.		
LOCATION:	Section 35, Township 24 N, Range 120 W		
COUNTY:	Lincoln	STATE:	Wyoming
MRC WI:	100%	PROPOSED TVD:	9,235'
		PREPARED BY:	RCL
		Expl or Devel:	Exploratory
		Days:	51

	INTANGIBLE COSTS	DRILLING COSTS	COMPLETION COSTS	TOTAL COSTS
01 Land / Legal / Regulatory	Damage claims, legal costs	\$ 20,000	\$ —	\$ 20,000
02 Location, Surveys & Damages	Build location, survey, set conductor	100,000	5,000	105,000
10 Drilling—Daywork, Ftg, Trnky	46 days drilling, 5 days completion = 51 total days	667,000	72,500	739,500
13 Mob / Demob	\$320M	320,000	—	320,000
16 Cementing & Float Equip	3 cement jobs	90,300	46,100	136,400
18 Testing—DST & Production		—	—	—
19 Coring Services & Core Eval	160' whole core & evaluation	200,000	—	200,000
20 Open Hole Logging	PEX, ECS, FMI, Dipmeter, Spectral GR	165,000	—	165,000
21 Mud Logging		56,500	—	56,500
22 Geological Supervision		4,000	—	4,000
24 Mud & Chemicals	WBM system	350,000	—	350,000
25 Mud Disposal & Pit Closing	Closed Loop System	225,450	—	225,450
26 Freight / Transportation		69,000	18,000	87,000
28 Rig Supervision / Engineering	51 days total, \$1600/d	73,600	8,000	81,600
30 Rental Equipment		97,275	2,000	99,275
31 Drill Bits		433,000	—	433,000
32 Fuel & Power	1300 gal/d rig fuel	113,022	12,285	125,307
33 Water	Purchase & haul 15,000 BBL city water	30,000	—	30,000
34 Drlg & Completion Overhead		25,500	7,000	32,500
36 Plugging & Abandonment		50,000	—	50,000
38 Directional Drilling, Surveys		—	—	—
40 Completion Unit, Swab, CTU		—	—	—
44 Perforating, CH Log, Slickline		—	—	—
45 Kill Truck		—	—	—
46 Stimulation		—	—	—
47 Stimulation Flowback & Disp		—	—	—
48 Insurance		23,088	—	23,088
50 Labor	Pipe inspection, casing crews, etc.	20,771	77,175	97,946
52 Miscellaneous		—	—	—
54 Contingency	15 % Contingency	470,026	37,209	507,235
	TOTAL INTANGIBLES >	3,603,531	285,269	3,888,800

	TANGIBLE COSTS	DRILLING COSTS	COMPLETION COSTS	TOTAL COSTS
40 Conductor Casing		\$ —	\$ —	\$ —
41 Surface Casing	1500' 13 3/8*	62,250	—	62,250
42 Intermediate Casing	4500' 9 5/8*	112,950	—	112,950
43 Drilling Liner		—	—	—
44 Production Casing	9235' 7*	—	232,999	232,999
45 Production Liner		—	—	—
46 Tubing		—	—	—
47 Wellhead	Multi-bowl wellhead	14,000	38,000	52,000
48 Packers, Liner Hangers		—	—	—
49 Tanks		—	—	—
50 Production Vessels		—	—	—
51 Flow Lines		—	—	—
52 Rod string		—	—	—
53 Pump Unit & Motor		—	—	—
54 Compressor		—	—	—
55 Installation Costs—Compl		—	—	—
56 Surface Pumps		—	—	—
57 Miscellaneous Equip—Compl		—	—	—
58 Non-controllable Surface		—	—	—
59 Non-controllable Downhole		—	—	—
61 Downhole Pumps		—	—	—
63 Instrumentation & Metering		—	—	—
	TOTAL TANGIBLES >	189,200	270,999	460,199
	TOTAL COSTS >	3,792,731*	556,268	4,348,999

* Cost to acquire and evaluate core

PREPARED BY MATADOR PRODUCTION COMPANY:

Sr. Operations Engineer _____ Date: _____
 RCL

MATADOR RESOURCES COMPANY APPROVAL:

Vice President, Exploration: _____ Date: _____ Executive Director of Exploration: _____ Date: _____
 SK DFN

Vice President, Engineering: _____ Date: _____
BMR

Vice President, Chief Legal Officer: _____ Date: _____
MBO

Executive Vice President, CFO _____ Date: _____
DEL

Executive Vice President -Operations _____ Date: _____
MH

NON OPERATING PARTNER APPROVAL:

Company Name: _____

Tax ID: _____

This AFE is an estimate only. By signing this AFE, you agree to pay your share of the total actual costs.

Approval: _____ Yes _____ No

(mark one)

Working Interest (%): _____

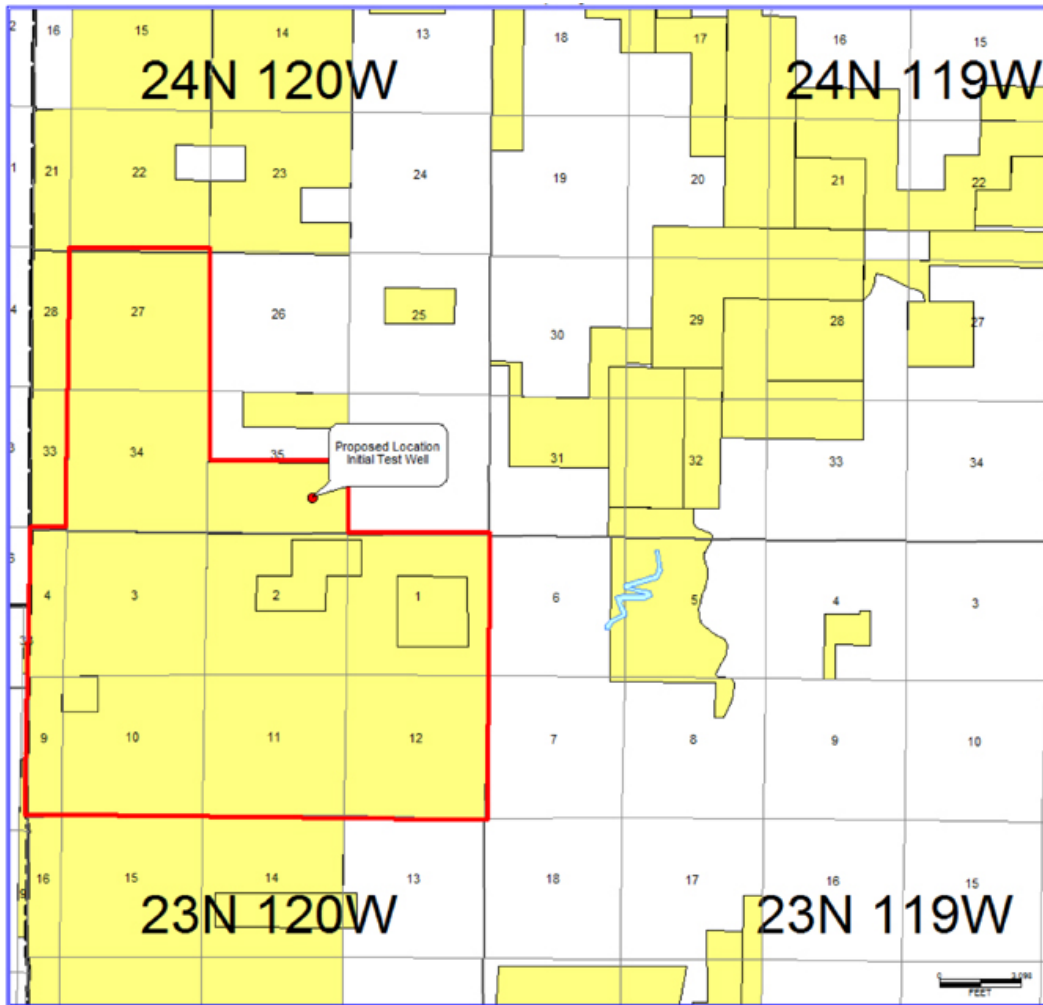
Signed by: _____

Date: _____

Title: _____

Exhibit D

Attached to and made a part of that certain Participation Agreement dated May 14, 2010, by and among 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.



Initial Prospect Area
Lincoln County, Wyoming

Exhibit E

Attached to and made a part of that certain Participation Agreement dated May 14, 2010, by and among 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.

PARTIAL ASSIGNMENT OF OIL, GAS AND MINERAL LEASES

STATE OF WYOMING

§

COUNTY OF LINCOLN

§

§

KNOW ALL MEN BY THESE PRESENTS, that for and in consideration of the sum of Ten and No/100 Dollars (\$10.00), cash in hand paid, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged and for which full acquittance and discharge is hereby granted, MRC ROCKIES COMPANY, whose mailing address is One Lincoln Centre, 5400 LBJ Freeway, Suite 1500, Dallas, Texas 75240 (“Assignor”) does hereby grant, sell, transfer, assign, convey and deliver unto ALLIANCE CAPITAL REAL ESTATE, INC., whose mailing address is 1345 Avenue of the Americas, New York, New York 10105 (“Assignee”), an undivided fifty percent (50%) [or such lesser percentage as elected by Assignee in Option A or Option C] of Assignor’s right, title and interest in and to the oil, gas and mineral leases (the “Leases”) described in Exhibit “A” attached hereto and made a part hereof.

TO HAVE AND TO HOLD said undivided interest unto Assignee, its successors and assigns, forever.

This assignment is made and accepted subject to the following terms, conditions and provisions:

1. All of the terms, provisions, obligations and covenants contained in the Lease, and Assignee hereby agrees to comply with and assume its proportionate share of all such terms, provisions, obligations and covenants, to the extent of the undivided interest acquired herein.
2. All existing royalty and overriding royalty burdens applicable to the Leases in existence as of the Effective Date of this assignment and which are of record or of which Assignee has actual or constructive notice, including that certain Assignment of Overriding Royalty dated May 14, 2010, from MRC Rockies Company, as assignor, in favor of Roxanna Rocky Mountains, LLC, as assignee, recorded in COB , Page , Entry No. of the Official Public Records of Lincoln County, Wyoming.
3. This assignment is made and accepted with warranty of title by, through and under Assignor, but not otherwise, but is made with full substitution and subrogation in and to all of Assignor’s rights and actions of warranty.
4. This assignment and its terms, covenants and conditions shall be binding upon and shall inure to the benefit of Assignor and Assignee and their respective successors and assigns.
5. The terms and provisions of that certain Participation Agreement (the “Participation Agreement”) dated May 14, 2010, by and among 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. In the event of a conflict between the terms and provisions of this assignment and the terms and provisions of the Participation Agreement, the terms and provisions of the Participation Agreement shall prevail.

6. The terms and provisions of that certain Joint Operating Agreement (the "JOA") dated May 14, 2010, by and between Matador Production Company, as Operator, and Roxanna Rocky Mountains, LLC, MRC Rockies Company and Alliance Capital Real Estate, Inc., as Non-Operators. In the event of a conflict between the terms and provisions of this assignment and the terms and provisions of the JOA, the terms and provisions of the JOA shall prevail.

7. All of the applicable rules, regulations, or laws of and, if applicable, approval by any federal, state or municipal agency or body having jurisdiction over the Leases.

8. Assignee represents and warrants to Assignor that Assignee is qualified to own federal or state oil, gas and mineral leases in all jurisdictions applicable to the Leases.

9. Assignor and Assignee agree and stipulate that the descriptions of the Leases herein shall be sufficient for all purposes including the Statute of Frauds.

10. The interests assigned herein will be proportionately reduced if any Lease does not cover the full mineral estate in the leased premises.

11. This instrument may be executed in any number of 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.

IN WITNESS WHEREOF, this assignment is executed by the parties on the dates set forth in their respective acknowledgements hereto, but shall be effective as of May 14, 2010 (the "Effective Date").

MRC ROCKIES COMPANY

By: _____
Joseph Wm. Foran
Chairman, President & CEO

ALLIANCE CAPITAL REAL ESTATE, INC.

By: _____
Name: _____
Title: _____

STATE OF TEXAS

COUNTY OF DALLAS

This instrument was acknowledged before me on this _____ day of _____, 2010, by Joseph Wm. Foran, President & CEO of MRC ROCKIES COMPANY, a Texas corporation, on behalf of said corporation.

Notary Public, State of Texas

STATE OF NEW YORK

COUNTY OF _____

This instrument was acknowledged before me on this _____ day of _____, 2010, by _____, _____ of ALLIANCE CAPITAL REAL ESTATE, INC., a _____ corporation, on behalf of said corporation.

Notary Public, State of New York

EXHIBIT "F"

TO PARTICIPATION AGREEMENT DATED MAY 14, 2010, BY AND AMONG
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.

A.A.P.L. FORM 610-1982

MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

May 14 , 2010 ,
Year

OPERATOR Matador Production Company.

CONTRACT AREA See Exhibit "A" attached hereto and made a part hereof

COUNTIES OR PARISH OF Bear Lake, Rich and Lincoln STATE OF Idaho, Utah and Wyoming

COPYRIGHT 1982 – ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM
LANDMEN, 4100 FOSSIL CREEK BLVD., FORT
WORTH, TEXAS, 76137-2791, APPROVED
FORM. A.A.P.L. NO. 610 – 1982 REVISED

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OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between Matador Production Company, hereinafter designated and referred to as “Operator”, and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein as “Non-Operator”, and collectively as “Non-Operators”.

WITNESSETH:

WHEREAS, the parties to this agreement are owners of oil and gas leases ~~and/or oil and gas interests~~ in the land identified in Exhibit “A”, and the parties hereto have reached an agreement to explore and develop these leases ~~and/or oil and gas interests~~ for the production of oil and gas to the extent and as hereinafter provided,

NOW, THEREFORE, it is agreed as follows:

**ARTICLE I.
DEFINITIONS**

As used in this agreement, the following words and terms shall have the meanings here ascribed to them:

A. The term “oil and gas” shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

B. The terms “oil and gas lease”, “lease” and “leasehold” shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

C. The term “oil and gas interests” shall mean unleased fee and mineral interests in tracts of land lying within the Contract Area which are owned by parties to this agreement.

D. The term “Contract Area” shall mean all of the lands, ~~and~~ oil and gas leasehold interests ~~and oil and gas interests~~ intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests ~~and oil and gas interests~~ are described in Exhibit “A”.

E. The term “drilling unit” shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Contract Area or as fixed by express agreement of the Drilling Parties as set forth in the “Participation Agreement” (defined below).

F. The term “drillsite” shall mean the oil and gas lease or interest on which a proposed well is to be located.

G. The terms “Drilling Party” and “Consenting Party” shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

H. The terms “Non-Drilling Party” and “Non-Consenting Party” shall mean a party who elects not to participate in a proposed operation.

I. The term “Participation Agreement” means that certain Participation Agreement dated May 14, 2010, by and among 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.

J. The definition of the terms “Leases,” “Initial Test Well,” “Initial Prospect Area,” “Second Test Well,” “Second Prospect Area,” and other capitalized terms not otherwise defined herein have the meaning assigned to them in the Participation Agreement and are incorporated herein by reference.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

**ARTICLE II.
EXHIBITS**

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

- A. Exhibits “A”, “A-1”, and “A-2”, shall include the following information:
- (1) Identification of lands subject to this agreement,
 - (2) Restrictions, if any, as to depths, formations, or substances,
 - (3) Percentages or fractional interests of parties to this agreement,
 - (4) Oil and gas leases ~~and/or oil and gas interests~~ subject to this agreement,
 - (5) Addresses of parties for notice purposes.
- B. Exhibit “B”, ~~Form of Lease~~.
- C. Exhibit “C”, Accounting Procedure.
- D. Exhibit “D”, Insurance.
- E. Exhibit “E”, Gas Balancing Agreement.
- F. Exhibit “F”, ~~Non-Discrimination and Certification of Non-Segregated Facilities~~. Memorandum of Operating Agreement.
- G. Exhibit “G”, Tax Partnership.

If any provision of any exhibit, except Exhibits “E” and “G”, is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

**ARTICLE III.
INTERESTS OF PARTIES**

A. Oil and Gas Interests:

If any party owns an oil and gas interest in the Contract Area, that interest shall be treated for all purposes of this agreement and during the term hereof as if it were covered by the form of oil and gas lease attached hereto as Exhibit "B", and the owner thereof shall be deemed to own both the royalty interest reserved in such lease and the interest of the lessee thereunder.

B. Interests of Parties in Costs and Production:

Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and materials acquired in operations on the Contract Area shall be owned, by the parties as their interests are set forth in Exhibit "A". In the same manner, the parties shall also own all production of oil and gas from the Contract Area subject to the payment of royalties, overriding royalty interests and other burdens out of production which shall be borne as provided under the terms of the Participation Agreement, to the extent of which shall be borne as hereinafter set forth.

Regardless of which party has contributed the lease(s) and/or oil and gas interest(s) hereto on which royalty is due and payable, each party entitled to receive a share of production of oil and gas from the Contract Area shall bear and shall pay or deliver, or cause to be paid or delivered, to the extent of its interest in such production, the royalty amount stipulated hereinabove and shall hold the other parties free from any liability therefor. No party shall ever be responsible, however, on a price basis higher than the price received by such party, to any other party's lessor or royalty owner, and if any such other party's lessor or royalty owner should demand and receive settlement on a higher price basis, the party contributing the affected lease shall bear the additional royalty burden attributable to such higher price.

Nothing contained in this Article III.B. shall be deemed an assignment or cross-assignment of interests covered hereby.

C. Excess Royalties, Overriding Royalties and Other Payments:

~~Unless changed by other provisions, if the interest of any party in any lease covered hereby is subject to any royalty, overriding royalty, production payment or other burden on production in excess of the amount stipulated in Article III.B., such party so burdened shall assume and alone bear all such excess obligations and shall indemnify and hold the other parties hereto harmless from any and all claims and demands for payment asserted by owners of such excess burden.~~

D. Subsequently Created Interests:

If any party should hereafter create an overriding royalty, production payment or other burden payable out of production attributable to its working interest hereunder, or if such a burden existed prior to this agreement and is not set forth in Exhibit "A", or was not disclosed in writing to all other parties prior to the execution of this agreement by all parties, or is not a jointly acknowledged and accepted obligation of all parties (any such interest being hereinafter referred to as "subsequently created interest" irrespective of the timing of its creation and the party out of whose working interest the subsequently created interest is derived being hereinafter referred to as "burdened party"), and:

1. If the burdened party is required under this agreement to assign or relinquish to any other party, or parties, all or a portion of its working interest and/or the production attributable thereto, said other party, or parties, shall receive said assignment and/or production free and clear of said subsequently created interest and the burdened party shall indemnify and save said other party, or parties, harmless from any and all claims and demands for payment asserted by owners of the subsequently created interest; and,
2. If the burdened party fails to pay, when due, its share of expenses chargeable hereunder, all provisions of Article VII.B. shall be enforceable against the subsequently created interest in the same manner as they are enforceable against the working interest of the burdened party.

**ARTICLE IV.
TITLES**

A. Title Examination:

Title examination shall be made on the drillsite of any proposed well prior to commencement of drilling operations, ~~or, if the Drilling Parties so request, title examination shall be made on the leases and/or oil and gas interests included, or planned to be included, in the drilling unit around such well.~~ The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable leases. At the time a well is proposed, each party contributing leases and/or oil and gas interests to the drillsite, or to be included in such drilling unit, shall furnish to Operator all abstracts (including federal lease status reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of the title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each party hereto. The cost incurred by Operator in this title program shall be borne as follows:

Option No. 1: Costs incurred by Operator in procuring abstracts and title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be a part of the administrative overhead as provided in Exhibit "C", and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.

ARTICLE IV
continued

Option No. 2: Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) and fees paid to outside landmen for abstracts, runsheets or title curative shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A". Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

~~Operator~~ Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with leases ~~or oil and gas interests~~ contributed by such party. Operator shall be responsible for the preparation and recording of pooling designations or declarations as well as the conduct of hearings before governmental agencies for the securing of spacing or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing. Costs incurred by Operator in procuring spacing or pooling orders, including fees paid to outside attorneys and landmen, shall be borne by the Drilling Parties.

No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by ~~Operator or, at Operator's election,~~ all of the parties who are elect to participate in the drilling of the well.

B. Loss of Title:

~~1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", the party contributing the affected lease or interest shall have ninety (90) days from final determination of title failure to acquire a new lease or other instrument curing the entirety of the title failure, which acquisition will not be subject to Article VIII.B., and failing to do so, this agreement, nevertheless, shall continue in force as to all remaining oil and gas leases and interests; and,~~

~~(a) The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development or operating costs which it may have theretofore paid or incurred, but there shall be no additional liability on its part to the other parties hereto by reason of such title failure;~~

~~(b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Contract Area by the amount of the interest lost;~~

~~(c) If the proportionate interest of the other parties hereto in any producing well theretofore drilled on the Contract Area is increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increase in such interest (less costs and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well;~~

~~(d) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has failed, pay in any manner any part of the cost of operation, development, or equipment, such amount shall be paid to the party or parties who bore the costs which are so refunded;~~

~~(e) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the party or parties whose title failed in the same proportions in which they shared in such prior production; and,~~

~~(f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection with the defense of the interest claimed by any party hereto, it being the intention of the parties hereto that each shall defend title to its interest and bear all expenses in connection therewith.~~

~~2. Loss by Non Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut in well payment, minimum royalty or royalty payment, is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of the parties shall be revised on an acreage basis, effective as of the date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in the Contract Area on account of ownership of the lease or interest which has terminated. In the event the party who failed to make the required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:~~

~~(a) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis, up to the amount of unrecovered costs;~~

~~(b) Proceeds, less operating expenses, thereafter accrued attributable to the lost interest on an acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such lease termination, would be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said portion of the oil and gas to be contributed by the other parties in proportion to their respective interest; and,~~

~~(c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.~~

~~3. Other Losses: All losses of title incurred, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall be joint losses and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Contract Area.~~

**ARTICLE V.
OPERATOR**

A. Designation and Responsibilities of Operator:

Matador Production Company shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct.

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator ~~and its affiliate, MRC Rockies Company,~~ terminates its legal existence, no longer owns an interest hereunder in the Contract Area, or is no longer capable of serving as Operator, Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any ~~single affiliate,~~ subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. The successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A"; provided, however, if an Operator which has been removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of the Operator that was removed.

C. Employees:

The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed shall be determined by Operator, and all such employees shall be the employees of Operator- or its parent, Matador Resources Company.

D. Drilling Contracts:

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

**ARTICLE VI.
DRILLING AND DEVELOPMENT**

A. Initial Well:

~~On or before the _____ day of _____, (year) _____, Operator shall commence the drilling of a well for oil and gas at the following location:~~

~~The Initial Well shall mean the "Initial Test Well" and, if Participant elects option B, the "Second Test Well," as defined in the Participation Agreement, and shall thereafter continue the drilling of the well with due diligence to~~

~~unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.~~

~~Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.~~

ARTICLE VI
continued

If, in Operator's judgment, the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the well as a dry hole, the provisions of Article VI.E.1. shall thereafter apply.

B. Subsequent Operations:

1. Proposed Operations: Should any party hereto desire to drill any well on the Contract Area other than the well or wells provided for in Article VI.A., or to rework, deepen or plug back a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then capable of producing in paying quantities, the party desiring to drill, rework, deepen or plug back such a well shall give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days after receipt of the notice within which to notify the party wishing to do the work whether they elect to participate in the cost of the proposed operation. If a drilling rig is on location, notice of a proposal to rework, plug back or drill deeper may be given by telephone and the response period shall be limited to forty-eight (48) hours, ~~exclusive~~ inclusive of Saturday, Sunday, and legal holidays. Failure of a party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any notice or response given by telephone shall be promptly confirmed in writing. Notwithstanding anything contained herein to the contrary, other than the Initial Test Well and the Second Test Well only MRC Rockies Company shall have the right to propose the drilling of a well pursuant to this Agreement.

If all parties elect to participate in such a proposed operation, Operator shall, within ninety (90) days after expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be), actually commence the proposed operation * and complete it with due diligence at the risk and expense of all parties hereto; provided, however, said commencement date may be extended upon written notice of same by Operator to the other parties, for a period of up to thirty (30) additional days if, in the sole opinion of Operator, such additional time is reasonably necessary to obtain permits from governmental authorities, surface rights (including rights-of-way) or appropriate drilling equipment, or to complete title examination or curative matter required for title approval or acceptance. Notwithstanding the force majeure provisions of Article XI, if the actual operation has not been commenced within the time provided (including any extension thereof as specifically permitted herein) and if any party hereto still desires to conduct said operation, written notice proposing same must be resubmitted to the other parties in accordance with the provisions hereof as if no prior proposal had been made.

*Nothing contained herein shall prohibit Operator or the participating parties from actually commencing the proposed Operation before the expiration of the notice period nor shall the timing of such commencement affect in any way the validity of a Party's election or deemed election.

2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VII.D.1. (Option No. 2) elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this Article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, within ninety (90) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be) actually commence the proposed operation * and complete it with due diligence. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (a) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

*Nothing contained herein shall prohibit Operator or the participating parties from actually commencing the proposed Operation before the expiration of the notice period nor shall the timing of such commencement affect in any way the validity of a Party's election or deemed election.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise the Consenting Parties of the total interest of the parties approving such operation and its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (~~exclusive~~ inclusive of Saturday, Sunday and legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit participation to such party's interest as shown on Exhibit "A" or (b) carry its proportionate part of Non-Consenting Parties' interests, and failure to advise the proposing party shall be deemed an election under (a). In the event a drilling rig is on location, the time permitted for such a response shall not exceed a total of forty-eight (48) hours (inclusive of Saturday, Sunday and legal holidays). The proposing party, at its election, may withdraw such proposal if there is insufficient participation and shall promptly notify all parties of such decision- and pay all costs incurred as a result of such proposal and the withdrawal thereof.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well and restore the surface location at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Article results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk,

ARTICLE VI
continued

and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well and share of production therefrom until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold, (after deducting production taxes, excise taxes, royalty, overriding royalty and other interests not excepted by Article III.D. payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

400

(a) ~~100%~~ of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 400 ~~400~~% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to such Non-Consenting Party had it participated in the well from the beginning of the operations; and

(b) 400 % of that portion of the costs and expenses of drilling, reworking, deepening, plugging back, testing and completing, after deducting any cash contributions received under Article VIII.C., and 400 % of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

An election not to participate in the drilling or the deepening of a well shall be deemed an election not to participate in any reworking or plugging back operation proposed in such a well, or portion thereof, to which the initial Non-Consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment account. Any such reworking or plugging back operation conducted during the recoupment period shall be deemed part of the cost of operation of said well and there shall be added to the sums to be recouped by the Consenting Parties ~~one~~ hundred percent 400 (~~400~~%) of that portion of the costs of the reworking or plugging back operation which would have been chargeable to such Non-Consenting Party had it participated therein. If such a reworking or plugging back operation is proposed during such recoupment period, the provisions of this Article VI.B. shall be applicable as between said Consenting Parties in said well.

During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all production, severance, excise, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production not excepted by Article III.D.

In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value, less cost of salvage- and, if an owner is a Non-Consenting Party, less such owner's proportionate share of the cost of plugging and abandoning the well, which proportionate share shall be the same as such owner's proportionate share in the most recent operation on the well in which such owner participated.

Within sixty (60) days after the completion of any operation under this Article, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the party conducting the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of oil and gas produced during any month, Consenting Parties shall use industry accepted methods such as, but not limited to, metering or periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased in determining when the interest of such Non-Consenting Party shall revert to it as above provided; and if there is a credit balance, it shall be paid to such Non-Consenting Party.

ARTICLE VI
continued

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it, on the first day of the month following the month of payout and, from and after such reversion, such Non-Consenting Party shall own the same interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, completing reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the Accounting Procedure attached hereto.

Notwithstanding the provisions of this Article VI.B.2., it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Contract Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this Article shall have no application whatsoever to the drilling of the initial well or the Second Test Well described in Article VI.A. except (a) as to Article VII.D.1. (Option No. 2), if selected, or (b) as to the reworking, completing deepening and plugging back of such initial well, or after it has been drilled to the depth specified in Article VI.A. if it shall thereafter prove to be a dry hole or, if initially completed for production, ceases to be capable of producing ~~producing~~ in paying quantities.

3. Stand-By Time: When a well which has been drilled or deepened has reached its authorized depth and all tests have been completed, and the results thereof furnished to the parties, stand-by costs incurred pending response to a party's notice proposing a reworking, deepening, plugging back or completing operation in such a well shall be charged and borne as part of the drilling or deepening operation just completed. Stand-by costs subsequent to all parties responding, or expiration of the response time permitted, whichever first occurs, and prior to agreement as to the participating interests of all Consenting Parties pursuant to the terms of the second grammatical paragraph of Article VI.B.2., shall be charged to and borne as part of the proposed operation, but if the proposal is subsequently withdrawn because of insufficient participation, such stand-by costs shall be allocated between the Consenting Parties in the proportion each Consenting Party's interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all Consenting Parties.

4. Sidetracking: Except as hereinafter provided, those provisions of this agreement applicable to a "deepening" operation shall also be applicable to any proposal to directionally control and intentionally deviate a well from vertical so as to change the bottom hole location (herein call "sidetracking"), unless done to straighten the hole or to drill around junk in the hole or because of other mechanical difficulties. Any party having the right to participate in a proposed sidetracking operation that does not own an interest in the affected well bore at the time of the notice shall, upon electing to participate, tender to the well bore owners its proportionate share (equal to its interest in the sidetracking operation) of the value of that portion of the existing well bore to be utilized as follows:

(a) If the proposal is for sidetracking an existing dry hole, reimbursement shall be on the basis of the actual costs incurred in the initial drilling of the well down to the depth at which the sidetracking operation is initiated.

(b) If the proposal is for sidetracking a well which has previously produced, reimbursement shall be on the basis of the well's salvable materials and equipment down to the depth at which the sidetracking operation is initiated, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning.

In the event that notice for a sidetracking operation is given while the drilling rig to be utilized is on location, the response period shall be limited to forty-eight (48) hours, ~~inclusive~~ exclusive of Saturday, Sunday and legal holidays; provided, however, any party may request and receive up to eight (8) additional days after expiration of the forty-eight (48) hours within which to respond by paying for all stand-by time incurred during such extended response period. If more than one party elects to take such additional time to respond to the notice, stand by costs shall be allocated between the parties taking additional time to respond on a day-to-day basis in the proportion each electing party's interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all the electing parties. In all other instances the response period to a proposal for sidetracking shall be limited to thirty (30) days.

C. TAKING PRODUCTION IN KIND:

Each party shall have the option to take in kind or separately dispose of its proportionate share of all oil and gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil and gas for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

ARTICLE VI
continued

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment directly from the purchaser thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and/or gas produced from the Contract Area, Operator shall have the right, subject to any dedications to a gas contract and subject to the revocation at will by the party owning it, but not the obligation, to purchase such oil and/or gas or sell it to others at any time and from time to time, for the account of the non-taking party at a price negotiated in good faith by the Operator. at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and/or gas not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil and or gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.

In the event one or more parties' separate disposition of its share of the gas causes split-stream deliveries to separate pipelines and/or deliveries which on a day-to-day basis for any reason are not exactly equal to a party's respective proportionate share of total gas sales to be allocated to it, the balancing or accounting between the respective accounts of the parties shall be in accordance with the any gas balancing agreement between the parties hereto, whether such an agreement is attached as Exhibit "E", or is a separate agreement.

D. Access to Contract Area and Information:

Each party shall have access to the Contract Area at all reasonable times, at its sole cost and risk to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, but only with respect to any well in which a party has elected to participate including Operator's books and records relating thereto. Operator, upon request, shall furnish each of the other parties with copies of all forms or reports filed with governmental agencies, daily drilling reports, well logs, and actual monthly oil and gas production and sales volumes ~~tank tables, daily gauge and run tickets and reports of stock on hand at the first of then in Operator's possession, each month,~~ and shall make available samples then in Operator's possession, of any cores or cuttings taken from any well drilled on the Contract Area. The cost of gathering and furnishing information to Non-Operator, other than that specified above, shall be charged to the Non-Operator that re-requests the Information.

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled or deepened or sidetracked pursuant to Article VI.B.2., any well which has been drilled or deepened or sidetracked under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply inclusive within forty-eight (48) hours (~~exclusive~~ inclusive / of Saturday, Sunday and legal holidays) after receipt of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling or deepening such well. Any party who objects to plugging and abandoning such well shall have the right to take over the well and conduct further operations in search of oil and/or gas subject to the provisions of Article VI.B.

2. Abandonment of Wells that have Produced: Except for any well in which a Non-Consent operation has been conducted hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties who participated in the cost of drilling the well. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within thirty (30) days after receipt of notice of the proposed abandonment of any well, all parties do not agree to the abandonment of such well, *those wishing to continue its operation from the interval(s) of the formation(s) then open to production shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, or fitness for use of the equipment and material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the in-terval or intervals of the formation or formations then open to production. ~~If the interest of the abandoning party is or includes an oil and gas interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the interval or in-tervals of the formation or formations then open to production, for a term of one (1) year and so long thereafter as oil and/or gas is produced from the interval or intervals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit~~

* (Should Operator be unable to contact any party or should any party fail to reply within thirty (30) days after receipt of notice, such party shall be deemed to have consented to the proposed abandonment. All such wells approved for abandonment shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling or deepening or sidetracking such well.)

ARTICLE VI
continued

required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment directly from the purchaser thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others at any time and from time to time, for the account of the non-taking party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil and gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year. Notwithstanding the foregoing, Operator shall not make a sale, including one into interstate commerce, of any other party's share of gas production without first giving such other party thirty (30) days notice of such intended sale.

D. Access to Contract Area and Information:

Each party shall have access to the Contract Area at all reasonable times, at its sole cost and risk to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator, upon request, shall furnish each of the other parties with copies of all forms or reports filed with governmental agencies, daily drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Contract Area. The cost of gathering and furnishing information to Non-Operator, other than that specified above, shall be charged to the Non-Operator that requests the information.

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled or deepened pursuant to Article VI.B.2., any well which has been drilled or deepened under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after receipt of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling or deepening such well. Any party who objects to plugging and abandoning such well shall have the right to take over the well and conduct further operations in search of oil and/or gas subject to the provisions of Article VI.B.

2. Abandonment of Wells that have Produced: Except for any well in which a Non-Consent operation has been conducted hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within thirty (30) days after receipt of notice of the proposed abandonment of any well, all parties do not agree to the abandonment of such well, those wishing to continue its operation from the interval(s) of the formation(s) then open to production shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, or fitness for use of the equipment and material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. If the interest of the abandoning party is or includes an oil and gas interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the interval or intervals of the formation or formations then open to production, for a term of one (1) year and so long thereafter as oil and/or gas is produced from the interval or intervals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit

ARTICLE VI
continued

~~“B”~~: The assignments or leases so limited shall encompass the “drilling unit” upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interests in the remaining portion of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. ~~Upon request~~ At its election Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well. Upon proposed abandonment of the producing interval(s) assigned or leased, the assignor or lessor shall then have the option to repurchase its prior interest in the well (using the same valuation formula) and participate in further operations therein subject to the provisions hereof.

3. Abandonment of Non-Consent Operations: The provisions of Article VI.E.1. or VI.E.2 above shall be applicable as between Consenting Parties in the event of the proposed abandonment of any well excepted from said Articles; provided, however, no well shall be permanently plugged and abandoned unless and until all parties having the right to conduct further operations therein have been notified of the proposed abandonment and afforded the opportunity to elect to take over the well in accordance with the provisions of this Article VI.E.

ARTICLE VII.
EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners.

B. Liens and Payment Defaults:

Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil and/or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon at the rate provided in Exhibit “C”. To the extent that Operator has a security interest under the Uniform Commercial Code of the state, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator’s share of oil and/or gas until the amount owed by such Non-Operator, plus interest, has been paid. Each purchaser shall be entitled to rely upon Operator’s written statement concerning the amount of any default. Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator’s proportionate share of expense.

If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

C. Payments and Accounting:

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in Exhibit “C”. Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit “C” until paid. Proper adjustment shall be made monthly between advances and actual expense and appropriate billings, credits or reimbursements shall thereupon be made to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

D. Limitation of Expenditures:

1. Drill or Deepen: Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the drilling or deepening shall include:

ARTICLE VII
continued

Option No. 1: All necessary expenditures for the drilling or deepening, testing, completing and equipping of the well, including necessary tankage and/or surface facilities.

Option No. 2: All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its authorized depth, and all tests have been completed, and the results thereof furnished to the parties, Operator shall give immediate notice to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completion attempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, including necessary tankage and/or surface facilities. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the completion attempt. If one or more, but less than all of the parties, elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plugging back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by less than all parties.

2. **Rework or Plug Back:** Without the consent of all parties, no well shall be reworked or plugged back except a well reworked or plugged back pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the reworking or plugging back of a well shall include all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage and/or surface facilities.

3. **Other Operations:** Without the consent of all parties, Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Fifty Thousand and no/100 Dollars (\$ 50,000.00) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares an authority for expenditure (AFE) for its own use, Operator shall furnish any Non-Operator so requesting an information copy thereof for any single project costing in excess of Fifty Thousand and no/100 Dollars (\$ 50,000.00) but less than the amount first set forth above in this paragraph. An AFE is an estimate only of costs and in no way shall the execution of an AFE limit the liability of any party.

E. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.2.

Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to production of a producing gas well, at least five (5) days (excluding Saturday, Sunday and legal holidays), or at the earliest opportunity permitted by circumstances, prior to taking such action, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

F. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-Operator. If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the joint account shall be made and paid by the parties hereto in accordance with the tax value generated by each party's working interest. Operator shall bill the other parties for their proportionate shares of all tax payments in the manner provided in Exhibit "C".

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

Each party shall pay or cause to be paid all production, severance, excise, gathering and other taxes imposed upon or with respect to the production or handling of such party's share of oil and/or gas produced under the terms of this agreement.

ARTICLE VII
continued

G. Insurance:

At all times while operations are conducted hereunder, Operator shall comply with the workmen's compensation law of the state where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be as provided in Exhibit "C". Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the workmen's compensation law of the state where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event automobile public liability insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's automotive equipment.

ARTICLE VIII.
ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole or in part unless all parties consent thereto; however no consent shall be necessary to release a lease which has expired or otherwise terminated.

However, should any party desire to surrender its interest in any lease or in any portion thereof, and the other parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not consenting to such surrender. ~~If the interest of the assigning party is or includes an oil and gas interest, the assigning party shall execute and deliver to the party or parties not consenting to such surrender an oil and gas lease covering such oil and gas interest for a term of one (1) year and so long thereafter as oil and/or gas is produced from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B".~~ Upon such assignment or lease, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the interest assigned or leased and the operation of any well attributable thereto, and the assigning party shall have no further interest in the assigned or leased premises and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The party assignee or lessee shall pay to the party assignor or lessor the reasonable salvage value of the latter's interest in any wells and equipment attributable to the assigned or leased acreage. The value of all material shall be determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment or lease is in favor of more than one party, the interest shall be shared by such parties in the proportions that the interest of each bears to the total interest of all such parties.

Any assignment, lease or surrender made under this provision shall not reduce or change the assignor's, lessor's or surrendering party's interest as it was immediately before the assignment, lease or surrender in the balance of the Contract Area; and the acreage assigned, leased or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

B. Renewal or Extension of Leases:

If any party secures a renewal of any oil and gas lease subject to this agreement, all other parties shall be notified promptly, and shall have the right for a period of thirty (30) days following receipt of such notice in which to elect to participate in the ownership of the renewal lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper proportionate shares of the acquisition cost allocated to that part of such lease within the Contract Area, which shall be in proportion to the interests held at that time by the parties in the Contract Area.

If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal lease. Any renewal lease in which less than all parties elect to participate shall not be subject to this agreement.

Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein by the acquiring party.

The provisions of this Article shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to the provisions of this agreement.

The provisions in this Article shall also be applicable to extensions of oil and gas leases.

C. Acreage or Cash Contributions:

While this agreement is in force, if any party ~~receives contracts for~~ receives contracts for a contribution of cash towards the drilling of a well or any other operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions

ARTICLE VIII
continued

said Drilling Parties shared the cost of drilling the well. Such acreage shall become a separate Contract Area and, to the extent possible, be governed by provisions identical to this agreement. Each party shall promptly notify all other parties of any acreage or cash contributions it may obtain in support of any well or any other operation on the Contract Area. The above provisions shall also be applicable to optional rights to earn acreage outside the Contract Area which are in support of a well drilled inside the Contract Area.

If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such consideration shall not be deemed a contribution as contemplated in this Article VIII.C.

D. Maintenance of Uniform Interests:

~~For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Contract Area and in wells, equipment and production unless such disposition covers either:~~

- ~~1. the entire interest of the party in all leases and equipment and production; or~~
- ~~2. an equal undivided interest in all leases and equipment and production in the Contract Area.~~

Every ~~such sale~~, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement and the party acquiring such interest shall ratify in writing and agree to be bound by the terms of this Agreement and the Participation Agreement and shall be made without prejudice to the right of the other parties.

If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interest within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

E. Waiver of Rights to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

F. Preferential Right to Purchase:

~~Should any party desire to sell all or any part of its interests under this agreement, or its rights and interests in the Contract Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent company or to a subsidiary of a parent company, or to any company in which any one party owns a majority of the stock.~~

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

~~Except as otherwise specifically provided in the Participation Agreement, this~~ This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provision herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for federal income tax purposes, any portion of this agreement and the operations hereunder, other than the portions specifically treated as a tax partnership and the terms of the Participation Agreement, are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1986 ~~1954~~, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder with respect to such portions of this agreement and the operations hereunder that are not specifically treated as a tax partnership under the Participation Agreement (the "Excluded Operations"). Operator is authorized and directed to execute on behalf of each party hereby affected such ~~evidence of this election with respect to the Excluded Operations~~ as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further evidence of this election, with respect to the Excluded Operations, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of ~~1986 1954~~, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election with respect to the Excluded Operations as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such ~~party from~~ operations hereunder can be adequately determined without the computation of partnership taxable income.

**ARTICLE X.
CLAIMS AND LAWSUITS**

Operator may settle any single uninsured third party damage claim or suit arising from operations hereunder if the expenditure does not exceed One Hundred Thousand and no/100 Dollars (\$ 100,000.00) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expenses of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties participating in the operation from which the claim or suit arises. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, such party shall immediately notify all other parties, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

**ARTICLE XI.
FORCE MAJEURE**

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspending during, but no longer than, the continuance of the force majeure. The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure", as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

**ARTICLE XII.
NOTICES**

All notices authorized or required between the parties and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given in writing by mail or telegram, postage or charges prepaid, or by telex or telecopier and addressed to the parties to whom the notice is given at the addresses listed on Exhibit "A". The originating notice given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed, and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the mail or with the telegraph company, with postage or charges prepaid, or sent by telex or telecopier. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties.

**ARTICLE XIII.
TERM OF AGREEMENT**

This agreement shall remain in full force and effect as to the oil and gas leases ~~and/or oil and gas interests~~ subject hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any lease or oil and gas interest contributed by any other party beyond the term of this agreement.

Option No. 1: So long as any of the oil and gas leases subject to this agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal, or otherwise.

Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in production of oil and/or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of _____ days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling, reworking, deepening, plugging back, testing or attempting to complete a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil and/or gas from the Contract Area, this agreement shall terminate unless drilling, deepening, plugging back or reworking operations are commenced within _____ days from the date of abandonment of said well.

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

**ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS**

A. Laws, Regulations and Orders:

This agreement shall be subject to the conservation laws of the state in which the Contract Area is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and orders.

B. Governing Law:

This agreement and all matters pertaining hereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties, and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state of Texas shall govern.

C. Regulatory Agencies:

Nothing herein contained shall grant, or be construed to grant, Operator the right or authority to waive or release any rights, privileges, or obligations which Non-Operators may have under federal or state laws or under rules, regulations or orders promulgated under such laws in reference to oil, gas and mineral operations, including the location, operation, or production of wells, on tracts offsetting or adjacent to the Contract Area.

With respect to operations hereunder, Non-Operators agree to release Operator from any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation or application of rules, rulings, regulations or orders of the Department of Energy or any other local, state or federal agency or regulatory body or predecessor or successor agencies to the extent such interpretation or application was made in good faith. Each Non-Operator further agrees to reimburse Operator for any amounts applicable to such Non-Operator's share of production that Operator may be required to refund, rebate or pay as a result of such an incorrect interpretation or application, together with interest and penalties thereon owing by Operator as a result of such incorrect interpretation or application.

Non-Operators authorize Operator to prepare and submit such documents as may be required to be submitted to the purchaser of any crude oil sold hereunder or to any other person or entity pursuant to the requirements of the "Crude Oil Windfall Profit Tax Act of 1980", as same may be amended from time to time ("Act"), and any valid regulations or rules which may be issued by the Treasury Department from time to time pursuant to said Act. Each party hereto agrees to furnish any and all certifications or other information which is required to be furnished by said Act in a timely manner and in sufficient detail to permit compliance with said Act.

**ARTICLE XV.
OTHER PROVISIONS**

See Addendum attached.

**ARTICLE XVI.
MISCELLANEOUS**

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 14th day of May, (year) 2010. Matador Production Company, who has prepared and circulated this form for execution, represents and warrants that the form was printed from and with the exception listed below, is identical to the AAPL Form 610-1982 Model Form Operating Agreement, as published in diskette form by Forms On-A-Disk, Inc. No changes, alterations, or modifications, ~~other than those in Articles~~, have been made to the form, other than as shown by strikeout and/or bold type.

O P E R A T O R

MATADOR PRODUCTION COMPANY

By: Joseph Wm. Foran—Chairman, President & CEO

N O N—O P E R A T O R S

ROXANNA ROCKY MOUNTAINS, LLC

By: Julia A. Garvin, President

MRC ROCKIES COMPANY

By: Joseph Wm. Foran—Chairman, President & CEO

ALLIANCE CAPITAL REAL ESTATE, INC.

By:

Title:

ADDENDUM

Attached to and made a part of that certain Operating Agreement dated May 14, 2010,
by and between Matador Production Company, as Operator, and
Roxanna Rocky Mountains, LLC, MRC Rockies Company,
and Alliance Capital Real Estate, Inc., as Non-Operators
(this "Agreement")

ARTICLE XV. OTHER PROVISIONS

A. CONFLICTS

In the event of any conflict between the provisions of this Agreement to which this Article XV is attached and the provisions of the Participation Agreement dated May 14, 2010, by and among 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. (the "Participation Agreement"), the provisions of the Participation Agreement shall control.

Notwithstanding anything to the contrary in this Agreement, in the event of any conflict between the provisions of this Article XV and any other provisions contained in this Agreement, the provisions of Article XV shall prevail.

B. INITIAL TEST WELL AND SECOND TEST WELL

The terms "Initial Test Well" and "Second Test Well" and other capitalized terms not otherwise defined herein have the meanings assigned to them in the Participation Agreement and are incorporated herein by reference. All operations with respect to the Initial Test Well and, if Alliance Capital Real Estate, Inc. elects Option B under the Participation Agreement, the Second Test Well shall be conducted pursuant to the terms and provisions of this Agreement.

C. NON-PARTICIPATION AND RELINQUISHMENT

Notwithstanding anything to the contrary in this Agreement, should any party elect not to participate in the drilling or completion of any well on the Contract Area proposed under this Agreement (other than the Initial Test Well or any Second Test Well), such party shall relinquish (1) any rights to such well and the production therefrom and (2) all of such party's Remaining Working Interest (as defined in the Participation Agreement) within the Drilling Unit (as defined in the Participation Agreement) in which the well is located, in favor of the party or parties who elect to participate in the proposed well. Nevertheless, such party shall have the continuing right to participate in each and every other well proposed under this Agreement, except any well thereafter proposed to be drilled in the Drilling Unit or Drilling Units where the party has relinquished its Remaining Working Interest. Such party shall execute and deliver to the electing parties the assignment of the Remaining Working Interest required by the Participation Agreement.

D. PROPOSAL RIGHTS AND PRIORITY OF OPERATIONS

MRC Rockies Company shall have the exclusive right in its sole discretion to propose the drilling of a well, except the Initial Test Well and, if applicable, the Second Test Well, and all subsequent operations associated therewith pursuant to this Agreement.

Operator shall have the exclusive right in its sole discretion to determine the sequence of all proposed operations with respect to any well subject to this Agreement.

E. MISCELLANEOUS COSTS

The following expenses shall be a direct charge, borne by the Joint Account as provided in Exhibit "C", and shall not be included as administrative overhead as set forth in Part III of Exhibit "C".

1. All reasonable costs incurred by Operator, and necessary in its sole judgment, in obtaining permits, spacing, pooling or other orders or rulings from local, state and federal regulatory bodies or courts regarding the Contract Area.

2. All reasonable costs incurred by Operator in complying with the Natural Gas Policy Act of 1978, or in complying with federal, state or local law for the obtaining and monitoring of any well classifications required in the Natural Gas Policy Act of 1978; or in complying with any laws administered by, or any rules or regulations promulgated by, through, or under the United States Department of Energy or any other local, state or federal agency or regulatory body regarding the Contract Area.

F. PREPAYMENT OF COSTS AND EXPENSES

Notwithstanding any other provisions of this Agreement, and without prejudice to any other rights of the Operator, Operator will have the right to request and receive from each Non-Operator payment in advance of its respective share of (i) all or part of the total well cost for any well to be drilled hereunder to which such Non-Operator has consented, and (ii) the cost of any completion, reworking, recompletion, sidetracking, deepening, plugging back operation or any other operation hereunder to which such Non-Operator has consented (any such operation under clause (i) or (ii) being herein called a "Drilling Operation"). Such request for advance payment may be made on all Non-Operators or on any one Non-Operator in writing and may be either mailed, hand-delivered or transmitted by facsimile machine.

A Non-Operator receiving a request for advance payment will, within ten (10) days of the receipt of such request if a drilling rig is on location and within thirty (30) days of the receipt of such request in all other cases, pay to Operator in cash the full amount of such request. Operator will credit the amount to the Non-Operator's account for the payment of such Non-Operator's share of costs of such Drilling Operation and, following the end of each month, Operator will charge such account with such Non-Operator's share of actual costs incurred during such month.

Payment of an advance will not relieve a Non-Operator of the obligation to pay such Non-Operator's share of the actual cost of a Drilling Operation and, when the actual costs have been determined, Operator will adjust the accounts of the parties by refunding any net amounts due or invoicing the parties for additional sums owing, which additional sums shall be paid in accordance with the Accounting Procedure.

In the event a Non-Operator to which a request for advance payment was made does not, within the time and manner above provided, fully satisfy the request for advance payment as provided in this paragraph F, then Operator will put Non-Operator on notice that it is in default. Non-Operator will have thirty (30) days to cure said default by making the advance payment, and if not paid within said thirty (30) day period, Operator may, in its sole discretion, exercise any one or more of the following rights and remedies: (a) if the advance was requested for any Drilling Operation, Operator may notify such Non-Operator that such Non-Operator is deemed to have relinquished its interest in the well or unit, if any, established for the well to which the Drilling Operation relates; (b) sue the Non-Operator who failed to pay as provided above for its proportionate share of expenses plus interest; or (c) exercise any and all other rights and remedies available to the Operator under this Agreement and applicable law. Each of the parties to this Agreement hereby agrees to execute and deliver to the other parties hereto any and all documents, agreements and acknowledgments necessary to evidence any actions taken by the Operator pursuant to the provisions of this paragraph F. All remedies herein provided are cumulative and not alternative, and no failure to exercise or delay in exercising any such right will operate as a waiver thereof.

Notwithstanding anything herein to the contrary, Operator shall not request from Non-Operator advance payment for the drilling of more than one (1) well at a time which, in any event, shall not be construed to limit the number of wells which MRC Rockies Company may propose at any time.

G. OPERATOR'S MARKETING OF PRODUCTION/DISTRIBUTION OF REVENUE

Except to the extent any Non-Operator elects to take production attributable to its interest in kind, and notwithstanding anything to the contrary contained herein, Operator (1) shall market Non-Operator's share of any oil, gas and/or associated hydrocarbons produced from any well drilled pursuant to the terms of this Agreement contemporaneously with and on the same terms and conditions as Operator is marketing its own or its affiliates' share of oil, gas and/or associated hydrocarbons from the well(s) within the Contract Area; and (2) shall disburse all proceeds (less applicable severance and production taxes and, subject to the limitations set forth below, any transportation, marketing or other post-production charges) received from the sale of such oil, gas and associated hydrocarbons to Non-Operators and, subject to applicable lease provisions, their respective royalty owners in proportion to their revenue interests in the Contract Area. Such authority may be expressly revoked by written notice to Operator by the party desiring such revocation.

Operator is fully authorized to negotiate and enter into sales agreements for oil, gas and/or associated hydrocarbons on behalf of all Non-Operators hereto (who have not expressly revoked such authority) covering all such production from the Contract Area. Operator may choose to sell to affiliated or unaffiliated marketing companies, pipeline companies, end users or any other purchasers deemed acceptable in Operator's sole opinion. Subject to the limitations set forth below, such sales made by Operator on behalf of Non-Operators shall bear a proportionate share of any post-production expenses charged to or deducted by these entities. Any sales contracts entered into by Operator prior to receipt of notice of revocation of authority shall be binding upon the party desiring such revocation until expiration of the term of the contract in question. All sales of oil, gas and/or associated hydrocarbons arranged by Operator shall be made on behalf of all Non-Operators hereto in proportion to their interest in the Contract Area. Operator shall negotiate the sale of oil, gas and/or associated hydrocarbons on a good faith, reasonable efforts basis, and shall obtain prices for the oil, gas and/or associated hydrocarbons of Alliance Capital Real Estate, Inc. that are no less favorable than those it obtains for the other Non-Operators, if any, but Operator shall have no fiduciary obligation to obtain the best price obtainable for such oil, gas and/or associated hydrocarbons on behalf of Non-Operators or their royalty owners. Non-Operators recognize that factors other than price are valid considerations in gas marketing. Notwithstanding anything herein to the contrary, it is understood and agreed that Non-Operator shall bear and pay its proportionate share of (i) all actual direct costs and expenses incurred by Operator or its affiliates, including, without limitation, fuel, compression, and similar post-production costs, (ii) all reasonable indirect costs and expenses, including, without limitation, gathering or transportation fees charged by Operator or its affiliates, with respect to gathering lines and facilities constructed outside the Contract Area at such rates as are reasonable under the circumstances, and (iii) all actual third party charges, including charges for transportation and marketing.

If Operator markets oil, gas and/or associated hydrocarbons on behalf of Non-Operators, Non-Operators agree to indemnify and save Operator and its affiliates harmless from any claim, demands, actions, judgments, costs and expenses (including, but not limited to, any fees, costs or expenses incurred in the enforcement of any indemnity or provision thereof) ("Claims") that Operator may sustain as a result of its marketing efforts under this Agreement, excluding, however, any Claims arising from Operator's gross negligence or willful misconduct. Further, Non-Operators warrant that they have the right to dispose of their share of production from all wells drilled in the Contract Area. These indemnity and warranty provisions will survive the termination of this Agreement for the period of time when Operator markets oil, gas and/or associated hydrocarbons on behalf of Non-Operators, without regard to when the Claims may be asserted but subject to the ordinary rules of any applicable statutes of limitation.

If, at any time, Operator is required by any court, governmental agency or other entity to refund the proceeds received by Operator pursuant to the sale of oil, gas or hydrocarbons hereunder, Non-Operator agrees to reimburse Operator for that portion of the refund, including any applicable interest or penalties, attributable to the oil, gas and/or hydrocarbons sold by Operator on behalf of Non-Operator, within sixty (60) days from a reimbursement request from Operator and presentation of the applicable final order from such court, governmental agency or other entity ordering such refund. Said reimbursement obligation will survive the termination of this Agreement.

H. DISPUTE RESOLUTION

Any dispute arising under or concerning this Agreement shall be resolved by the Dispute Resolution process specified in the Participation Agreement.

I. MATERIAL, PURCHASES, TRANSFERS AND DISPOSITION

1. New Material Purchases. Notwithstanding anything contained in Exhibit "C" attached to this Agreement, *Accounting Procedure Joint Operations*, all prices for New Material (Condition A), including but not limited to tubular goods, line pipe and other material, shall be based on actual costs. All transportation costs therefor shall be calculated on an actual cost basis. Prices for Good Used (Condition B) and other Used Material (Condition C) shall be based on actual costs.
2. Material Provided by Operator. Notwithstanding anything contained in Exhibit "C" attached to this Agreement, *Accounting Procedure Joint Operations*, the price charged to Non-Operators for any materials furnished from inventories owned by the Operator will not exceed the fair market price of the materials being furnished.

To the extent of a conflict between the provisions of this Section I and the provisions in Exhibit "C" attached to this Agreement, *Accounting Procedure Joint Operations*, the provisions of this Section I shall govern and control.

J. 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.

K. TRANSFER OF OPERATORSHIP

Notwithstanding anything to the contrary stated or implied in Article V. B., it is agreed that a sale by MRC Rockies Company or its parent company, Matador Resources Company, of all of their interest in the Contract Area shall include transfer of operatorship under this Agreement from MRC Rockies Company, Matador Resources Company and/or its affiliate, Matador Production Company, to the acquiring party without requiring or invoking an election by any parties hereto.

L. NO PARTNERSHIP

The rights, duties, obligations and liabilities of the parties hereunder shall 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 of the Participation Agreement.

Exhibit "A"

Attached to and made a part of that certain Operating Agreement dated May 14, 2010,
by and between Matador Production Company, as Operator, and
Roxanna Rocky Mountains, LLC, MRC Rockies Company,
and Alliance Capital Real Estate, Inc., as Non-Operators

I. Contract Area:

The Contract Area shall be (a) initially the Initial Prospect Area, described in Exhibit "A-1", 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.

II. Depth Limitations:

None.

III. Interests and Addresses of the Parties in the Initial Test Well and the Initial Prospect Area:

<u>Name/Address</u>	<u>Interest</u>
MRC Rockies Company One Lincoln Centre 5400 LBJ Freeway, Suite 1500 Dallas, Texas 75240 Attn: David E. Lancaster, Executive Vice President Phone: (972) 371-5200 Fax: (972) 371-5201	40%
Roxanna Rocky Mountains, LLC 952 Echo Lane, Suite 364 Houston, Texas 77024 Attn: Julia Garvin, President Phone: (713) 520-1153 Fax: (713) 520-7585	10%
Alliance Capital Real Estate, Inc. C/o AllianceBernstein L.P. 1345 Avenue of the Americas New York, NY 10105 Attn: _____ Phone: (_____) _____ - _____ Fax: (_____) _____ - _____	50%

IV. Oil and Gas Leases subject to this Agreement:

All Oil and Gas Leases subject to this Agreement are set forth on Exhibit "A-2".

Exhibit "A-1"

Attached to and made a part of that certain Operating Agreement dated May 14, 2010,
by and between Matador Production Company, as Operator, and
Roxanna Rocky Mountains, LLC, MRC Rockies Company,
and Alliance Capital Real Estate, Inc., as Non-Operators

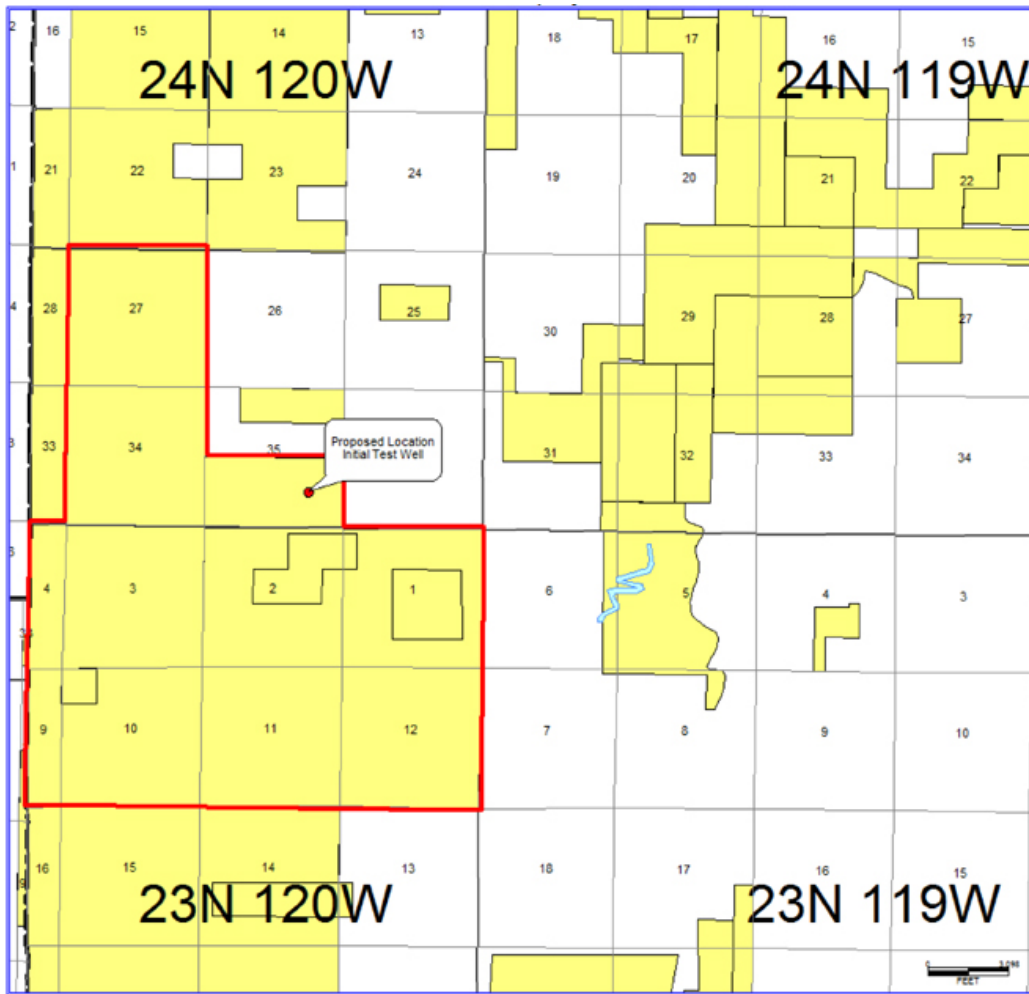
CONTRACT AREA

Initial Prospect Area

[Attach Map]

Exhibit "A-1"

Attached to and made a part of that certain Operating Agreement dated May 14, 2010, by and among Matador Production Company, as Operator, and Roxanna Rocky Mountains, LLC, MRC Rockies Company and Alliance Capital Real Estate, Inc., as Non-Operators



Initial Prospect Area
Lincoln County, Wyoming

Exhibit "A-2"

Attached to and made a part of that certain Operating Agreement dated May 14, 2010,
by and between Matador Production Company, as Operator, and
Roxanna Rocky Mountains, LLC, MRC Rockies Company,
and Alliance Capital Real Estate, Inc., as Non-Operators

LEASES

[Attach Lease Schedule]

Lease No: 88811-F-0001-00
 Lessor: Roy Hawks and Greg Hawks
 Lessee: MRC Rockies Company
 Lease Date: 08/06/2007
 Gross Acres: 1280.0000
 Recording Info: 08/27/2007, Entry 199220
 State: Idaho
 County: Bear Lake
 Legal Description: T-16-S, R-46-E, SECS 07,08,17,18,20,21 - 1,280.00 acs more or less being described as follows:
 Section 7 - SE/4
 Section 8 - N/2 SW/4, SW/4 SW/4
 Section 17 - W/2, W/2 SE/4
 Section 18 - N/2 NE/4, SE/4 NE/4, E/2 SE/4
 Section 20 - NE/4 NW/4, NW/4 NE/4, W/2 SE/4, SE/4 SE/4
 Section 21 - SW/4, NW/4 SE/4

Lease No: 88811-F-0002-00
 Lessor: Greg Hawks
 Lessee: MRC Rockies Company
 Lease Date: 08/08/2007
 Gross Acres: 95.0000
 Recording Info: 08/27/2007, Entry 199221
 State: Idaho
 County: Bear Lake
 Legal Description: T-15-S, R-45-E, SECS 13, 24 - 40.00 acs more or less being the NW/4 SW/4; Section 13; and 55.00 acs more or less in Sections 13 and 24, described as beginning at the NW/corner of the SW/4 SW/4 of said Section 24, thence Northeasterly in a straight line to the NE/corner of the SW/4 SW/4 of said Section 13, thence West 1,320 feet to the Point of Beginning, LESS AND EXCEPT that portion lying within the SW/4 NW/4 of said Section 24

Lease No: 88811-F-0003-01
 Lessor: Kerry and Verna Rae Romrell
 Lessee: MRC Rockies Company
 Lease Date: 05/17/2007
 Gross Acres: 520.0000
 Recording Info: 06/12/2007, Entry 198502
 State: Idaho
 County: Bear Lake
 Legal Description: T-16-S, R-45-E, SEC 23 - 160.00 acs being the SE/4 SE/4, E/2 SW/4, SE/4 NW/4
 T-16-S, R-45-E, SEC 26 - 360.00 acs being the NE/4 NW/4, NE/4 and SE/4

Lease No: 88811-F-0003-02
 Lessor: DeLoy and Mary Lin Romrell
 Lessee: MRC Rockies Company
 Lease Date: 05/17/2007
 Gross Acres: 520.0000
 Recording Info: 06/12/2007, Entry 198503
 State: Idaho
 County: Bear Lake
 Legal Description: T-16-S, R-45-E, SEC 23 - 160.00 acs being the SE/4 SE/4, E/2 SW/4, SE/4 NW/4
 T-16-S, R-45-E, SEC 26 - 360.00 acs being the NE/4 NW/4, NE/4 and SE/4

Lease No: 88811-F-0004-01
 Lessor: DeMar Romrell and Darlene Romrell
 Lessee: MRC Rockies Company
 Lease Date: 05/17/2007
 Gross Acres: 2363.9200
 Recording Info: 06/12/2007, Entry 198504
 State: Idaho
 County: Bear Lake
 Legal Description: T-15-S, R-45-E, SEC 12 - 134.00 acs being the N/2 SE/4, and all of that portion of the NE/4 NE/4, S/2 NE/4 lying South of the Southerly right-of-way line of the Union Pacific Railroad as presently located
 15S45E12 - 80.00 acs being the S/2 SE/4
 15S45E13 - 85.74 acs being the N/2 NE/4
 15S45E13 - 40.00 acs being the SE/4 SE/4
 15S45E24 - 80.00 acs being the S/2 NE/4
 16S45E11 - 40.00 acs being the NE/4 NE/4
 16S45E13 - 320.00 acs being the SE/4 SW/4, S/2 SE/4, NE/4 SE/4 and S/2 N/2
 16S45E24 - 360.00 acs being the NE/4, N/2 SE/4, S/2 NW/4 and NE/4 NW/4
 16S45E25 - 440.00 acs being the S/2, S/2 NE/4 and SE/4 NW/4
 15S46E07 - 258.25 acs being Lots 1, 2, 3, SE/4 NW/4, E/2 SW/4, S/2 NE/4 NW/4 , Except Tract #6070
 15S46E07 - 20.70 acs being Tract #5542 (located ni the NW/4)
 15S46E18 - 119.95 acs being Lot 3, SW/4 SE/4 and SE/4 SW/4
 15S46E19 - 80.00 acs being the N/2 NE/4
 16S46E19 - 143.95 acs being Lots 3, 4, E/2 SW/4
 16S46E30 - 161.33 acs being Lots 3, 4, 5 and 6

Lease No: 88811-F-0005-01
 Lessor: Teichert Brothers LLC
 Lessee: MRC Rockies Company
 Lease Date: 06/06/2007
 Gross Acres: 1195.4600
 Recording Info: 07/10/2007, Entry 198789
 State: Idaho
 County: Bear Lake
 Legal Description: T-16-S, R-46-E, SECS 19,20,28,29,30 - 1,195.46 acs described as follows:
 SEC 19 - 280.00 acs being the S/2 NE/4, SE/4, SE/4 NW/4
 SEC 20 - 240.00 acs being SW/4 and S/2 NW/4
 SEC 28 - 130.70 acs being Lot 3 (40.00), Lot 4 (40.00), Lot 5 (50.70)
 SEC 29 - 283.22 acs being Lot 1 (40.00), Lot 2 (40.00), Lot 5 (50.83), Lot 8 (50.81), Lot 7 (50.79), Lot 8 (50.77)
 SEC 29 - 80.00 acs being Lot 3 (40.00) and Lot 4 (40.00)
 SEC 30 - 101.54 acs being Lot 7 (50.74), Lot 8 (50.80)
 SEC 30 - 80.00 acs being Lot 1 (40.00) and Lot 2 (40.00)

Lease No: 88811-F-0006-00
 Lessor: Hawks & Son, a General Partnership
 Lessee: MRC Rockies Company
 Lease Date: 07/18/2007
 Gross Acres: 4319.7400
 Recording Info: 08/07/2007, Entry 199054
 State: Idaho
 County: Bear Lake
 Legal Description: T-15-S, R-46-E, SECS 02,03,04,05,06,07 & 08 - 1,314.21 acs being described as follows:
 Section 2 - Lot 1 (39.41), Lot 2 (32.56), Lot 3 (49.25)
 Section 3 - Lot 1 (32.02), Lot 3 (33.09), S/2 NE/4, NE/4 SE/4
 Section 4 - S/2 NW/4, N/2 SW/4, N/2 SE/4, SE/4 SE/4
 Section 5 - Lot 1 (37.45), SE/4 SW/4, NW/4 SE/4, S/2 SE/4, SE/4 NE/4, SW/4 NW/4, N/2 SW/4
 Section 6 - SE/4, S/2 NE/4
 Section 7 - NE/4 NE/4
 Section 8 - NW/4 NW/4

 T-14-S, R-46-E, SECS 21,22 - 660.00 acs being the E/2 E/2 and SW/4 SE/4 of Section 21; and the W/2 W/2, E/2 NW/4, W/2 NE/4, NW/4 SE/4, NE/4 SW/4 and Tract 2560 (66.00 acs) of Section 22

T-14-S, R-46-E, SECS 27,28 - 819.53 acs being the NW/4 NW/4, NW/4 SW/4, NE/4 SW/4, SE/4 NW/4, W/2 SE/4, SE/4 SW/4, (SW/4 NW/4 LESS AND EXCEPT Tract 4217; 0.47 acs), SW/4 NE/4 LESS AND EXCEPT Tract 438; 20.00 ac) of Section 27; and the NW/4 and E/2 of Section 28

T-14-S, R-46-E, SECS 29,32 - 840.00 acs being the E/2, E/2 W/2, SW/4 SW/4 of Section 29; and NW/4, W/2 NE/4, N/2 SW/4 of Section 32

T-14-S, R-46-E, SECS 33,34 - 680.00 acs being the N/2 NE/4, SE/4 NE/4, NE/4 SE/4 of Section 33; and NE/4, NE/4 NW/4, SW/4 NW/4, SW/4, N/2 SE/4 and SW/4 SE/4 of Section 34

Lease No: 88811-F-0007-00
 Lessor: H & B Land Company
 Lessee: MRC Rockies Company
 Lease Date: 07/06/2007
 Gross Acres: 920.0000
 Recording Info: 09/24/2007, Entry 199482
 State: Idaho
 County: Bear Lake
 Legal Description: T-16-S, R-45-E, SECS 15,21,22,23,28,29 - 920.00 acs more particularly described as follows:
 Section 15 - 40.00 acs being the SE/4 SE/4
 Section 21 - 280.00 acs being the SW/4, W/2 SE/4 and NE/4 SE/4
 Section 22 - 80.00 acs being the E/2 NE/4
 Section 23 - 120.00 acs being the SW/4 NW/4 and W/2 SW/4
 Section 28 - 280.00 acs being the NW/4, W/2 NE/4 and NW/4 SW/4
 Section 29 - 120.00 acs being the E/2 NE/4 and NE/4 SE/4

Lease No: 88811-F-0008-01
 Lessor: Hawks & Son, a General Partnership
 Lessee: MRC Rockies Company
 Lease Date: 08/31/2007
 Gross Acres: 2899.8400
 Recording Info: 10/09/2007, Entry 199620
 State: Idaho
 County: Bear Lake
 Legal Description: T-15-S, R-46-E of the Boise Meridian
 Section 4: SW/4 SE/4, S/2 SW/4
 Section 5: Lot 2 (38.03), Lot 3 (40.39)
 Section 8: E/2, SW/4, SE/4NW/4
 Section 9: N/2 N/2, S/2 S/2
 Section 10: SE/4, S/2 NW/4, N/2 SW/4, SW/4 NE/4, SW/4 SW/4
 Section 15: E/2 W/2, W/2 NW/4, NW/4 SW/4
 Section 17: NE/4 NE/4, SE/4 NW/4
 Section 20: N/2
 Section 22: E/2 W/2
 Section 23: Lot 2 (49.28)
 Section 26: W/2 SW/4
 Section 27: SE/4 SW/4, NE/4 SE/4
 Section 34: NW/4 SE/4
 Section 35: Lot 3 (4.93)

 T-16-S, R-46-E of the Boise Meridian
 Section 3: Pt of NW/4 NE/4
 Section 10: Pt of NE/4 NW/4 (Tract #6800-27.21 Acres)

 T-14-S, R-46-E of the Boise Meridian
 Section 32: E/2 SE/4 SW/4

 T-15-S, R-45-E of the Boise Meridian
 Section 25: S/2 NE/4, E/2 NW/4, SW/4

Lease No: 88811-F-0008-02
 Lessor: Lillian E Harrower
 Lessee: MRC Rockies Company
 Lease Date: 08/31/2007
 Gross Acres: 2899.8400
 Recording Info: 10/09/2007, Entry 199619
 State: Idaho
 County: Bear Lake
 Legal Description: T-15-S, R-46-E of the Boise Meridian
 Section 4: SW/4 SE/4, S/2 SW/4
 Section 5: Lot 2 (38.03), Lot 3 (40.39)
 Section 8: E/2, SW/4, SE/4NW/4
 Section 9: N/2 N/2, S/2 S/2
 Section 10: SE/4, S/2 NW/4, N/2 SW/4, SW/4 NE/4, SW/4 SW/4
 Section 15: E/2 W/2, W/2 NW/4, NW/4 SW/4
 Section 17: NE/4 NE/4, SE/4 NW/4
 Section 20: N/2
 Section 22: E/2 W/2
 Section 23: Lot 2 (49.28)
 Section 26: W/2 SW/4
 Section 27: SE/4 SW/4, NE/4 SE/4
 Section 34: NW/4 SE/4
 Section 35: Lot 3 (4.93)

 T-16-S, R-46-E of the Boise Meridian
 Section 3: Pt of NW/4 NE/4
 Section 10: Pt of NE/4 NW/4 (Tract #6800-27.21 Acres)

 T-14-S, R-46-E of the Boise Meridian
 Section 32: E/2 SE/4 SW/4

 T-15-S, R-45-E of the Boise Meridian
 Section 25: S/2 NE/4, E/2 NW/4, SW/4

Lease No: 88811-F-0008-03
 Lessor: Thomas S Harrower
 Lessee: MRC Rockies Company
 Lease Date: 08/31/2007
 Gross Acres: 2899.8400
 Recording Info: 10/01/2007, Entry 199552
 State: Idaho
 County: Bear Lake
 Legal Description: T-15-S, R-46-E of the Boise Meridian
 Section 4: SW/4 SE/4, S/2 SW/4
 Section 5: Lot 2 (38.03), Lot 3 (40.39)
 Section 8: E/2, SW/4, SE/4NW/4
 Section 9: N/2 N/2, S/2 S/2
 Section 10: SE/4, S/2 NW/4, N/2 SW/4, SW/4 NE/4, SW/4 SW/4
 Section 15: E/2 W/2, W/2 NW/4, NW/4 SW/4
 Section 17: NE/4 NE/4, SE/4 NW/4
 Section 20: N/2
 Section 22: E/2 W/2
 Section 23: Lot 2 (49.28)
 Section 26: W/2 SW/4
 Section 27: SE/4 SW/4, NE/4 SE/4
 Section 34: NW/4 SE/4
 Section 35: Lot 3 (4.93)

 T-16-S, R-46-E of the Boise Meridian
 Section 3: Pt of NW/4 NE/4
 Section 10: Pt of NE/4 NW/4 (Tract #6800-27.21 Acres)

 T-14-S, R-46-E of the Boise Meridian
 Section 32: E/2 SE/4 SW/4

 T-15-S, R-45-E of the Boise Meridian

Section 25: S/2 NE/4, E/2 NW/4, SW/4

Lease No: 88811-F-0008-04
 Lessor: Norman M Harrower
 Lessee: MRC Rockies Company
 Lease Date: 08/31/2007
 Gross Acres: 2899.8400
 Recording Info: 10/01/2007, Entry 199553
 State: Idaho
 County: Bear Lake
 Legal Description: T-15-S, R-46-E of the Boise Meridian
 Section 4: SW/4 SE/4, S/2 SW/4
 Section 5: Lot 2 (38.03), Lot 3 (40.39)
 Section 8: E/2, SW/4, SE/4NW/4
 Section 9: N/2 N/2, S/2 S/2
 Section 10: SE/4, S/2 NW/4, N/2 SW/4, SW/4 NE/4, SW/4 SW/4
 Section 15: E/2 W/2, W/2 NW/4, NW/4 SW/4
 Section 17: NE/4 NE/4, SE/4 NW/4
 Section 20: N/2
 Section 22: E/2 W/2
 Section 23: Lot 2 (49.28)
 Section 26: W/2 SW/4
 Section 27: SE/4 SW/4, NE/4 SE/4
 Section 34: NW/4 SE/4
 Section 35: Lot 3 (4.93)

T-16-S, R-46-E of the Boise Meridian
 Section 3: Pt of NW/4 NE/4
 Section 10: Pt of NE/4 NW/4 (Tract #6800-27.21 Acres)

T-14-S, R-46-E of the Boise Meridian
 Section 32: E/2 SE/4 SW/4

T-15-S, R-45-E of the Boise Meridian
 Section 25: S/2 NE/4, E/2 NW/4, SW/4

Lease No: 88811-F-0008-05
 Lessor: Julianne Harrower
 Lessee: MRC Rockies Company
 Lease Date: 08/31/2007
 Gross Acres: 2899.8400
 Recording Info: 10/01/2007, Entry 199554
 State: Idaho
 County: Bear Lake
 Legal Description: T-15-S, R-46-E of the Boise Meridian
 Section 4: SW/4 SE/4, S/2 SW/4
 Section 5: Lot 2 (38.03), Lot 3 (40.39)
 Section 8: E/2, SW/4, SE/4NW/4
 Section 9: N/2 N/2, S/2 S/2
 Section 10: SE/4, S/2 NW/4, N/2 SW/4, SW/4 NE/4, SW/4 SW/4
 Section 15: E/2 W/2, W/2 NW/4, NW/4 SW/4
 Section 17: NE/4 NE/4, SE/4 NW/4
 Section 20: N/2
 Section 22: E/2 W/2
 Section 23: Lot 2 (49.28)
 Section 26: W/2 SW/4
 Section 27: SE/4 SW/4, NE/4 SE/4
 Section 34: NW/4 SE/4
 Section 35: Lot 3 (4.93)

T-16-S, R-46-E of the Boise Meridian
 Section 3: Pt of NW/4 NE/4
 Section 10: Pt of NE/4 NW/4 (Tract #6800-27.21 Acres)

T-14-S, R-46-E of the Boise Meridian
 Section 32: E/2 SE/4 SW/4

T-15-S, R-45-E of the Boise Meridian
Section 25: S/2 NE/4, E/2 NW/4, SW/4

Lease No: 88811-F-0009-00
Lessor: MJM Properties LLC
Lessee: MRC Rockies Company
Lease Date: 01/07/2008
Gross Acres: 882.8850
Recording Info: 02/04/2008, Entry 200603
State: Idaho
County: Bear Lake
Legal Description: T-14-S, R-46-E, SECS 22,23,26,27,34,35

Section 22: E/2 E/2 LESS AND EXCEPT: A parcel of land situated in the S/2 SE/4 of Section 22, Township 14 South, Range 46 East of the Boise Meridian, in Bear Lake County, Idaho, bounded and described as follows:

Commencing at the Southeast Corner of Section 22; and running thence North along the East Line of said Section 22 a distance of 411.00 feet, more or less, to a point in the centerline of the main track of the Oregon Short Line Railroad Company as now constructed and operated; thence Northwesterly along said centerline of main track, which is a straight line forming an angle of 68°36' from North to Northwest with said East Line of Section a distance of 693.96 feet, to Railroad Survey Station 4900+53.76; thence Southwesterly along a straight line which deflects an angle of 24°55'08" to the left from the extension of the last described straight line a distance of 237.34 feet, more or less, to a point which is 100.00 feet Southwesterly, measured at right angles from said centerline of main track, said point being the TRUE POINT OF BEGINNING; thence continuing Southwesterly along the extension of the last described straight line a distance of 730.80 feet to an angle point; thence Northwesterly along a straight line which deflects 16°41'12" to the right from the extension of the last described straight line a distance of 730.80 feet, more or less, to a point which is 100.00 feet Southeasterly, measured at right angles from said centerline of main track; thence Northeasterly along a straight line which is parallel with and 100.00 feet Southeasterly from said centerline of main track, forming an angle of 24° 55' 05" from the Southeast to Northeast with the last described straight line a distance of 159.09 feet to a point opposite the beginning of an increasing spiral curve in said centerline of main track which has a spiral angle of 1°40' and four 28.00 foot chords; thence Northeasterly along a spiral curve which is concentric with and 100.00 feet Southeasterly, measured radially, from said centerline of main track and which has a long chord of 109.09 feet that deflects 0°37'10" to the right from the extension of the last described straight line a distance of 109.10 feet to the beginning of a compound curve having a radius of 1810.08 feet and which is tangent at its point of beginning to the end of said spiral curve; thence Easterly along said compound curve, concentric with and 100.00 feet Southerly, measured radially from said centerline of main track through a central angle of 29 deg 49' 04" a distance of 942.00 feet to a point opposite the beginning of a decreasing spiral curve in said centerline of main tract which has a spiral angle of 1 deg 40' and four 28.00 foot chords; thence Southeasterly along a spiral curve which is tangent at its point of beginning to the end of the last described curve and concentric with and 100.00 feet Southeasterly, measured radially, from said centerline of main track and which has a long chord of 109.09 feet which deflects 1 deg 2' 30" to the right with a tangent to the end of the last described curve a distance of 109.10 feet; thence Southeasterly along a straight line, tangent to the end of the last described spiral curve and parallel with and 100.00 feet Southwesterly, measured at right angles from said centerline of main track a distance of 159.09 feet to the True Point of Beginning.

Section 23: Lots 1, 2, 3 and 4.

LESS AND EXCEPT: A part of Lot 1: Beginning at the Northeast Corner of Section 23 and running thence South 00 deg 46' 26" East 1689.36 feet; and running thence North 43 deg 47' 12" West 571.34 feet; thence North 31 deg 07' 26" West 665.61 feet; thence North 19 deg 53' 28" West 568.70 feet; thence North 89 deg 08' 47" West 237.32 feet thence North 01 deg 58' 01" West 168.74 feet; thence East 1153.16 feet to the Point of Beginning.

Section 26: Lots 1,2,3 and 4

Section 27: NE/4NE/4, E/2SE/4

ALSO: Commencing at a point 1948.00 feet East from the Northwest Corner of Section 27; and running thence South 1320.00 feet; thence East 2012.00 feet; thence North 2032.00

feet, more or less, to the South Boundary Line of the O.S.L. Railroad right of way; thence West 1264.00 feet; thence South 4 deg 37' West 408.00 feet; thence Westerly 777.00 feet more or less, to the Place of Beginning. ALSO: Commencing at a point 940.00 feet South from the Northeast Corner of the SW/4 NE /4 of Section 27, and running thence North 940.00 feet; thence West 1435.50 feet; thence South 600.00 feet; thence East 1085.00 feet; thence in a Southeasterly direction in a direct line to the Place of Beginning.

Section 34: E/2NE/4, N/2NE/4SE/4

Section 35: Lots I and 2

Lease No: 88811-S-0010-00
 St/Fed Lease No: 2085
 Lessor: State of Idaho Lease #2085, acting by and through its State Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 11/01/2007
 Gross Acres: 190.0000
 Recording Info: 01/14/2008, Entry 200434
 State: Idaho
 County: Bear Lake
 Legal Description: T-14-S, R-45-E SEC 07 - 190.00 acs being the SW/4 NE/4, S/2 SE/4 NW/4, NE/4 SE/4 NW/4, NE/4 SW/4 and N/2 SE/4 of Section 7

Lease No: 88811-S-0011-00
 St/Fed Lease No: 2086
 Lessor: State of Idaho Lease #2086, acting by and through State Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 11/01/2007
 Gross Acres: 640.0000
 Recording Info: 01/14/2008, Entry 200435
 State: Idaho
 County: Bear Lake
 Legal Description: T-14-S, R-45-E, SEC 16 - 640.00 acs being All of Section 16

Lease No: 88811-S-0012-00
 St/Fed Lease No: 2087
 Lessor: State of Idaho Lease #2087, acting by and through State Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 11/01/2007
 Gross Acres: 640.0000
 Recording Info: 01/14/2008, Entry 200436
 State: Idaho
 County: Bear Lake
 Legal Description: T-14-S, R-45-E, SEC 36 - 640.00 acs being All of Section 36

Lease No: 88811-S-0013-00
 St/Fed Lease No: 2088
 Lessor: State of Idaho Lease #2088, acting by and through State Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 11/01/2007
 Gross Acres: 400.0000
 Recording Info: 01/14/2008, Entry 200437
 State: Idaho
 County: Bear Lake
 Legal Description: T-14-S, R-46-E, SEC 16 - 400.00 acs being the W/2, S/2 SE/4

Lease No: 88811-S-0014-00
 St/Fed Lease No: 2089
 Lessor: State of Idaho Lease #2089, acting by and through State Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 11/01/2007
 Gross Acres: 640.0000
 Recording Info: 01/14/2008, Entry 200438
 State: Idaho
 County: Bear Lake
 Legal Description: T-15-S, R-46-E, SEC 16 - 640.00 acs being All of Section 16

Lease No: 88811-S-0015-00
 St/Fed Lease No: 2090
 Lessor: State of Idaho Lease #2090, acting by and through State Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 11/01/2007
 Gross Acres: 367.0000
 Recording Info: 01/14/2008, Entry 200439
 State: Idaho
 County: Bear Lake
 Legal Description: T-16-S, R-45-E, SEC 02 - 367.00 acs being Lots 1, 2, 3, 4 and S/2 S/2 of Section 2

Lease No: 88811-S-0016-00
 St/Fed Lease No: 2091
 Lessor: State of Idaho Lease #2091, acting by and through State Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 11/01/2007
 Gross Acres: 520.0000
 Recording Info: 01/14/2008, Entry 200440
 State: Idaho
 County: Bear Lake
 Legal Description: T-16-S, R-45-E, SEC 11 - 520.00 acs being the S/2 SW/4, NW/4 SW/4, NW/4, W/2 NE/4, SE/4 NE/4, NE4 SW/4 and W/2 SE/4 of Section 11

Lease No: 88811-S-0017-00
 St/Fed Lease No: 2092
 Lessor: State of Idaho Lease #2092, acting by and through State Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 11/01/2007
 Gross Acres: 440.0000
 Recording Info: 01/14/2008, Entry 200441
 State: Idaho
 County: Bear Lake
 Legal Description: T-16-S, R-45-E, SEC 12 - 440.00 acs being the SW/4, NW/4 SE/4, S/2 SE/4 and NW/4 of Section 12

Lease No: 88811-S-0018-00
 St/Fed Lease No: 2093
 Lessor: State of Idaho Lease #2093, acting by and through State Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 11/01/2007
 Gross Acres: 320.0000
 Recording Info: 01/14/2008, Entry 200442
 State: Idaho
 County: Bear Lake
 Legal Description: T-16-S, R-45-E, SEC 13 - 320.00 acs being the N/2 N/2, W/2 SW/4, NE/4 SW/4 and NW/4 SE/4 of Section 13

Lease No: 88811-S-0019-00
 St/Fed Lease No: 2094
 Lessor: State of Idaho Lease #2094, acting by and through State Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 11/01/2007
 Gross Acres: 560.0000
 Recording Info: 01/14/2008, Entry 200443
 State: Idaho
 County: Bear Lake
 Legal Description: T-16-S, R-45-E, SEC 14 - 560.00 acs being the N/2, E/2 SW/4 and SE/4 of Section 14

Lease No: 88811-S-0020-00
 St/Fed Lease No: 2095
 Lessor: State of Idaho Lease #2095, acting by and through State Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 11/01/2007
 Gross Acres: 240.0000
 Recording Info: 01/14/2008, Entry 200444
 State: Idaho
 County: Bear Lake
 Legal Description: T-16-S, R-45-E, SEC 24 - 240.00 acs being the NW/4 NW/4, SW/4 and SW/4 SE/4 of Section 24

Lease No: 88811-S-0021-00
 St/Fed Lease No: 2096
 Lessor: State of Idaho Lease #2096, acting by and through State Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 11/01/2007
 Gross Acres: 120.0000
 Recording Info: 01/14/2008, Entry 200445
 State: Idaho
 County: Bear Lake
 Legal Description: T-16-S, R-45-E, SEC 25 - 120.00 acs being the N/2 NE/4 and NE/4 NW/4

Lease No: 88811-S-0022-00
 St/Fed Lease No: 2097
 Lessor: State of Idaho Lease #2097, acting by and through State Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 11/01/2007
 Gross Acres: 640.0000
 Recording Info: 01/14/2008, Entry 200446
 State: Idaho
 County: Bear Lake
 Legal Description: T-16-S, R-46-E, SEC 16 - 640.00 acs being All of Section 16

Lease No: 88843-F-0001-01
 Lessor: Joseph J Buckley and Janet Buckley
 Lessee: MRC Rockies Company
 Lease Date: 07/30/2007
 Gross Acres: 626.6200
 Recording Info: 08/20/2007, Book L10, Page 657, Entry 72418
 State: Utah
 County: Rich
 Legal Description: T-14-N, R-08-E, SECS 04,09,17,18,19 - 619.04 acs being described as follows:
 Section 4 - Lot 3 (10.20), Lot 4 (11.18)
 Section 9 - Lot 1 (11.96), Lot 2 (12.55), Lot 3 (13.15)
 Section 17 - SW/4 NE/4, E/2 NW/4, SW/4 NW/4, N/2 SW/4, NW/4 SE/4 (37.45)
 Section 18 - SE/4 NE/4, E/2 SE/4
 Section 19 - E/2 E/2
 T-15-N, RE-08-E, SEC 33 - 7.58 acs being Lot 3 of Section 33

Lease No: 88843-F-0001-02
 Lessor: William S Buckley and Bonnie Buckley
 Lessee: MRC Rockies Company
 Lease Date: 07/30/2007
 Gross Acres: 626.6200
 Recording Info: 08/20/2007, Book L10, Page 659, Entry 72419
 State: Utah
 County: Rich
 Legal Description: T-14-N, R-08-E, SECS 04,09,17,18,19 - 619.04 acs being described as follows:
 Section 4 - Lot 3 (10.20), Lot 4 (11.18)
 Section 9 - Lot 1 (11.96), Lot 2 (12.55), Lot 3 (13.15)
 Section 17 - SW/4 NE/4, E/2 NW/4, SW/4 NW/4, N/2 SW/4, NW/4 SE/4 (37.45)
 Section 18 - SE/4 NE/4, E/2 SE/4
 Section 19 - E/2 E/2

 T-15-N, R-08-E, SEC 33 - 7.58 acs being Lot 3 of Section 33

Lease No: 88843-F-0002-00
 Lessor: Benjamin Reed Groll and Jeralene Jackson Groll
 Lessee: MRC Rockies Company
 Lease Date: 07/03/2007
 Gross Acres: 1102.3900
 Recording Info: 08/10/2007, Book L10, Page 481, Entry 72358
 State: Utah
 County: Rich
 Legal Description: T-12-N, R-08-E, SECS 04,05,06
 Section 4 - All
 Section 5 - All
 Section 6 - Lots 1,2,3,4,5, E/2 SW/4, SE/4

 T-13-N, R-08-E, SECS 31,32
 Section 31 - S/2 SE/4, SE/4 SW/4
 Section 32 - S/2 S/2

Lease No: 88843-F-0003-00
 Lessor: Rich County Land & Grazing Partnership
 Lessee: MRC Rockies Company
 Lease Date: 07/03/2007
 Gross Acres: 3283.6200
 Recording Info: 08/10/2007, Book L10, Page 478, Entry 72357
 State: Utah
 County: Rich
 Legal Description: T-12-N, R-06-E, SECS 10,11,12,13
 Section 10: NE/4SE/4
 Section 11: SW/4NW/4, NE/4SW/4, NE/4SE/4 LESS AND EXCEPT 2.23 acs, more or less, as described in that certain Warranty Deed from Rich County Land and Grazing Company to The State Road Commission of Utah, dated August 3, 1949 and filed for record September 14, 1949 in Volume V, Page 25 of the Deeds and Mortgages Records of Rich County, Utah.
 Section 12: SW/4SE/4, N/2SW/4 LESS AND EXCEPT 9.65 acres, more or less, as described in that certain Warranty Deed from Rich County Land and Grazing Company to The State Road Commission of Utah, dated August 3, 1949 and filed for record September 14, 1949 in Volume V, Page 23 of the Deeds and Mortgages Records of Rich County, Utah.
 Section 13: NE/4NE/4 LESS AND EXCEPT 4.03 acres, more or less, as described in that certain Warranty Deed from Rich County Land and Grazing Company to The State Road Commission of Utah, dated August 3, 1949 and filed for record September 14, 1949 in Volume V, Page 22 of the Deeds and Mortgages Records of Rich County, Utah.

 T-12-N, R-07-E, SEC 27
 Section 27: NW/4NE/4

 T-13-NM R-06-E, SEC 15,22,23,25,26,28,33,34,35,36
 Section 15: SW/4NE/4
 Section 22: NE/4SE/4

Section 23: N/2SW/4
 Section 25: NE/4NW/4, SW/4NW/4
 Section 26: NE/4NW/4, NW/4NE/4, S/2NE/4, N/2SE/4
 Section 28: SE/4, SE/4NE/4, SE/4SW/4
 Section 33: N/2N/2, Commencing at S/4 corner of Sec. 33, T13N, R06E S.L.M., thence West 10 chains, North 56* West 35.5 chains, thence North 20 chains, thence East 20 chains, thence South 20 chains to the point of beginning containing 90 acres. LESS AND EXCEPT 5.80 acres, more or less, as described in that certain Warranty Deed from Rich County Land and Grazing Company to The State Road Commission of Utah, dated July 10, 1951 and filed for record August 27, 1951 in Volume V, Page 320 of the Deeds and Mortgages records of Rich County, Utah.
 Section 34: S/2NW/4, N/2SE/4
 Section 35: S/2S/2
 Section 36: ALL

T-13-N, R-08-E, SECS 16,17,20,29,30

Section 16: Lots 1, 2, 3 and 4

Section 17: S/2, S/2N/2

Section 20: Commencing at a point 1000 ft. East of the Southwest corner of Sec 20 and running thence North 26* East 1300 ft.; thence North 40* East 3000 ft.; thence North 46* 30 ft. East 1600 ft. to the Northeast corner of said Sec. 20; thence West to the Northwest corner of Sec. 20; thence South to the Southwest corner of Sec. 20; thence East 1000 ft. to beginning.

Section 29: Commencing at the West quarter corner of Sec. 29, and running thence East 347 ft.; thence North 7* East 875 ft.; thence North 5*30 ft. East 900 ft.; thence North 26* East 975 ft. to the North line of said Sec. 29; thence West to the Northwest corner of Sec. 29; thence South to beginning.

Section 30: Lot 4

Lease No: 88843-F-0004-00
 Lessor: R & L Johnson Properties LLC by Robert M and LaRue E Johnson
 Lessee: MRC Rockies Company
 Lease Date: 06/20/2007
 Gross Acres: 618.0900
 Recording Info: 07/27/2007, Book L10, Page 119, Entry 72251
 State: Utah
 County: Rich

Legal Description: T-13-N, R-08-E, SECS 20,21,28,29 - 618.09 acs more or less, described as follows: Commencing at the Southwest Corner of the Northwest Quarter of the Northeast Quarter of Section 29, Township 13 North, Range 8 East, Salt Lake Meridian, running thence 160 rods, more or less, to the Northwest Corner of Lot 2, Section 28, Township 13 North, Range 8 East, Salt Lake Meridian, thence South 80 rods to the Southwest Corner of said Lot 2; thence East 15.95 chains, more or less, to the Utah-Wyoming State Line; thence North 120 chains, more or less, to the Northeast Corner of Lot 1, Section 21, Township 13 North, Range 8 East Salt Lake Meridian; thence South 46 deg 30' West 1600 feet; thence South 40 deg 00' West 3900 feet; thence South 26 deg 00' West 2275 feet; thence South 5 deg 00' West 445 feet, more or less to intersection with the South line of the Northwest Quarter of the Northwest Quarter of Section 29, Township 13 North, Range 8 East, Salt Lake Meridian; thence East 34 chains, more or less, to the place of beginning.

Lease No: 88843-F-0005-00
 Lessor: L & N Johnson Properties LLC
 Lessee: MRC Rockies Company
 Lease Date: 06/20/2007
 Gross Acres: 881.1600
 Recording Info: 07/27/2007, Book L10, Page 121, Entry 72252
 State: Utah
 County: Rich

Legal Description: T-13-N, R-08-E, SECS 25,28,29,30,33 - 881.16 acs more or less being described as follows:
 SECTION 25: N/2 SE/4
 SECTION 28: LOTS 3 & 4
 SECTION 29: S/2; S/2 N/2; LESS AND EXCEPT: that part of SW/4SW/4 owned by Rich County Land & Grazing Company more particularly described in that Warranty Deed dated, January 3, 1933 from Manhead Land & Livestock Co. to Rich County Land and Grazing Co., in Volume Q, Page 478, of the Official Records of Rich County, Utah.

SECTION 30: Lot 3, NW/4SW/4, SE/4SW/4, S/2SE/4, N/2SE/4 LESS AND EXCEPT: 11.10 acres, more or less, being more particularly described in that certain Warranty Deed dated, April 15, 1997 from Larry D. Johnson to Heath Johnson, recorded in Volume Q7, Page 234 of the Official Records of Rich County, Utah. LESS AND EXCEPT: 0.019 acres, more or less, being more particularly described in that certain Warranty Deed dated June 16, 1980 from Larry Johnson to Mountain Fuel Resources, Inc. recorded Volume N3, Page 463 of Official Records of Rich County, Utah. LESS AND EXCEPT: 0.069 acres, more or less, being more particularly described in that certain Warranty Deed dated January 14, 1985 from Larry Johnson to Mountain Fuel Resources, Inc. recorded Volume V4, Page 208 of Official Records of Rich County, Utah.

SECTION 33: 11.345 acres, more or less, a part of Lot 4, being more particularly described in that certain Warranty Deed dated June 14, 2000 from Larry D. Johnson and wife, Nola Johnson to L and N Johnson Properties, LLC., recorded in Volume 08, Page 433 of the Official Records of Rich County, Utah.

Lease No: 88843-F-0006-00
 Lessor: Charity Ann Taylor
 Lessee: MRC Rockies Company
 Lease Date: 08/22/2007
 Gross Acres: 1313.4700
 Recording Info: 09/17/2007, Book L10, Page 1534, Entry 72695
 State: Utah
 County: Rich
 Legal Description: T-14-N, R-07-E, SECS 02,03,04,05,06
 Section 2 - Lot 1 (38.19), Lot 2 (38.18), Lot 3 (38.17), Lot 4 (38.16) and N/2 S/2
 Section 3 - SW/4 NE/4, S/2 SW/4
 Section 4 - Lot 1 (40.57) and SE/4 NE/4
 Section 5 - SW/4 NW/4, W/2 SW/4
 Section 6 - NE/4 SE/4, S/2 NE/4, LESS AND EXCEPT the NW/4 SW/4 NE/4

 T-15-N, R-07-E, SECS 32,33,34,36
 Section 32 - Lot 3 (41.95), Lot 4 (44.25), N/2 SE/4 and S/2 SW/4
 Section 33 - S/2 SW/4
 Section 34 - NW/4 SW/4
 Section 36 - Lot 3 (20.90), Lot 4 (23.10), S/2 SE/4 and N/2 SW/4

Lease No: 88843-S-0008-00
 St/Fed Lease No: ML51028
 Lessor: ML-51028, State of Utah, acting by and through the School and Institutional Trust Lands Administration
 Lessee: MRC Rockies Company
 Lease Date: 09/01/2007
 Gross Acres: 680.0000
 Recording Info: 09/18/2007, Book L10, Page 1613, Entry 72713
 State: Utah
 County: Rich
 Legal Description: T-13-N, R-07-E, SECS 02,10,11,12
 Section 2 - S/2 SE/4
 Section 10 - SE/4 SE/4
 Section 11 - NE/4, NE/4 NW/4
 Section 12 - N/2, NE/4 SE/4

Lease No: 88843-S-0009-00
 St/Fed Lease No: ML51029
 Lessor: ML-51029, State of Utah, acting by and through the School and Institutional Trust Lands Administration
 Lessee: MRC Rockies Company
 Lease Date: 09/01/2007
 Gross Acres: 840.0000
 Recording Info: 09/18/2007, Book L10, Page 1624, Entry 72714
 State: Utah
 County: Rich
 Legal Description: T-13-N, R-07-E, SECS 13,14,24
 Section 13 - S/2 N/2, S/2
 Section 14 - NE/4, NE/4 NW/4, N/2 SE/4
 Section 24 - SE/4 NE/4, NE/4 SE/4

Lease No: 88843-S-0010-00
 St/Fed Lease No: ML51030
 Lessor: ML-51030, State of Utah, acting by and through the School and Institutional Trust Lands Administration
 Lessee: MRC Rockies Company
 Lease Date: 09/01/2007
 Gross Acres: 680.0000
 Recording Info: 09/18/2007, Book L10, Page 1635, Entry 72715
 State: Utah
 County: Rich
 Legal Description: T-13-N, R-07-E, SECS 27,36
 Section 27 - NE/4 SE/4
 Section 36 - All

Lease No: 88843-S-0011-00
 St/Fed Lease No: ML51031
 Lessor: ML-51031, State of Utah, acting by and through the School and Institutional Trust Lands Administration
 Lessee: MRC Rockies Company
 Lease Date: 09/01/2007
 Gross Acres: 1242.2000
 Recording Info: 09/18/2007, Book L10, Page 1646, Entry 72716
 State: Utah
 County: Rich
 Legal Description: T-13-N, R-08-E, SECS 05,08
 Section 5 - Lots 1 (40.66), 2 (40.59), 3 (40.51), 4 (40.44), S/2 N/2, S/2 (All)
 Section 8 - N/2, N/2 SW/4, SE/4 SW/4, SE/4

Lease No: 88843-S-0012-00
 St/Fed Lease No: ML51032
 Lessor: ML-51032, State of Utah, acting by and through the School and Institutional Trust Lands Administration
 Lessee: MRC Rockies Company
 Lease Date: 09/01/2007
 Gross Acres: 1323.8100
 Recording Info: 09/18/2007, Book L10, Page 1657, Entry 72717
 State: Utah
 County: Rich
 Legal Description: T-13-N, R-08-E, SECS 06,07,18
 Section 6 - Lots 4 (40.12), 5 (40.23), 6 (40.37), 7 (40.53), SE/4 SW/4 and SE/4
 Section 7 - Lots 1 (40.58), 2 (40.54), 3 (40.50), NE/4, E/2 NW/4, NE/4 SW/4, N/2 SE/4
 Section 18 - Lots 2 (40.36), 3 (40.32), 4(40.26), S/2 NE/4, SE/4 NW/4, E/2 SW/4, SE/4

Lease No: 88843-S-0013-00
 St/Fed Lease No: ML51033
 Lessor: ML-51033, State of Utah, acting by and through the School and Institutional Trust Lands Administration
 Lessee: MRC Rockies Company
 Lease Date: 09/01/2007
 Gross Acres: 680.0000
 Recording Info: 09/18/2007, Book L10, Page 1668, Entry 72718
 State: Utah
 County: Rich
 Legal Description: T-13-N, R-08-E, SECS 31,32
 Section 31 - NE/4 NE/4, S/2 NE/4, N/2 SE/4
 Section 32 - N/2, N/2 S/2

Lease No: 88843-S-0014-00
 St/Fed Lease No: ML51034
 Lessor: ML-51034, State of Utah, acting by and through the School and Institutional Trust Lands Administration
 Lessee: MRC Rockies Company
 Lease Date: 09/01/2007
 Gross Acres: 1053.3000
 Recording Info: 09/18/2007, Book L10, Page 1679, Entry 72719
 State: Utah
 County: Rich
 Legal Description: T-14-N, R-07-E, SECS 05,06,07
 Section 5 - Lot 1 (38.62), 2(37.87) S/2 NE/4, SE/4 NW/4, NE/4 SW/4 and SE/4
 Section 6 - Lots 2(37.50), 3(38.50), 4(36.93), 6(37.40), 7(37.40), E/2 SW/4, NW/4 SE/4,
 S/2 SE/4
 Section 7 - Lots 1(37.16), 3(36.20), 4(35.72), E/2 NE/4, N/2 SE/4

Lease No: 88843-S-0015-00
 St/Fed Lease No: ML51035
 Lessor: ML-51035, State of Utah, acting by and through the School and Institutional Trust Lands Administration
 Lessee: MRC Rockies Company
 Lease Date: 09/01/2007
 Gross Acres: 520.0000
 Recording Info: 09/18/2007, Book L10, Page 1690, Entry 72720
 State: Utah
 County: Rich
 Legal Description: T-14-N, R-07-E, SECS 08,17,18,20
 Section 8 - NE/4 SE/4, SW/4 SE/4
 Section 17 - W/2 E/2, SE/4 SE/4
 Section 18 - SW/4 SE/4
 Section 20 - N/2 NE/4, SE/4 NW/4, NE/4 SW/4, SW/4 SW/4

Lease No: 88843-S-0016-00
 St/Fed Lease No: ML51036
 Lessor: ML-51036, State of Utah, acting by and through the School and Institutional Trust Lands Administration
 Lessee: MRC Rockies Company
 Lease Date: 09/01/2007
 Gross Acres: 400.0000
 Recording Info: 09/18/2007, Book L10, Page 1701, Entry 72721
 State: Utah
 County: Rich
 Legal Description: T-14-N, R-07-E, SECS 13,15
 Section 13 - E/2 NE/4
 Section 15 - S/2

Lease No: 88843-S-0017-00
 St/Fed Lease No: ML51037
 Lessor: ML-51037, State of Utah, acting by and through the School and Institutional Trust Lands Administration
 Lessee: MRC Rockies Company
 Lease Date: 09/01/2007
 Gross Acres: 1125.3900
 Recording Info: 09/18/2007, Book L10, Page 1712, Entry 72722
 State: Utah
 County: Rich
 Legal Description: T-14-N, R-07-E, SECS 19,29,30,31
 Section 19 - Lot 4(35.97), SE/4 SW/4, SW/4 SE/4
 Section 29 - W/2 SW/4
 Section 30 - Lots 1(35.99), 2(35.96), 3(35.93), N/2 NE/4, SW/4 NE/4, E/2 NW/4, NE/4 SW/4, N/2 SE/4
 Section 31 - Lots 1(35.94), 2(36.07), 3(36.20), 4(33.33), NE/4, E/2 NW/4, NE/4 SW/4, N/2 SE/4

Lease No: 88843-S-0018-00
 St/Fed Lease No: ML51038
 Lessor: ML-51038, State of Utah, acting by and through the School and Institutional Trust Lands Administration
 Lessee: MRC Rockies Company
 Lease Date: 09/01/2007
 Gross Acres: 659.8400
 Recording Info: 09/18/2007, Book L10, Page 1723, Entry 72723
 State: Utah
 County: Rich
 Legal Description: T-14-N, R-08-E, SECS 16,17,18
 Section 16 - Lots 1(14.27), 2(14.73) 3(15.19), 4(15.65) (All)
 Section 17 - N/2 NE/4, SE/4 NE/4, S/2 S/2, NE/4 SE/4
 Section 18 - W/2 E/2, N/2 SW/4, SW/4 SW/4

Lease No: 88843-S-0019-00
 St/Fed Lease No: ML51039
 Lessor: ML-51039, State of Utah, acting by and through the School and Institutional Trust Lands Administration
 Lessee: MRC Rockies Company
 Lease Date: 09/01/2007
 Gross Acres: 1239.2300
 Recording Info: 09/18/2007, Book L10, Page 1734, Entry 72724
 State: Utah
 County: Rich
 Legal Description: T-14-N, R-08-E, SECS 20,21,28,29
 Section 20 - All
 Section 21 - Lots 1(16.09), 2(16.52),3(16.94),4(17.37) (All)
 Section 28 - Lots 1 (17.51), 2(17.38), 3(17.24)
 Section 29 - Lot 1 (40.18), N/2, NE/4 SW/4, N/2 SE/4

Lease No: 88843-S-0020-00
 St/Fed Lease No: ML51040
 Lessor: ML-51040, State of Utah, acting by and through the School and Institutional Trust Lands Administration
 Lessee: MRC Rockies Company
 Lease Date: 09/01/2007
 Gross Acres: 750.1500
 Recording Info: 09/18/2007, Book L10, Page 1602, Entry 72712
 State: Utah
 County: Rich
 Legal Description: T-15-N, R-07-E, SECS 34,35
 Section 34 - Lots 1(27.75), 2(29.25), 3(30.75), E/2 SW/4, SE/4
 Section 35 - Lots 1(24.55), 2(25.25), 3(25.95), 4(26.65), S/2 (All)

Lease No: 88843-S-0021-00
 St/Fed Lease No: ML51041
 Lessor: ML-51041, State of Utah, acting by and through the School and Institutional Trust Lands Administration
 Lessee: MRC Rockies Company
 Lease Date: 09/01/2007
 Gross Acres: 769.3600
 Recording Info: 09/18/2007, Book L10, Page 1591, Entry 72711
 State: Utah
 County: Rich
 Legal Description: T-15-N, R-08-E, SECS 31,32,33
 Section 31 - Lots 1(15.22), 2(15.28), 3(15.32), 4(15.38), S/2 (All)
 Section 32 - Lots 1 (14.22), 2(14.50), 3(14.78), 4(15.06), S/2 (All)
 Section 33 - Lots 1 (2.45), 2(7.15)

Lease No: 88849-F-0001-01
 Lessor: Bear River Land and Cattle LLC
 Lessee: MRC Rockies Company
 Lease Date: 05/23/2007
 Gross Acres: 10500.8000
 Recording Info: 06/06/2007, Book 660, Page 833, Entry 930078
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-117-W
 Section 5: NW/4SW/4, SE/4SW
 Section 7: Lot 9 (40.00), Lot 15(40.00), SE/4NE/4
 Section 8: NE/4NE/4, SW/4NE/4, W/2SE/4
 Section 9: SW/4NW/4
 Section 17: NE/4NW/4, N/2SW/4
 Section 18: Lot 5 (40.00), Lot 8 (46.12), Lot 9 (40.00), Lot 10(40.00), Lot 11(40.00), Lot 12(40.00) Lot 13(46.16), SW/4NE/4, NE/4SE/4
 Section 19: Lot 13(46.39)
 Section 20: NW/4SW/4
 Section 22: SW/4SW/4
 Section 23: SW/4SW/4
 Section 26: NW/4NW/4, SW/4NW/4
 Section 27: SE/4SW/4
 Section 28: NW/4NE/4, NW/4NW/4
 Section 29: S/2NW/4
 Section 30: Lot 10(40.00), S/2NE/4
 Section 32: NE/4SW/4, SE/4NE/4
 Section 33: NW/4NE/4
 Section 34: NW/4SE/4, NW/4SW/4
 Section 35: SW/4NW/4
 T-23-N, R-118-W
 Section 4: Lot 8 (40.08), SW/4NW/4, S/2SW/4, NW/4SW/4
 Section 5: Lot 5 (40.08)
 Section 9: NW/4NW/4
 T-23-N, T-119-W
 Section 2 & 3: Lot 69(160.43)
 Section 5, 6, 7, & 8: All that part of Tract 67 and Tract 77 lying West of the Bear River and containing 453.91 acres, more or less.
 T-24-N, R-118-W
 Section 6: Lots 20, 21, 22, 26, W/2 SE/4 and all of Lot 17, and Lot 25
 Section 6: Part of Lot 14 and Lot 24 of Section 6, lying southerly of existing fence line. Beginning at a point on the west line of Lot 24, N 00deg28'15"E,578.54 feet of corner #2 of said Tract 97, found as described in the corner record filed in the Office of Clerk Lincoln County thence S 89deg 01'12"E, 583.41 feet along said fence to a point; thence S 88deg 45'49" E 457.47 feet along said fence to a point thence S 88 deg50' 51"E, 421.64 feet along said fence and an easterly protraction of said fence to the east line of Lot 14.

Section 6: Tracts 97F, 97G (Less parcel deeded to John Russell Thornock Sr. and Emma Lucy Thornock at Book 509PR Page 572.
 Section 7: Lot 5, Lot 10, Lot 11, W/2NE/4, NW/4SE/4 (138.46)
 Section 7: Part of Tract 79, original Lots 3 and 4, Part of tract 80 original Lots 1 & 2 (287.9)
 Section 33 : SE/4 NW/4 & E/2 SW/4 (120)
 T-24-N, R-119-W, SECS 07,08,17,18,20
 - 918.36 acs described as follows:
 Section 7: Resurvey Tract 70 (42.39)
 Section 8: Resurvey Tract 72 (84.05)
 Sections 7 & 18; Resurvey Tract 71(137.64)
 Section 18: Resurvey Tract 69 (155.99)
 Section 18: Lots 9 (35.27), 10 (35.33), 17 (35.39), 18 (35.45)
 Section 19: Lot 5 (35.51)
 Pt. of Sections 17 & 20: Resurvey Tract 57(157.47)

 Pt. of Sections 8 & 20: Resurvey Tract 68(163.87)
 T-24-N, R-119-W, SECS 01,02,03,10,11,12,13,14,17,22,27,29,30,31 - 5,297.74 acs being described as follows:
 Section 1: Lots 20(39.47), 21(39.47), 24(39.45), 25 (9.97), 29(37.91), 33(35.15), 34(35.13), 37(35.12), 45 (25.97), Tract 97C (13.82)
 Section 2: Lots 30 (39.47), 33 (39.46), 35 (39.45), 37 (39.44), S/2S/2
 Section 3: Lot 43 (39.58), SE/4SE/4
 Sections 2 and 3: Tract 95 (79.99)
 Section 10: N/2SE/4, NE/4
 Section 11: N/2, SE/4, E/2SW/4, NW/4SW/4
 Section 12: Lots 10(25.56), 11(25.08), 18 (4.86), 21 (4.85), 22(4.84), 25(26.48)

 Sections 1 and 12: Tract 78 (328.75), Tract 81 (164.50), Part of Tract 80 (21.77), Part of Tract 79 (23.01)
 Section 13: Lot 3 (4.48)
 Section 14: Lots 1 (4.48), 4 (4.48), 6(28.19), N/2NE/4, NE/14NW/4
 Section 22: SE/4 NE/4 & N/2 SE/4 (120)
 Section 23: Lots 10, 22, 23 & N/2 SW/4 Except North 75' of East 220' (192.67)
 Section 31 and 32: That part of Tract 77 lying West of Bear River containing 98.72 acres, more or less.
 Section 31: Lots 6 (21.41), 7(12.22), 10(12.28), 11(22.22), W/2NE/4, E/2NW/4
 Section 30: Lots 8 (15.14), 10 (22.94), NE/4SE/4
 Sections 29: Lot 20 (23.48)
 Tract 50: Part of Sections 22,27,26,23 (159.49)
 Tract 51: Less and Except 35.21 acres described in that certain Warranty Deed recorded in Book 643, Page 688 of Lincoln County Wyoming between Thompson Land and Livestock and William T. Thompson (160.40)
 Section 27 : N/2SW/4, Lots 12 and 15(150.58)
 Pt. of Sections 29, 30, 32: Resurvey Tract 43 (335.67)
 Pt. of Section 29, 32: Resurvey Tract 42 (163.82)
 Tracts: 44 part of Sections 29, 20(327.16)
 Tracts: 45 part of Sections 29,20,21,28 (159.73)
 Tracts: 46 part of Sections 21, 28 (160.24)
 Tracts: 54 part of Sections 20, 21(159.98)

 Tracts: 59 part of Sections 20, 21(39.98)

 Tracts: 58 part of Sections 17, 16,20,21(159.88)
 Tracts: 66 part of Sections 17, 16 (159.67)
 T-24-N, R-120-W

 Section 13: Tract 39 (80)

 Section 25: SW/4NE/4, SE/4NW/4

Lease No: 88849-F-0001-02
 Lessor: Thompson Land and Livestock Company
 Lessee: MRC Rockies Company
 Lease Date: 05/21/2007
 Gross Acres: 10500.8000
 Recording Info: 06/06/2007, Book 660, Page 829, Entry 930077
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-117-W

Section 5: NW /4SW/4, SE/4SW
 Section 7: Lot 9 (40.00), Lot 15(40.00), SE/4NE/4
 Section 8: NE /4NE/4, SW/4NE/4, W/2SE/4
 Section 9: SW /4NW/4
 Section 17: NE /4NW/4, N/2SW/4
 Section 18: Lot 5 (40.00), Lot 8 (46.12), Lot 9 (40.00), Lot 10(40.00), Lot 11(40.00), Lot 12(40.00) Lot 13(46.16), SW/4NE/4, NE/4SE/4
 Section 19: Lot 13(46.39)
 Section 20: NW /4SW/4
 Section 22: SW /4SW/4
 Section 23: SW /4SW/4
 Section 26: NW /4NW/4, SW/4NW/4
 Section 27: SE /4SW/4
 Section 28: NW /4NE/4, NW/4NW/4
 Section 29: S /2NW/4
 Section 30: Lot 10(40.00), S/2NE/4
 Section 32: NE /4SW/4, SE/4NE/4
 Section 33: NW /4NE/4
 Section 34: NW /4SE/4, NW/4SW/4
 Section 35: SW /4NW/4

T-23-N, R-118-W

Section 4: Lot 8 (40.08), SW/4NW/4, S/2SW/4, NW/4SW/4
 Section 5: Lot 5 (40.08)
 Section 9: NW /4NW/4

T-23-N, T-119-W

Section 2 & 3: Lot 69(160.43)
 Section 5, 6, 7, & 8: All that part of Tract 67 and Tract 77 lying West of the Bear River and containing 453.91 acres, more or less.

T-24-N, R-118-W

Section 6: Lots 20, 21, 22, 26, W/2 SE/4 and all of Lot 17, and Lot 25
 Section 6: Part of Lot 14 and Lot 24 of Section 6, lying southerly of existing fence line.
 Beginning at a point on the west line of Lot 24, N 00deg28'15"E,578.54 feet of corner #2 of said Tract 97, found as described in the corner record filed in the Office of Clerk Lincoln County thence S 89deg 01'12"E, 583.41 feet along said fence to a point; thence S 88deg 45'49" E 457.47 feet along said fence to a point thence S 88 deg50' 51"E, 421.64 feet along said fence and an easterly protraction of said fence to the east line of Lot 14. Section 6: Tracts 97E, 97G (Less parcel deeded to John Russell Thornock Sr. and Emma Lucy Thornock at Book 509PR Page 572.
 Section 7: Lot 5, Lot 10, Lot 11, W/2NE/4,NW/4SE/4(138.46)
 Section 7: Part of Tract 79, original Lots 3 and 4, Part of tract 80 original Lots 1 & 2 (287.9)
 Section 33: SE /4 NW/4 & E/2 SW/4 (120)

T-24-N, R-119-W, SECS 07,08,17,18,20

- 918.36 acs described as follows:
 Section 7: Resurvey Tract 70 (42.39)
 Section 8: Resurvey Tract 72 (84.05)
 Sections 7 & 18; Resurvey Tract 71(137.64)
 Section 18: Resurvey Tract 69 (155.99)
 Section 18: Lots 9 (35.27), 10 (35.33), 17 (35.39), 18 (35.45)

Section 19: Lot 5 (35.51)

Pt. of Sections 17 & 20: Resurvey Tract 57(157.47)

Pt. of Sections 8 & 20: Resurvey Tract 68(163.87)

T-24-N, R-119-W, SECS 01,02,03,10,11,12,13,14,17,22,27,29,30,31 - 5,297.74 acs being described as follows:

Section 1: Lots 20(39.47), 21(39.47), 24(39.45), 25 (9.97), 29(37.91), 33(35.15), 34(35.13), 37(35.12), 45 (25.97), Tract 97C (13.82)

Section 2: Lots 30 (39.47), 33 (39.46), 35 (39.45), 37 (39.44), S/2S/2

Section 3: Lot 43 (39.58), SE/4SE/4

Sections 2 and 3: Tract 95 (79.99)

Section 10: N/2SE/4, NE/4

Section 11: N/2, SE/4, E/2SW/4, NW/4SW/4

Section 12: Lots 10(25.56), 11(25.08), 18 (4.86), 21 (4.85), 22(4.84), 25(26.48)

Sections 1 and 12: Tract 78 (328.75), Tract 81 (164.50), Part of Tract 80 (21.77), Part of Tract 79 (23.01)

Section 13: Lot 3 (4.48)

Section 14: Lots 1 (4.48), 4 (4.48), 6(28.19), N/2NE/4, NE/14NW/4

Section 22: SE/4 NE/4 & N/2 SE/4 (120)

Section 23: Lots 10, 22, 23 & N/2 SW/4 Except North 75' of East 220' (192.67)

Section 31 and 32: That part of Tract 77 lying West of Bear River containing 98.72 acres, more or less.

Section 31: Lots 6 (21.41), 7(12.22), 10(12.28), 11(22.22), W/2NE/4, E/2NW/4

Section 30: Lots 8 (15.14), 10 (22.94), NE/4SE/4

Sections 29: Lot 20 (23.48)

Tract 50: Part of Sections 22,27,26,23 (159.49)

Tract 51: Less and Except 35.21 acres described in that certain Warranty Deed recorded in Book 643, Page 688 of Lincoln County Wyoming between Thompson Land and Livestock and William T. Thompson (160.40)

Section 27: N/2SW/4, Lots 12 and 15(150.58)

Pt. of Sections 29, 30, 32: Resurvey Tract 43 (335.67)

Pt. of Section 29, 32: Resurvey Tract 42 (163.82)

Tracts: 44 part of Sections 29, 20(327.16)

Tracts: 45 part of Sections 29,20,21,28 (159.73)

Tracts: 46 part of Sections 21, 28 (160.24)

Tracts: 54 part of Sections 20, 21(159.98)

Tracts: 59 part of Sections 20, 21(39.98)

Tracts: 58 part of Sections 17, 16,20,21(159.88)

Tracts: 66 part of Sections 17, 16 (159.67)

T-24-N, R-120-W

Section 13: Tract 39 (80)

Section 25: SW/4NE/4, SE/4NW/4

Lease No: 88849-F-0002-00
 Lessor: Samuel O Bennion Jr and Patricia Ann Bennion
 Lessee: MRC Rockies Company
 Lease Date: 02/28/2007
 Gross Acres: 479.5300
 Recording Info: 04/06/2007, Book 653, Page 687, Entry 928194
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-118-W SECS 32, 33; T-21-N, R-118-W, SEC 6; T-21-N, R-119-W, SEC 1 - 479.53 acs, more or less described as follows:
 T-23-N, R-118-W, SEC 32 - 200.00 acs being the SE/4, SE/4 NE/4
 T-23-N, R-118-W, SEC 33 - 120.00 acs being the W/2 NW/4, NW/4 SW/4 of Section 33
 T-21-N, R-118-W, SEC 06 - 39.53 acs being Lot 14
 T-21-N, R-119-W, SEC 01 - 120.00 acs being the S/2 SE/4, SE/4 SW/4

Lease No: 88849-F-0003-01
 Lessor: George W Cooper and Judy Lynn Coletti
 Lessee: MRC Rockies Company
 Lease Date: 05/01/2007
 Gross Acres: 678.8100
 Recording Info: 07/23/2007, Book 666, Page 543, Entry 931509
 State: Wyoming
 County: Lincoln
 Legal Description: T-21-N, R-118-W, SEC 4; T-22-N, R-118-W, SECS 28, 29, 32, 33 - 678.81 acs more or less described as follows:
 T-21-N, R-118-W, SEC 04 - 158.81 acs being the SW/4 NW/4, Lot 8 and W/2 SW/4
 T-22-N, T-118-W, SEC 28 - 40.00 acs being the NW/4 NW/4
 T-22-N, R-118-W, SEC 29 - 120.00 acs being the SE/4 SE/4, E/2 NE/4
 T-22-N, R-118-W, SEC 32 - 80.00 acs being the E/2 NE/4
 T-22-N, R-118-W, SEC 33 - 280.00 acs being the SW/4 SW/4, N/2 SW/4, NW/4

Lease No: 88849-F-0003-02
 Lessor: Don D Failoni, Trustee of the Don D Failoni Trust dated November 16, 2005
 Lessee: MRC Rockies Company
 Lease Date: 05/01/2007
 Gross Acres: 678.8100
 Recording Info: 07/23/2007, Book 666, Page 548, Entry 931511
 State: Wyoming
 County: Lincoln
 Legal Description: T-21-N, R-118-W, SECS 04,28,29,32,33 678.81 acs more or less described as follows:
 21N118W04 - 158.81 acs being the SW/4 NW/4, Lot 8 and W/2 SW/4
 22N118W28 - 40.00 acs being the NW/4 NW/4
 22N118W29 - 120.00 acs being the SE/4 SE/4, E/2 NE/4
 22N118W32 - 80.00 acs being the E/2 NE/4
 22N118W33 - 280.00 acs being the SW/4 SW/4, N/2 SW/4, NW/4

Lease No: 88849-F-0004-00
 Lessor: Aaron Joseph Carollo and Kristy K Carollo
 Lessee: MRC Rockies Company
 Lease Date: 07/09/2007
 Gross Acres: 418.3700
 Recording Info: 07/23/2007, Book 666, Page 562, Entry 931516
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-117-W, SECS 26,35 - 418.37 acs more or less, described as follows:
 T-24-N, R-117-W, SEC 35 - Tract 38 LESS AND EXCEPT 6.43 acs being a part of Tract 38 as described in Warranty Deed from Aaron Joseph Carollo to Sabra Richins, Randy Richins and Pat Kirberg as Joint Tenants with rights of survivorship, Book 414, Page 45, Deed Records Lincoln County, Wyoming;
 LESS AND EXCEPT All of Lots 2 and 4 in Section 35, and all of Lot 2 in Section 26, T-24-N, R-117-W, 6th PM described in Warranty Deed from Mary C Carollo to Utah Power and Light Company, in Book 116, Page 640 Deed Records of Lincoln County, Wyoming
 T-23-N, R-117-W, SEC 26 - Tract 45 and Tract 46

Lease No: 88849-F-0005-01
 Lessor: Fred Allen Feller, Individually and as Trustee of the F Allen Feller Trust dtd 12-19-77
 Lessee: MRC Rockies Company
 Lease Date: 06/14/2007
 Gross Acres: 535.5500
 Recording Info: 07/09/2007, Book 664, Page 814, Entry 931052
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-120-W, SECS 11,12,13,14,15 - 535.55 acs described as follows:
 Beginning at a point that lies upon the North boundary of said Tract 46 and situated in the middle of the channel through which the Bear River flows; a point from whence the Southeast corner of said Section 11 bears South 39°36' East 17.20 chains; Thence following the center thread of the channel for the Bear River; South 27°08' West 2.02 chains; South 80°49' East 10.03 chains; South 56°08' East 9.15 chains; South 34°59' East

8.54 chains; South 15°02' East 6.94 chains; South 02°17' West 2.50 chains; South 26°1 1' West 6.80 chains; South 54°41' West 5.88 chains; South 72°39' West 5.03 chains; North 80°32' West 6.69 chains; North 81°22' West 7.99 chains; South 06°21' East 6.34 chains; South 36°18' East 6.08 chains; South 26°06' East 5.50 chains; South 27°13' West 3.94 chains; South 47°01' West 4.11 chains; to a point in the middle of the channel of the Bear River, the intent being to deed to the center of the channel through which the Bear River flows; thence West along a line parallel to the South boundary of said Tract 48, 101.34 chains to the West boundary of said Tract 48; thence North 15.40 chains along said West boundary to Corner No. 6 of said Tract 48, thence East 20.00 chains along a North boundary of said Tract 48 to Corner No. 7; thence North 20.20 chains along a West boundary of said Tract 48 to Corner No. 8; thence East 20.00 chains, along a North boundary of said Tract 48 to Corner No. 9; thence North 20.20 chains along a West boundary of said Tract 48 to Corner No. 10; thence East 68.97 chains along the North boundary of said Tract 46 and Tract 48 to the point of beginning; containing 535.553 acres, more or less.

Lease No: 88849-F-0005-02
 Lessor: Irene Feller, Individually and as Trustee of the Irene Feller Trust dtd 12-19-77
 Lessee: MRC Rockies Company
 Lease Date: 06/14/2007
 Gross Acres: 535.5500
 Recording Info: 07/09/2007, Book 664, Page 811, Entry 931051
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-120-W, SECS 11,12,13,14,15 - 535.55 acs described as follows:

Beginning at a point that lies upon the North boundary of said Tract 46 and situated in the middle of the channel through which the Bear River flows; a point from whence the Southeast corner of said Section 11 bears South 39°36' East 17.20 chains; Thence following the center thread of the channel for the Bear River; South 27°08' West 2.02 chains; South 80°49' East 10.03 chains; South 56°08' East 9.15 chains; South 34°59' East 8.54 chains; South 15°02' East 6.94 chains; South 02°17' West 2.50 chains; South 26°1 1' West 6.80 chains; South 54°41' West 5.88 chains; South 72°39' West 5.03 chains; North 80°32' West 6.69 chains; North 81°22' West 7.99 chains; South 06°21' East 6.34 chains; South 36°18' East 6.08 chains; South 26°06' East 5.50 chains; South 27°13' West 3.94 chains; South 47°01' West 4.11 chains; to a point in the middle of the channel of the Bear River, the intent being to deed to the center of the channel through which the Bear River flows; thence West along a line parallel to the South boundary of said Tract 48, 101.34 chains to the West boundary of said Tract 48; thence North 15.40 chains along said West boundary to Corner No. 6 of said Tract 48, thence East 20.00 chains along a North boundary of said Tract 48 to Corner No. 7; thence North 20.20 chains along a West boundary of said Tract 48 to Corner No. 8; thence East 20.00 chains, along a North boundary of said Tract 48 to Corner No. 9; thence North 20.20 chains along a West boundary of said Tract 48 to Corner No. 10; thence East 68.97 chains along the North boundary of said Tract 46 and Tract 48 to the point of beginning; containing 535.553 acres, more or less.

Lease No: 88849-F-0006-01
 Lessor: Julian Land and Livestock Company
 Lessee: MRC Rockies Company
 Lease Date: 04/30/2007
 Gross Acres: 4615.1400
 Recording Info: 05/21/2007, Book 658, Page 783, Entry 929570
 State: Wyoming
 County: Lincoln
 Legal Description: T-21-N, R-119-W, SECS 02,11,12,23,26 - 677.96 acs more or less described as follows:

Section 02: 37.96 acres, more or less, as described in that certain Warranty Deed dated February 4, 1932 from A. D. Hoskins and wife, Kate S. Hoskins to William Julian and recorded in Book 19, Page 43 of the Deed Records of Lincoln County, Wyoming.
 Section 11: N/2
 Section 12: NW/4NW/4, SW/4NW/4, NW/4SW/4
 Section 23: SW/4NE/4, NW/4SE/4, E/2SW/4
 Section 26: NW/4NW/4

TRA 2
 T-22-N, R-118-W, SECS 17,20 - 240.00 acs more or less described as follows:
 Section 17: W/2 E/2

Section 20 : W/ 2 NE/4

TRA 3

T-22-N, R-115-W, SECS 06,07,08,18,19 - 982.33 acs more or less described as follows:

Section 6: Lot 4 (38.23), Lot 5 (38.21), Lot 6 (38.25), Lot 7 (38.30), E/2SW/4, SE/4

Section 7: Lot 1(38.34), Lot 2 (38.39), Lot 3 (38.43), Lot 4 (38.48), NE/4, NE/4SE/4

Section 8: NW /4NW/4, NW/4SW/4

Section 18: Lot 1 (38.57), Lot 2 (38.72)

Section 19: Lot 1 (39.14), Lot 2 (39.27)

TRA 4

T-22-N, R-116-W, SECS 01,12,13,24,- 1798.19 acs more or less described as follows:

Section 1: Lot 3 (16.11), Lot 4(23.89), NE/4SW/4, E/2

Section 12: Lot 1(41.67), Lot 2 (41.65), Lot 3(41.62), Lot 4 (41.59), Lot 5 (38.48), Lot 6 (40.09), Lot 7 (40.09), Lot 8 (38.51)

Lot 9 (38.54), Lot 10 (40.09), Lot 11 (23.19), Lot 12 (16.18), Lot 13 (22.23), Lot 14 (16.21), E/2NE/4, E/2SE/4

Section 13: Lot 1 (41.59), Lot 2 (41.60), Lot 5 (38.54), Lot 6 (40.04), Lot 7 (40.04), Lot 8 (38.52), Lot 10 (0.65), Lot 11(38.49), Lot 15 (16.18), Lot 16 (22.28), Lot 17 (0.89), E/2E/2, W/2SE/4

Section 24: Lot 5 (38.44), NE/4

TRA 5

T-23-N, R-115-W, SECS 19,30 - 223.94 acs more or less described as:

Section 19: Lot 15(40.07), Lot 16(40.11)

Section 30: Lot 5 (40.13), Lot 6(40.15), Lot 15 (40.17), Lot 16(23.31)

TRA 6

T-23-N, T-116-W, SECS 24,25,26 - 692.72 acs more or less, described as follows:

Section 24: E/ 2SE/4, SW/4SE/4, SE/4SW/4

Section 25: NW/ 4NE/4, E/2NE/4, NE/4SE/4, W/2NW/4, NE/4NW/4, N/2SW/4, Lot 1 (23.18), Lot 4 (23.18), Lot 5 (23.18)

Section 26: SE/ 4NE/4, NE/4SE/4, Lot 1 (23.18)

TRA 1, 2, 3, 4, 5, 6, containing 4,615.40 acs as described above

Lease No: 88849-F-0006-02
Lessor: Michael Robert Julian
Lessee: MRC Rockies Company
Lease Date: 04/30/2007
Gross Acres: 917.9600
Recording Info: 05/21/2007, Book 658, Page 777, Entry 929568
State: Wyoming
County: Lincoln

Legal Description: T-21-N, R-119-W, SECS 02,11,12,23,26 - 677.96 acs more or less described as follows:
Section 02: 37.96 acres, more or less, as described in that certain Warranty Deed dated February 4, 1932 from A. D. Hoskins and wife, Kate S. Hoskins to William Julian and recorded in Book 19, Page 43 of the Deed Records of Lincoln County, Wyoming.
Section 11: N/ 2
Section 12: NW/ 4NW/4, SW/4NW/4, NW/4SW/4
Section 23: SW/ 4NE/4, NW/4SE/4, E/2SW/4
Section 26: NW/ 4NW/4

T-22-N, R-118-W, SECS 17,20 - 240.00 acs more or less described as follows:

Section 17: W/ 2 E/2

Section 20: W/ 2 NE/4

Lease No: 88849-F-0006-03
 Lessor: Joni Kae Gunderson
 Lessee: MRC Rockies Company
 Lease Date: 04/30/2007
 Gross Acres: 917.9600
 Recording Info: 05/21/2007, Book 658, Page 780, Entry 929569
 State: Wyoming
 County: Lincoln
 Legal Description: T-21-N, R-119-W, SECS 02,11,12,23,26 - 677.96 acs more or less described as follows:
 Section 02: 37.96 acres, more or less, as described in that certain Warranty Deed dated February 4, 1932 from A. D. Hoskins and wife, Kate S. Hoskins to William Julian and recorded in Book 19, Page 43 of the Deed Records of Lincoln County, Wyoming.
 Section 11: N/2
 Section 12: NW/4NW/4, SW/4NW/4, NW/4SW/4
 Section 23: SW/4NE/4, NW/4SE/4, E/2SW/4
 Section 26: NW/4NW/4

 T-22-N, R-118-W, SECS 17,20 - 240.00 acs more or less described as follows:
 Section 17: W/2 E/2
 Section 20: W/2 NE/4

Lease No: 88849-F-0007-01
 Lessor: Evan H and Dotty Jo Pope
 Lessee: MRC Rockies Company
 Lease Date: 05/29/2007
 Gross Acres: 2073.9500
 Recording Info: 06/15/2007, Book 662, Page 110, Entry 930375
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-120-W, SECS 13,14,23,24,25,26 - 1373.61 acs more or less, described as follows:
 1,097.73 acs more or less, more particularly described in that certain Warranty Deed dated December 8, 1952 from Beckwith Quinn and Company to Clive Arden Pope and wife, Sylva H. Pope as recorded in Book 1, Page 363, of the Photostatic Records of Lincoln County, Wyoming; and
 Section 25 - Lot 6 (22.95), Lot 7 (39.76), Lot 10 (39.57), Lot 14 (18.20), Lot 15 (18.40), SE/4 NW/4 and NE/4 SW/4
 Section 26 - Lot 2 (39.58), Lot 13 (17.42)

 T-22-N, R-119-W, SECS 07,08 - 319.53 acs more or less described as follows:
 Section 8 - Lot 7 (19.23), Lot 9 (18.99), Lot 20 (39.59), Lot 21 (20.83), Lot 22 (20.89), NE/4 SW/4
 Section 5 & 8 - Tract 45 (160.00)

 T-22-N, R-118-W, SECS 20,29 - 240.00 acs more or less described as follows:
 Section 20 - W/2 SE/4
 Section 29 - W/2 NE/4, N/2 SE/4

 T-21-N, T-119-W, SEC 07 - 19.62 acs more or less described as follows:
 Section 7 - S/2 of Lot 7 and W/2 N/2 of Lot 8

 T-22-N, R-119-W, SECS 25 - 121.19 acs more or less described as follows:
 Section 25 - Lot 3 (22.79), Lot 16 (18.40), SW/4 NE/4 and NW/4 SE/4

Lease No: 88849-F-0007-02
 Lessor: Alice Pope Turner
 Lessee: MRC Rockies Company
 Lease Date: 05/29/2007
 Gross Acres: 1952.7600
 Recording Info: 06/28/2007, Book 663, Page 810, Entry 930774
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-120-W, SECS 13,14,23,24,25,26 - 1373.61 acs more or less, described as follows:
 1,097.73 acs more or less, more particularly described in that certain Warranty Deed dated December 8, 1952 from Beckwith Quinn and Company to Clive Arden Pope and wife, Sylva H. Pope as recorded in Book 1, Page 363, of the Photostatic Records of Lincoln County, Wyoming; and
 Section 25 - Lot 6 (22.95), Lot 7 (39.76), Lot 10 (39.57), Lot 14 (18.20), Lot 15 (18.40), SE/4 NW/4 and NE/4 SW/4
 Section 26 - Lot 2 (39.58), Lot 13 (17.42)

 T-22-N, R-119-W, SECS 07,08 - 319.53 acs more or less described as follows:
 Section 8 - Lot 7 (19.23), Lot 9 (18.99), Lot 20 (39.59), Lot 21 (20.83), Lot 22 (20.89), NE/4 SW/4
 Section 5 & 8 - Tract 45 (160.00)

 T-22-N, T-118-W, SECS 20,29 - 240.00 acs more or less described as follows:
 Section 20 - W/2 SE/4
 Section 29 - W/2 NE/4, N/2 SE/4

 T-21-N, R-119-W, SEC 07 - 19.62 acs more or less described as follows:
 Section 7 - S/2 of Lot 7 and W/2 N/2 of Lot 8

Lease No: 88849-F-0007-03
 Lessor: Clayton B Pope and Marilyn C Pope
 Lessee: MRC Rockies Company
 Lease Date: 05/29/2007
 Gross Acres: 1952.7600
 Recording Info: 06/25/2007, Book 663, Page 280, Entry 930649
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, T-120-W, SECS 13,14,23,24,25,26 - 1373.61 acs more or less, described as follows:
 1,097.73 acs more or less, more particularly described in that certain Warranty Deed dated December 8, 1952 from Beckwith Quinn and Company to Clive Arden Pope and wife, Sylva H. Pope as recorded in Book 1, Page 363, of the Photostatic Records of Lincoln County, Wyoming; and
 Section 25 - Lot 6 (22.95), Lot 7 (39.76), Lot 10 (39.57), Lot 14 (18.20), Lot 15 (18.40), SE/4 NW/4 and NE/4 SW/4
 Section 26 - Lot 2 (39.58), Lot 13 (17.42)

 T-22-N, R-119-W, SECS 07,08 - 319.53 acs more or less described as follows:
 Section 8 - Lot 7 (19.23), Lot 9 (18.99), Lot 20 (39.59), Lot 21 (20.83), Lot 22 (20.89), NE/4 SW/4
 Section 5 & 8 - Tract 45 (160.00)

 T-22-N, R-118-W, SECS 20,29 - 240.00 acs more or less described as follows:
 Section 20 - W/2 SE/4
 Section 29 - W/2 NE/4, N/2 SE/4

 T-21-N, R-119-W, SEC 07 - 19.62 acs more or less described as follows:
 Section 7 - S/2 of Lot 7 and W/2 N/2 of Lot 8

Lease No: 88849-F-0007-04
Lessor: Clive A Pope Jr and Vivian H Pope
Lessee: MRC Rockies Company
Lease Date: 05/29/2007
Gross Acres: 1952.7600
Recording Info: 06/25/2007, Book 663, Page 283, Entry 930650
State: Wyoming
County: Lincoln
Legal Description: T-22-N, R-120-W, SECS 13,14,23,24,25,26 - 1373.61 acs more or less, described as follows:
1,097.73 acs more or less, more particularly described in that certain Warranty Deed dated December 8, 1952 from Beckwith Quinn and Company to Clive Arden Pope and wife, Sylva H. Pope as recorded in Book 1, Page 363, of the Photostatic Records of Lincoln County, Wyoming; and
Section 25 - Lot 6 (22.95), Lot 7 (39.76), Lot 10 (39.57), Lot 14 (18.20), Lot 15 (18.40), SE/4 NW/4 and NE/4 SW/4
Section 26 - Lot 2 (39.58), Lot 13 (17.42)

T-22-N, R-119-W, SECS 07,08 - 319.53 acs more or less described as follows:
Section 8 - Lot 7 (19.23), Lot 9 (18.99), Lot 20 (39.59), Lot 21 (20.83), Lot 22 (20.89), NE/4 SW/4
Section 5 & 8 - Tract 45 (160.00)

T-22-N, R-118-W, SECS 20,29 - 240.00 acs more or less described as follows:
Section 20 - W/2 SE/4
Section 29 - W/2 NE/4, N/2 SE/4

T-21-N, R-119-W, SEC 07 - 19.62 acs more or less described as follows:
Section 7 - S/2 of Lot 7 and W/2 N/2 of Lot 8

Lease No: 88849-F-0007-05
Lessor: Ray M Hall and La Fond P Hall
Lessee: MRC Rockies Company
Lease Date: 05/29/2007
Gross Acres: 1952.7600
Recording Info: 06/28/2007, Book 663, Page 807, Entry 930773
State: Wyoming
County: Lincoln
Legal Description: T-22-N, R-120-W, SECS 13,14,23,24,25,26 - 1373.61 acs more or less, described as follows:
1,097.73 acs more or less, more particularly described in that certain Warranty Deed dated December 8, 1952 from Beckwith Quinn and Company to Clive Arden Pope and wife, Sylva H. Pope as recorded in Book 1, Page 363, of the Photostatic Records of Lincoln County, Wyoming; and
Section 25 - Lot 6 (22.95), Lot 7 (39.76), Lot 10 (39.57), Lot 14 (18.20), Lot 15 (18.40), SE/4 NW/4 and NE/4 SW/4
Section 26 - Lot 2 (39.58), Lot 13 (17.42)

T-22-N, R-119-W, SECS 07,08 - 319.53 acs more or less described as follows:
Section 8 - Lot 7 (19.23), Lot 9 (18.99), Lot 20 (39.59), Lot 21 (20.83), Lot 22 (20.89), NE/4 SW/4
Section 5 & 8 - Tract 45 (160.00)

T-22-N, R-118-W, SECS 20,29 - 240.00 acs more or less described as follows:
Section 20 - W/2 SE/4
Section 29 - W/2 NE/4, N/2 SE/4

T-21-N, R-119-W, SEC 07 - 19.62 acs more or less described as follows:
Section 7 - S/2 of Lot 7 and W/2 N/2 of Lot 8

Lease No: 88849-F-0007-06
 Lessor: Starlene Pope Holm and Jim Holm
 Lessee: MRC Rockies Company
 Lease Date: 05/29/2007
 Gross Acres: 1952.7600
 Recording Info: 06/25/2007, Book 663, Page 286, Entry 930651
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-120-W, SECS 13,14,23,24,25,26 - 1373.61 acs more or less, described as follows:
 1,097.73 acs more or less, more particularly described in that certain Warranty Deed dated December 8, 1952 from Beckwith Quinn and Company to Clive Arden Pope and wife, Sylva H. Pope as recorded in Book 1, Page 363, of the Photostatic Records of Lincoln County, Wyoming; and
 Section 25 - Lot 6 (22.95), Lot 7 (39.76), Lot 10 (39.57), Lot 14 (18.20), Lot 15 (18.40), SE/4 NW/4 and NE/4 SW/4
 Section 26 - Lot 2 (39.58), Lot 13 (17.42)

 T-22-N, R-119-W, SECS 07,08 - 319.53 acs more or less described as follows:
 Section 8 - Lot 7 (19.23), Lot 9 (18.99), Lot 20 (39.59), Lot 21 (20.83), Lot 22 (20.89), NE/4 SW/4
 Section 5 & 8 - Tract 45 (160.00)

 T-22-N, R-118-W, SECS 20,29 - 240.00 acs more or less described as follows:
 Section 20 - W/2 SE/4
 Section 29 - W/2 NE/4, N/2 SE/4

 T-21-N, R-119-W, SEC 07 - 19.62 acs more or less described as follows:
 Section 7 - S/2 of Lot 7 and W/2 N/2 of Lot 8

Lease No: 88849-F-0007-07
 Lessor: Roland C Willis and Linda L Willis
 Lessee: MRC Rockies Company
 Lease Date: 05/29/2007
 Gross Acres: 1952.7600
 Recording Info: 06/15/2007, Book 662, Page 115, Entry 930380
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-120-W, SECS 13,14,23,24,25,26 - 1373.61 acs more or less, described as follows:
 1,097.73 acs more or less, more particularly described in that certain Warranty Deed dated December 8, 1952 from Beckwith Quinn and Company to Clive Arden Pope and wife, Sylva H. Pope as recorded in Book 1, Page 363, of the Photostatic Records of Lincoln County, Wyoming; and
 Section 25 - Lot 6 (22.95), Lot 7 (39.76), Lot 10 (39.57), Lot 14 (18.20), Lot 15 (18.40), SE/4 NW/4 and NE/4 SW/4
 Section 26 - Lot 2 (39.58), Lot 13 (17.42)

 T-22-N, R-119-W, SECS 07,08 - 319.53 acs more or less described as follows:
 Section 8 - Lot 7 (19.23), Lot 9 (18.99), Lot 20 (39.59), Lot 21 (20.83), Lot 22 (20.89), NE/4 SW/4
 Section 5 & 8 - Tract 45 (160.00)

 T-22-N, R-118-W, SECS 20,29 - 240.00 acs more or less described as follows:
 Section 20 - W/2 SE/4
 Section 29 - W/2 NE/4, N/2 SE/4

 T-21-N, R-119-W, SEC 07 - 19.62 acs more or less described as follows:
 Sect-ion 7 - S/2 of Lot 7 and W/2 N/2 of Lot 8

Lease No: 88849-F-0007-08
 Lessor: Merlyn Pope Sandberg
 Lessee: MRC Rockies Company
 Lease Date: 05/29/2007
 Gross Acres: 1952.7600
 Recording Info: 06/15/2007, Book 662, Page 118, Entry 930381
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-120-W, SECS 13,14,23,24,25,26 - 1373.61 acs more or less, described as follows:
 1,097.73 acs more or less, more particularly described in that certain Warranty Deed dated December 8, 1952 from Beckwith Quinn and Company to Clive Arden Pope and wife, Sylva H. Pope as recorded in Book 1, Page 363, of the Photostatic Records of Lincoln County, Wyoming; and
 Section 25 - Lot 6 (22.95), Lot 7 (39.76), Lot 10 (39.57), Lot 14 (18.20), Lot 15 (18.40), SE/4 NW/4 and NE/4 SW/4
 Section 26 - Lot 2 (39.58), Lot 13 (17.42)

 T-22-N, R-119-W, SECS 07,08 - 319.53 acs more or less described as follows:
 Section 8 - Lot 7 (19.23), Lot 9 (18.99), Lot 20 (39.59), Lot 21 (20.83), Lot 22 (20.89), NE/4 SW/4
 Section 5 & 8 - Tract 45 (160.00)

 T-22-N, R-118-W, SECS 20,29 - 240.00 acs more or less described as follows:
 Section 20 - W/2 SE/4
 Section 29 - W/2 NE/4, N/2 SE/4

 T-21-N, R-119-W, SEC 07 - 19.62 acs more or less described as follows:
 Section 7 - S/2 of Lot 7 and W/2 N/2 of Lot 8

Lease No: 88849-F-0008-00
 Lessor: Roland C Willis and Linda L Willis
 Lessee: MRC Rockies Company
 Lease Date: 06/05/2007
 Gross Acres: 1539.6300
 Recording Info: 06/25/2007, Book 663, Page 292, Entry 930653
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-120-W, SECS 01, 02, 10, 11, 12
 A Parcel of land situated in Secs 1, 2, 10, 11 & 12 of T22N, R120W 6th PM, described as follows:
 Beginning at corner S of Resurvey Tract No. 49 from whence the Northeast corner of said S 10 bears North 16° 27' East 69.76 chains; thence North 20.20 chains to corner No. 6 of Tract 49; thence East 20.00 chains to corner No. 7 of Tract 49; thence North 60.60 chains to corner No. 8 of tract 49; thence East 20 chains to corner No. 9 of tract 49; thence North 06° 00' East 20.56 chains to corner No. 10 of Tract 49: thence East 60 chains to corner No I of Tract 49; North 06° 00' East 20.56 chains to a point; thence East 32.54 chains to a point in the center of channel through which Bear River flows; thence on a meander of the central thread of Bear River; South 48° 24' West 12.96 chains; South 15° 16' West 6.84 chains; South 12° 38' East 17.83 chains; South 79° 09' West 8.45 chains; North 45° 00' West 5.37 chains; North 23° 00' West 18.79 chains; South 18° 26' West 7.59 chains; South 15° 24' East 17.32 chains; South 14° 07' West 18.04 chains; North 83° 51' West 6.54 chains ; South 46° 38' East 7.43 chains; South 14° 25' East 3.61 chains; South 23° 35' West 17.24 chains; South 42° 14' West 10.26 chains; South 62° 54' East 9.44 chains; North 51° 54' East 6.48 chains North 76° 30' East 5.14 chains; North 71° 34' East 1.90 chains; South 25° 57' East 4.11 chains; South 15° 53' West 12.79 chains; North 58° 00' West 10.38 chains; South 33° 09' West 11.71 chains; South 24° 24' West 11.86 chains; South 27° 09' West 11.71 chains; South 27° 09' West 11.71 chains; South 24° 24' West 11.86 chains; South 27° 09' West 6.97 chains to end of said meander, the intent being to deed to the center of said channel, as measured midway between the top of the bank escarpments at normal ground levels; thence West 88.97 chains to point of beginning, containing 916.93 acres more or less.

 T-22-N, R-120-W, SECS 02,03,10,11

Exhibit "A-2"

A Parcel of land in Secs 2, 3, 10 and 11 in T22N, R120W, more particularly described as follows:

Beginning at the Northeast corner of Section 2, T22N, R120W of the 6th PM, Lincoln County, WY, thence S 00° 10' 41"E a distance of 1308.64 feet; thence S 89° 35'33" W a distance of 1319.87 feet thence S 00° 23'52" E a distance of 1303.85 feet; thence S 89° 54' 54" W a distance of 2640.68 feet; thence S 00 11'16" W a distance of 1719.96 feet; thence S 89° 56'53"W a distance of 1299.18 feet to a corner 8 of tract No. 49 of the Resurvey of T22N, R120W of the 6th PM; thence S 00° 01'00" E a distance of 4027.75 feet; thence N 87° 56'30" W a distance of 1315.49 feet to corner number 6 of tract 49 of the Resurvey of T22N, R120W of the 6th PM; thence S 00° 00'00" E distance of 1367.14 feet to corner number 5 of tract 49 of the Resurvey of T22N, R120W; thence N 89° 32' 08" W a distance of 753.68 feet; thence N 18° 47' 07" E a distance of 3677.25 feet; thence N 17° 10'00" E a distance of 737.07 feet; thence N 18° 23' 21" E a distance of 4791.86 feet; thence N 33° 37'14" E a distance of 1152.43 feet more or less to the North boundary line of Section 2 ,T22N, R120W of the 6th PM; thence S 89° 57' 07" E along the North boundary line of said Section 2 a distance of 3768.40 feet to the point of beginning of this description. containing 359.62 acres

T-22-N, R-120-W, SECS 14,15,22,23

A parcel of land situated in Sections 14, 15, 22 and 23 of T22N, R120W 6th PM in Lincoln County, Wyoming, described as follows:

Beginning at a point on the Eastern boundary of the holdings of Lawrence Johnson from whence the Southeast Corner of said section 15 bears South 76° 50' East 39.22 chains; thence East 86.82 chains to a point situated in center of channel Bear River flows; thence on a meander of the central thread of Bear River, South 18° 57' West 1.37 chains ; South 28° 43' West 8.32 chains ; North 78° 14' West, 4.90 chains; South 80° 24' West 7.20 chains; South 31° 24' East 6.91 chains; South 66° 02' East 6.89 chains; South 40° 29' East 5.39 chains; South 27° 39' West 4.73 chains; South 82° 36' West 7.76 chains; South 34° 19' West 7.63 chains, South 55° 24' East 9.68 chains to the end of said meander, the intent being to deed to the center of said channel, as measured midway between the banks of Bear River from top of said bank escarpments at normal ground levels; thence West 58.53 chains along the North boundary of the holdings of John Seday; thence North 26° 20' west 19.11 chains to the point of beginning containing 263.08 acres more or less.

Lease No: 88849-F-0009-00
Lessor: Roland Johns and Marilyn L Johns
Lessee: MRC Rockies Company
Lease Date: 06/07/2007
Gross Acres: 514.0700
Recording Info: 06/27/2007, Book 663, Page 289, Entry 930652
State: Wyoming
County: Lincoln

Legal Description:

T-25-N, R-119-W, SECS 06 - 409.22 acs more or less described as follows:

Section 06 - Lot 9 (34.20), Lot 20 (38.95), Resurvey Tract 118 (42.70), a part of Resurvey Tract 117 (83.61), a part of Resurvey Tract 116 (41.04)
Section 06 and 07 - Resurvey Tract 128 (168.72)

T-25-N, R-120-W, SECS 01-104.85 acres, more or less described as follows:

Section 1: A part of Resurvey Tract 116, being all that part of Resurvey Tract 116 which lies North and East of the Bear River, said Parcel being more particularly described in that certain Quit Claim Deed dated August 20, 1934 from Parley T. Anderson and wife, Laura

H. Anderson to Edward J. Ineck as recorded in Book 18, Page 153 of the Deed Records of Lincoln County, Wyoming. Containing 103.35 acres, more or less.

Section 1: A part of Resurvey Tract 117 (1.50)

Lease No: 88849-F-0010-00
 Lessor: L & N Johnson Properties LLC
 Lessee: MRC Rockies Company
 Lease Date: 06/26/2007
 Gross Acres: 144.2000
 Recording Info: 07/09/2007, Boo k 664, Page 808, Entry 931050
 State: Wyoming
 County: Lincoln
 Legal Description: T-21 & 22-N, R-120-W, SECS 33,34 - 144.20 acs more or less described as follows:
 Section 33 - Lot 9 and the S/2 of Lot 8 (39.84)
 Section 34 - Lot 17 and the S/2 of Lot 16 (0.335); and
 The Larry D Johnson Exchange Parcel described as follows: That part of Tract 37, T-21-N, and T-22-N, R-120-W, and Tract 38, T-22-N, R-120-W, Lincoln County, Wyoming, and being more particularly described in that certain Quit Claim Deed No. 4 dated April 5, 1999 from L Dallas Johnson et al to Larry D Johnson as recorded in Book 429, Page 013, of the Photo Records of Lincoln County, Wyoming and containing 104.02 acres, more or less

Lease No: 88849-F-0011-01
 Lessor: Esther M Hutchinson
 Lessee: MRC Rockies Company
 Lease Date: 04/30/2007
 Gross Acres: 2474.7200
 Recording Info: 06/04/2007, Boo k 660, Page 489, Entry 929983
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-119-W, SECS 12,13,14,15,16,21,22,23,24,25
 Section 12: S/ 2 S/2
 Section 13: N/ 2NW/4, NW/4NE/4, Lot 1(16.28), Lot 13 (44.58), Lot 14 (32.84), Tract 114-A (12.31), Tract 114-B (40.80), Tract 114-C (40.48), Tract 114-D (40.80), Tract 114-E (11.92),
 Tract 115-A (40.00), Tract 115-B (40.80), Tract 115-C (40.80), Tract 115-D (11.70)
 Section 14: Lot 7(28.31), Lot 22(26.66), Tract 61-A (40.00), W/2 of Tract 61-B (20.00) part in Section 23
 Section 15: S/ 2SE/4
 Section 16: Lot 26 (24.69), Lot 27(35.12), Lot 28 (10.44), all in Tract 60
 Section 16: Lot 24 (24.72), Lot 25 (10.43), each in Tract 52
 Section 21: Lot 4 (27.77), Lot 5 (40.00), Lot 6(12.23), Lot 13 (4.91), Lot 12 (1.53), Lot 16 (3.38), all in Tract 60
 Section 21: Lot 14 (35.09), Lot 15 (24.02), Lot 11(11.07), Lot 24(40.00), Lot 23 (27.00), Lot 25 (13.01), Lot 30 (1.63), Lot 31 (4.86) Lot 34(3.21), all in Tract 53
 Section 21: Lot 2 (27.80), Lot 3 (12.23), Lot 18 (27.40), Lot 17 (12.60), Lot 21(27.00), Lot 22 (13.00), Lot 35 (1.57), Lot 38 (3.16), all in Tract 52
 Section 21: Lot 20(13.00), Lot 39(1.55)
 Section 22: Lot 3 (4.77), Lot 4 (4.71), N/2SW/4, SE/4NW/4, SW/4NE/4, N/2NE/4
 Section 23: Lot 9 (26.64)
 Section 24: E/ 40.00 acres of Tract 62, E/2NW/4SW/4, E/2 of Lot 8 (17.54), Lot 7 (36.72), SW/ 4NE/4,
 Section 25: Lot 1(12.46), Lot 6(37.12), Lot 4(12.45), Lot 9(2.90), Lot 7(4.42), all in Tract 111
 T-24-N, R-118-W, SECS 07,08,18,19
 Section 7: Lot 14 (4.33), Lot 15 (35.42), SE/4SW/4, S/2SE/4
 Section 8: W/ 2SW/4
 Section 18: Lot 5 (35.46), Lot 6 (35.50), E/2NW/4, NE/4SW/4
 Section 18 & 19: Tract 115-B (29.10)
 Section 19: Lot 6(35.68), Lot 7(35.72), Lot 9(31.99), NE/4NW/4
 Section 18: Tract 114-F (29.08)

Lease No: 88849-F-0012-00
 Lessor: Mildred Parks Revocable Trust dated 10-29-90
 Lessee: MRC Rockies Company
 Lease Date: 03/06/2007
 Gross Acres: 1759.0000
 Recording Info: 04/06/2007, Book 653, Page 689, Entry 928195
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-118-W, SECS 23,25,26

 Section 23 - SE/ 4 SE/4
 Section 25 - SW/ 4 NE/4, NW/4 NW/4, S/2 NW/4
 Section 26 - E/ 2 NE/4
 T-24-N, R-117-W, SECS 29,30,19

 Section 29 - Resurvey Tracts 54A (40.00), 54B (40.00), 54C (40.00) 54D (40.00)
 Section 30 - Lot 5 (37.68), Lot 8 (36.52), Resurvey Tracts 55A (40.00), 55B (40.00), 55C (40.00, 55D (40.00) and NE NE
 Section 19 - Lot 7 (40.96), Lot 8 (41.12), Lot 9 (40.00), Lot 12 (40.00), Lot 13 (41.28), Lot 14 (41.44), Lot 15 (40.00), Lot 16 (40.00), and SW SE

 T-22-N, R-117-W, SECS 18,19

 Section 18 - Lot 15(40.00), Lot 16 (40.00), and SW/4 SE/4
 Section 19 - Lot 9 (40.00), Lot 10 (40.00), SW/4 NE/4, SE/4 NE/4, NW/4 NE/4

 T-22-N, R-118-W, SECS 22,26,27

 Section 22 - N/2
 Tract 39A which is also known as:
 Section 26 - Tract 39A (W/2 NW/4 SW/4)
 Section 27 - Tract 39A (E/2 NE/4 SE/4)

 Containing in the aggregate 1,759.00 acs, more or less

Lease No: 88849-F-0013-01
 Lessor: James Brent McKinnon Trust
 Lessee: MRC Rockies Company
 Lease Date: 06/26/2007
 Gross Acres: 474.7800
 Recording Info: 07/09/2007, Book 664, Page 820, Entry 931054
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-119-W, SEC 07; T-22-N, R-120-W, SECS 11,12 -
 A parcel of land situated in Sections 11 and 12 of Township 22 North, Range 120 West and Section 7 of Township 22 North, Range 119 West of the 6th Principal Meridian in Lincoln County, Wyoming, described as follows: Beginning at corner #3 of Resurvey Tract # 47 from whence the Southwest corner of said Section 7 bears South 30°00' West 38.75 chains; thence South 15.20 chains to north boundary of Leo Telford lands; thence West 108.47 chains to a point situated in the center of the channel through which the Bear River flows; thence on a meander of the central thread of Bear River, North 27°08' East 1.35 chains; North 24°24' East 11.86 chains; North 33°09' East 11.71 chains; south 58°00' East 10.38 chains; North 15°53' East 12.79 chains; North 25°57' West 4.11 chains; South 71°34' West 1.90 chains; South 76°30' West 5.14 chains; South 51°54' West 6.48 chains; North 62°54' West 9.44 chains; North 42°14' East 9.60 chains to the end of said meander of Bear River; the intent being to deed to the center of said channel as measured midway from the top of the bank escarpments at normal ground levels; thence East 119.89 chains ; thence South 22.71 chains to Corner #2 of said tract # 47; thence West 20 chains to place of beginning. Containing 418.78 acres more or less.
 Also Included: Beginning at a point in the West line of the O.S L. now known as U.P. right of way which point is South 0°04' East, 21.72 chains and West 2004 feet of the East quarter corner of Section 7, Township 22 North, Range 119 West of the Sixth Principal Meridian in Lincoln County, Wyoming, and running thence West 1886 feet, more or less, to the West boundary line of tract 54, which point is identical with the East boundary line of Tract 47; running thence North along the West boundary line 15.20 chains to the corner No.4 of Tract 54, which point is identical with the corner No. 3 of Tract 47; thence East 20

chains along the North boundary line of Tract 54, which line is identical with the South boundary line of Tract 47, to corner No.1 of Tract 54, which point is identical with corner No. 2 of Tract 47; thence North 6.54 chains along East boundary of Tract 47; thence South 89°58' East 1000 feet, more or less to the West boundary line of the O.S.L. Railroad right of way; thence Southwesterly in said West line of the said O.S.L. right of way 1476 feet more or less to the place of beginning.

T-22-N, R-119-W, SEC 07 - 25.23 acs more or less described as follows: Beginn, R-ing at Corner No. 3 of Resurvey Tract No. 47 from whence the Southwest corner of said Section 7 bears South 30 deg 00' West, 38.75 chains; thence South 15.20 chains; thence West 16.60 chains; thence North 15.20 chains; thence East 16.60 chains to the point of beginning,

Lease No: 88849-F-0013-02
 Lessor: Ross K & Debra R McKinnon Revocable Trust
 Lessee: MRC Rockies Company
 Lease Date: 06/26/2007
 Gross Acres: 449.5500
 Recording Info: 07/09/2007, Book 664, Page 817, Entry 931053
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-119-W, SEC 07; T-22-N, R-120-W, SECS 11,12 -

A parcel of land situated in Sections 11 and 12 of Township 22 North, Range 120 West and Section 7 of Township 22 North, Range 119 West of the 6th Principal Meridian in Lincoln County, Wyoming, described as follows: Beginning at corner #3 of Resurvey Tract # 47 from whence the Southwest corner of said Section 7 bears South 30°00' West 38.75 chains; thence South 15.20 chains to north boundary of Leo Telford lands; thence West 108.47 chains to a point situate in the center of the channel through which the Bear River flows; thence on a meander of the central thread of Bear River, North 27°08' East 1.35 chains; North 24°24' East 11.86 chains; North 33°09' East 11.71 chains; south 58°00' East 10.38 chains; North 15°53' East 12.79 chains; North 25°57' West 4.11 chains; South 71°34' West 1.90 chains; South 76°30' West 5.14 chains; South 51°54' West 6.48 chains; North 62°54' West 9.44 chains; North 42°14' East 9.60 chains to the end of said meander of Bear River; the intent being to deed to the center of said channel as measure midway from the top of the bank escarpments at normal ground levels; thence East 119.89 chains ; thence South 22.71 chains to Corner #2 of said tract # 47; thence West 20 chains to place of beginning. Containing 418.78 acres more or less.

Also Included: Beginning at a point in the West line of the O.S.L. now known as U.P. right of way which point is South 0°04' East .21.72 chains and West 2004 feet of the East quarter corner of Section 7, Township 22 North, Range 119 West of the Sixth Principal Meridian in Lincoln County, Wyoming, and running thence West 1886 feet, more or less, to the West boundary line of tract 54, which point is identical with the East boundary line of Tract 47; running thence North along the West boundary line 15.20 chains to the corner No.4 of Tract 54, which point is identical with the corner No. 3 of Tract 47; thence East 20 chains along the North boundary line of Tract 54, which line is identical with the South boundary line of Tract 47, to corner No.1 of Tract 54, which point is identical with corner No. 2 of Tract 47; thence North 6.54 chains along East boundary of Tract 47; thence South 89°58' East 1000 feet, more or less to the West boundary line of the O.S.L. Railroad right of way; thence Southwesterly in said West line of the said O.S.L. right of way 1476 feet more or less to the place of beginning.

EXCEPTING therefrom the following:

A parcel of land situated in Section 7, Township 22 North, Range 119 West, of the 6th P.M., in Lincoln County, Wyoming, described as follows: Beginning at corner No. 3 of Resurvey Tract 47 from whence the Southwest corner of said Section 7 bears South 30° 00' West, 38.75 chains; thence South 15.20 chains; thence West 16.6 chains; thence North 15.20 chains; thence East 16.6 chains to a point of beginning, said exception containing 25.23 acres, more or less.

Lease No: 88849-F-0013-03
 Lessor: Douglas Lynn McKinnon
 Lessee: MRC Rockies Company
 Lease Date: 06/26/2007
 Gross Acres: 449.5500
 Recording Info: 07/23/2007, Book 666, Page 559, Entry 931515
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-119-W, SEC 07; T-22-N, R-120-W, SECS 11,12 -

A parcel of land situated in Sections 11 and 12 of Township 22 North, Range 120 West and Section 7 of Township 22 North, Range 119 West of the 6th Principal Meridian in Lincoln County, Wyoming, described as follows: Beginning at corner #3 of Resurvey Tract # 47 from whence the Southwest corner of said Section 7 bears South 30°00' West 38.75 chains; thence South 15.20 chains to north boundary of Leo Telford lands; thence West 108.47 chains to a point situated in the center of the channel through which the Bear River flows; thence on a meander of the central thread of Bear River, North 27°08' East 1.35 chains; North 24°24' East 11.86 chains; North 33°09' East 11.71 chains; south 58°00' East 10.38 chains; North 15°53' East 12.79 chains; North 25°57' West 4.11 chains; South 71°34' West 1.90 chains; South 76°30' West 5.14 chains; South 51°54' West 6.48 chains; North 62°54' West 9.44 chains; North 42°14' East 9.60 chains to the end of said meander of Bear River; the intent being to deed to the center of said channel as measure midway from the top of the bank escarpments at normal ground levels; thence East 119.89 chains ; thence South 22.71 chains to Corner #2 of said tract # 47; thence West 20 chains to place of beginning. Containing 418.78 acres more or less.

Also Included: Beginning at a point in the West line of the O.S.L. now known as U.P. right of way which point is South 0°04' East, 21.72 chains and West 2004 feet of the East quarter corner of Section 7, Township 22 North, Range 119 West of the Sixth Principal Meridian in Lincoln County, Wyoming, and running thence West 1886 feet, more or less, to the West boundary line of Tract 54, which point is identical with the East boundary line of Tract 47; running thence North along the West boundary line 15.20 chains to the corner No.4 of Tract 54, which point is identical with the corner No. 3 of Tract 47; thence East 20 chains along the North boundary line of Tract 54, which line is identical with the South boundary line of Tract 47, to corner No.1 of Tract 54, which point is identical with corner No. 2 of Tract 47; thence North 6.54 chains along East boundary of Tract 47; thence South 89 °58' East 1000 feet, more or less to the West boundary line of the O.S.L. Railroad right of way; thence Southwesterly in said West line of the said O.S.L. right of way 1476 feet more or less to the place of beginning.

EXCEPTING therefrom the following:

A parcel of land situated in Section 7, Township 22 North, Range 119 West, of the 6th P.M., in Lincoln County, Wyoming, described as follows: Beginning at corner No. 3 of Resurvey Tract 47 from whence the Southwest corner of said Section 7 bears South 30° 00' West, 38.75 chains; thence South 15.20 chains; thence West 16.6 chains; thence North 15.20 chains; thence East 16.6 chains to a point of beginning, said exception containing 25.23 acres, more or less.

Lease No: 88849-F-0014-01
 Lessor: Patricia Ann and Everett D Peterson
 Lessee: MRC Rockies Company
 Lease Date: 07/10/2007
 Gross Acres: 1888.5838
 Recording Info: 07/23/2007, Book 666, Page 545, Entry 931510
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-118-W, SEC 06

Section 6: Lots 9(54.30), 14, (40.00), 17(40.00), 23 (6.06), 24(4.69) and 25 (39.70)
 T-24-N, R-119-W, SEC 01

Section 1: Lots 7(54.02), 8 (54.02), 9(54.04), 10 (0.55), 12(0.54), 15 (0.53), now described as part of Resurvey Tract 98 Tracts 97H(10.12), 97I(40.00), 97J (40.00), 97K (40.00) and Lot 46(29.91)
 T-25-N, R-118-W, SECS 21,22,28,29,32,33

Section 21: Lot 16 (3.44)

Section 22: Lot 6 (3.42), 17(10.36), 25(30.10), 26(9.95), 27(30.05), 28(19.70), 29(20.30), 30 (30.17)

Section 28; Lots 5(26.20), 6(26.17), 20(6.42), 21(33.58), W/2NW/4, N/2SE/4
Section 29: Lots 23 (26.73), 24(26.12), SE/4NE/4, NE/4SE/4
Section 32: Tract 40(160.05) LESS AND EXCEPT: a parcel of land 300ft X 300ft in the Southwest corner of Tract 40 (2.0661157) containing 157.98389 acres, more or less.
Section 32: Lots 3(3.36), 4(10.52), 15(19.81) and 16(6.31)
Section 33: Tract 39 (640.03)

Lease No: 88849-F-0014-02
Lessor: Ernest A and Karen Thornock
Lessee: MRC Rockies Company
Lease Date: 07/10/2007
Gross Acres: 1888.5838
Recording Info: 07/23/2007, Book 666, Page 553, Entry 931513
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-118-W, SEC 06

Section 6: Lots 9(54.30), 14, (40.00), 17(40.00), 23 (6.06), 24(4.69) and 25 (39.70)
T-24-N, R-119-W, SEC 01

Section 1: Lots 7(54.02), 8 (54.02), 9(54.04), 10 (0.55), 12(0.54), 15 (0.53), now described as part of Resurvey Tract 98 Tracts 97H(10.12), 97I(40.00), 97J (40.00), 97K (40.00) and Lot 46(29.91)
T-25-N, R-118-W, SECS 21,22,28,29,32,33

Section 21: Lot 16 (3.44) 17(10.36), 25(30.10), 26(9.95), 27(30.05), 28(19.70), 29(20.30), 30(30.17)
Section 22: Lot 6 (3.42)

Section 28; Lots 5(26.20), 6(26.17), 20(6.42), 21(33.58), W/2NW/4, N/2SE/4
Section 29: Lots 23 (26.73), 24(26.12), SE/4NE/4, NE/4SE/4
Section 32: Tract 40(160.05) LESS AND EXCEPT: a parcel of land 300ft X 300ft in the Southwest corner of Tract 40 (2.0661157) containing 157.98389 acres, more or less.
Section 32: Lots 3(3.36), 4(10.52), 15(19.81) and 16(6.31)
Section 33: Tract 39 (640.03)

Lease No: 88849-F-0014-03
Lessor: J Russell Thornock
Lessee: MRC Rockies Company
Lease Date: 07/10/2007
Gross Acres: 1888.5838
Recording Info: 07/23/2007, Book 666, Page 556, Entry 931514
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-118-W, SEC 06

Section 6: Lots 9(54.30), 14, (40.00), 17(40.00), 23 (6.06), 24(4.69) and 25 (39.70)
T-24-N, R-119-W, SEC 01

Section 1: Lots 7(54.02), 8 (54.02), 9(54.04), 10 (0.55), 12(0.54), 15 (0.53), now described as part of Resurvey Tract 98 Tracts 97H(10.12), 97I(40.00), 97J (40.00), 97K (40.00) and Lot 46(29.91)
25N118W21,22,28,29,32,33

Section 21: Lot 16 (3.44) 17(10.36), 25(30.10), 26(9.95), 27(30.05), 28(19.70), 29(20.30), 30 (30.17)
Section 22: Lot 6 (3.42)

Section 28; Lots 5(26.20), 6(26.17), 20(6.42), 21(33.58), W/2NW/4, N/2SE/4
Section 29: Lots 23 (26.73), 24(26.12), SE/4NE/4, NE/4SE/4
Section 32: Tract 40(160.05) LESS AND EXCEPT: a parcel of land 300ft X 300ft in the Southwest corner of Tract 40 (2.0661157) containing 157.98389 acres, more or less.
Section 32: Lots 3(3.36), 4(10.52), 15(19.81) and 16(6.31)
Section 33: Tract 39 (640.03)

Lease No: 88849-F-0015-01
 Lessor: J Russell Thornock
 Lessee: MRC Rockies Company
 Lease Date: 07/19/2007
 Gross Acres: 419.8200
 Recording Info: 08/14/2007, Boo k 668, Page 790, Entry 932144
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-119-W and T-22-N, R-120-W
 A parcel of land situated in Section 1, 11, 12 of Township 22 North, Range 120 West and Sections 6 and 7 of Township 22 North, Range 119 West of the 6th Principal Meridian in Lincoln County, Wyoming, described in particular by metes and bounds referred to in the plats made by the General Land Office of the United States of America under date of March 31, 1909, and the amendments thereto, as follows, to-wit:
 Beginning at a point upon the East boundary of Tract 47 from whence the Northwest corner of said Section 7 bears South 72°08' West, 42.18 chains, thence West 109.17 chains along the South boundary of the land known as the North Part of the MJB Lands to a point situated in the center of the channel through which Bear River flows; thence meandering the central thread of the channel of Bear River, South 14°07' West 13.03 chains; North 83 °51' West 6.54 chains; South 46°38' East 7.43 chains; South 14°25' East 3.61 chains; South 23°35' West 17.24 chains; South 42°14' West 0.66 chains to the end of said meander; thence East 119.89 chains to a point on the East boundary of said Tract 47; thence North 36.83 chains to the point of beginning; containing 419.82 acres, more or less.

Lease No: 88849-F-0015-02
 Lessor: Aden Kay & Kathleen Thornock
 Lessee: MRC Rockies Company
 Lease Date: 07/19/2007
 Gross Acres: 419.8200
 Recording Info: 08/06/2007, Boo k 668, Page 073, Entry 931907
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-119-W, SECS 06,07 and T-22-N, R-120-W, SECS 01,11,12
 A parcel of land situated in Section 1, 11, 12 of Township 22 North, Range 120 West and Sections 6 and 7 of Township 22 North, Range 119 West of the 6th Principal Meridian in Lincoln County, Wyoming, described in particular by metes and bounds referred to in the plats made by the General Land Office of the United States of America under date of March 31, 1909, and the amendments thereto, as follows, to wit:
 Beginning at a point upon the East boundary of Tract 47 from whence the Northwest corner of said Section 7 bears South 72°08' West, 42.18 chains, thence West 109.17 chains along the South boundary of the land known as the North Part of the MJB Lands to a point situated in the center of the channel through which Bear River flows; thence meandering the central thread of the channel of Bear River, South 14°07' West 13.03 chains; North 83 °51' West 6.54 chains; South 46°38' East 7.43 chains; South 14°25' East 3.61 chains; South 23°35' West 17.24 chains; South 42°14' West 0.66 chains to the end of said meander; thence East 119.89 chains to a point on the East boundary of said Tract 47; thence North 36.83 chains to the point of beginning; containing 419.82 acres, more or less.

Lease No: 88849-F-0016-01
 Lessor: Raymond T Petersen Family Trust
 Lessee: MRC Rockies Company
 Lease Date: 05/28/2007
 Gross Acres: 1339.7000
 Recording Info: 06/25/2007, Boo k 663, Page 278, Entry 930648
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-119-W, SEC 06 - 278.52 acs more or less being Lot 9 (40.07), Lot 10 (25.47), Lot 17 (7.12), Lot 20 (32.72), Lot 21 (33.98), Lot 35 (37.23), and that portion of the E/2 E/2 lying Westerly from the center-line of the Oregon Short Line Railroad (Union Pacific Railroad Company) right-of-way
 T-23-N, R-119-W, SECS 14,17,20,21,23,29,31 - 1,061.18 acs more or less described as follows:
 Section 14 - Lot 23 (23.64)
 Section 17 - Lot 15 (17.03), Lot 32 (21.31)

Section 20 - Lot 1 (21.67), Lot 17 (22.02), Lot 18 (22.37), Lot 29 (22.72), and part of Tract #49 being that portion lying Easterly from the center-line of the Oregon Short Line Railroad (Union Pacific Railroad Company) right-of-way
 Section 21 - S/2 S/2
 Section 23 - Lot 3 (27.50), Lot 4 (27.46), E/2 NW/4
 Section 29 - Lot 1 (36.40), Lot 4 (18.03), Lot 16 (22.89), Lot 18 (36.41), SE NE, NE SE, and part of Tract #45, being that portion of the NE/4 lying Easterly from the center-line of the
 Oregon Short Line Railroad (Union Pacific Railroad Company) right-of-way
 Section 31 - Lot 32 (31.59), Lot 34 (17.13)

Containing in the aggregate 1339.70 acs, more or less

Lease No: 88849-F-0016-02
 Lessor: Richard D & Joanna M Petersen, Individually and as Trustees of the Richard D Petersen Family Trust
 Lessee: MRC Rockies Company
 Lease Date: 05/28/2007
 Gross Acres: 1339.7000
 Recording Info: 06/15/2007, Book 662, Page 113, Entry 930377
 State: Wyoming
 County: Lincoln

Legal Description: T-22-N, R-119-W, SEC 06 - 278.52 acs more or less being Lot 9 (40.07), Lot 10 (25.47), Lot 17 (7.12), Lot 20 (32.72), Lot 21 (33.98), Lot 35 (37.23), and that portion of the E/2 E/2 lying Westerly from the center-line of the Oregon Short Line Railroad (Union Pacific Railroad Company) right-of-way

T-23-N, R-119-W, SECS 14,17,20,21,23,29,31 - 1061.18 acs more or less described as follows:

Section 14 - Lot 23 (23.64)
 Section 17 - Lot 15 (17.03), Lot 32 (21.31)
 Section 20 - Lot 1 (21.67), Lot 17 (22.02), Lot 18 (22.37), Lot 29 (22.72), and part of Tract #49 being that portion lying Easterly from the center-line of the Oregon Short Line Railroad (Union Pacific Railroad Company) right-of-way
 Section 21 - S/2 S/2
 Section 23 - Lot 3 (27.50), Lot 4 (27.46), E/2 NW/4
 Section 29 - Lot 1 (36.40), Lot 4 (18.03), Lot 16 (22.89), Lot 18 (36.41), SE NE, NE SE, and part of Tract #45, being that portion of the NE/4 lying Easterly from the center-line of the
 Oregon Short Line Railroad (Union Pacific Railroad Company) right-of-way
 Section 31 - Lot 32 (31.59), Lot 34 (17.13)

Containing in the aggregate 1339.70 acs, more or less

Lease No: 88849-F-0016-03
 Lessor: Robert N Petersen and Carol D Petersen
 Lessee: MRC Rockies Company
 Lease Date: 05/28/2007
 Gross Acres: 1339.7000
 Recording Info: 06/28/2007, Book 663, Page 805, Entry 930772
 State: Wyoming
 County: Lincoln

Legal Description: T-22-N, R-119-W, SEC 06 - 278.52 acs more or less being Lot 9 (40.07), Lot 10 (25.47), Lot 17 (7.12), Lot 20 (32.72), Lot 21 (33.98), Lot 35 (37.23), and that portion of the E/2 E/2 lying Westerly from the center-line of the Oregon Short Line Railroad (Union Pacific Railroad Company) right-of-way

T-23-N, R-119-W, SECS 14,17,20,21,23,29,31 - 1061.18 acs more or less described as follows:

Section 14 - Lot 23 (23.64)
 Section 17 - Lot 15 (17.03), Lot 32 (21.31)
 Section 20 - Lot 1 (21.67), Lot 17 (22.02), Lot 18 (22.37), Lot 29 (22.72), and part of Tract #49 being that portion lying Easterly from the center-line of the Oregon Short Line Railroad (Union Pacific Railroad Company) right-of-way
 Section 21 - S/2 S/2
 Section 23 - Lot 3 (27.50), Lot 4 (27.46), E/2 NW/4
 Section 29 - Lot 1 (36.40), Lot 4 (18.03), Lot 16 (22.89), Lot 18 (36.41), SE/4 NE/4, NE/4 SE/4, and part of Tract #45, being that portion of the NE/4 lying Easterly from the

center-line of the Oregon Short Line Railroad (Union Pacific Railroad Company) right-of-way
Section 31 - Lot 32 (31.59), Lot 34 (17.13)

Containing in the aggregate 1339.70 acs, more or less

Lease No: 88849-F-0017-01
Lessor: Judy Ann Julian
Lessee: MRC Rockies Company
Lease Date: 03/07/2007
Gross Acres: 433.5800
Recording Info: 04/06/2007, Book 653, Page 700, Entry 928200
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-117-W, SECS 02; 25N116W32 - 433.58 acs more or less described as follows:

T-24-N, R-117-W, SEC 02 - Lot 5 (57.19), Lot 7 (56.92), Lot 10 (40.00), Lot 11 (40.00), Lot 12 (39.47) and Lot 14 (40.00) of Section 2;
T-25-N, R-116-W, SEC 32 - E/2 SE/4, SW/4 SE/4 and SE/4 SW/4 of Section 32

Lease No: 88849-F-0017-02
Lessor: David James Roberts
Lessee: MRC Rockies Company
Lease Date: 03/07/2007
Gross Acres: 433.5800
Recording Info: 04/06/2007, Book 653, Page 696, Entry 928198
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-117-W, SEC 02; T-25-N, R-116-W, SEC 32 - 433.58 acs more or less described as follows:

T-24-N, R-117-W, SEC 02 - Lot 5 (57.19), Lot 7 (56.92), Lot 10 (40.00), Lot 11 (40.00), Lot 12 (39.47) and Lot 14 (40.00) of Section 2;
T-25-N, R-116-W, SEC 32 - E/2 SE/4, SW/4 SE/4 and SE/4 SW/4 of Section 32

Lease No: 88849-F-0017-03
Lessor: James E Roberts
Lessee: MRC Rockies Company
Lease Date: 03/07/2007
Gross Acres: 433.5800
Recording Info: 04/06/2007, Book 653, Page 692, Entry 928196
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-117-W, SEC 02; 25N116W32 - 433.58 acs more or less described as follows:

T-24-N, R-117-W, SEC 02 - Lot 5 (57.19), Lot 7 (56.92), Lot 10 (40.00), Lot 11 (40.00), Lot 12 (39.47) and Lot 14 (40.00) of Section 2;
T-25-N, R-116-W, SEC 32 - E/2 SE/4, SW/4 SE/4 and SE/4 SW/4 of Section 32

Lease No: 88849-F-0017-04
Lessor: Linda Kay Roberts
Lessee: MRC Rockies Company
Lease Date: 03/07/2007
Gross Acres: 433.5800
Recording Info: 04/06/2007, Book 653, Page 694, Entry 928197
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-117-W, SEC 02; 25N116W32 - 433.58 acs more or less described as follows:

T-24-N, R-117-W, SEC 02 - Lot 5 (57.19), Lot 7 (56.92), Lot 10 (40.00), Lot 11 (40.00), Lot 12 (39.47) and Lot 14 (40.00) of Section 2;
T-25-N, R-116-W, SEC 32 - E/2 SE/4, SW/4 SE/4 and SE/4 SW/4 of Section 32

Lease No: 88849-F-0017-05
 Lessor: Steven Jon Roberts
 Lessee: MRC Rockies Company
 Lease Date: 03/07/2007
 Gross Acres: 433.5800
 Recording Info: 04/06/2007, Book 653, Page 698, Entry 928199
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-117-W, SEC 02; 25N116W32 - 433.58 acs more or less described as follows:
 T-24-N, R-117-W, SEC 02 - Lot 5 (57.19), Lot 7 (56.92), Lot 10 (40.00), Lot 11 (40.00), Lot 12 (39.47) and Lot 14 (40.00) of Section 2;
 T-25-N, R-116-W, SEC 32 - E/2 SE/4, SW/4 SE/4 and SE/4 SW/4 of Section 32

Lease No: 88849-F-0017-06
 Lessor: Jennifer J Votruba
 Lessee: MRC Rockies Company
 Lease Date: 03/07/2007
 Gross Acres: 433.5800
 Recording Info: 04/06/2007, Book 653, Page 702, Entry 928201
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-117-W, SEC 02; 25N116W32 - 433.58 acs more or less described as follows:
 T-24-N, R-117-W, SEC 02 - Lot 5 (57.19), Lot 7 (56.92), Lot 10 (40.00), Lot 11 (40.00), Lot 12 (39.47) and Lot 14 (40.00) of Section 2;
 T-25-N, R-116-W, SEC 32 - E/2 SE/4, SW/4 SE/4 and SE/4 SW/4 of Section 32

Lease No: 88849-F-0018-01
 Lessor: Evan H and Dotty Jo Pope
 Lessee: MRC Rockies Company
 Lease Date: 05/01/2007
 Gross Acres: 4628.8400
 Recording Info: 06/04/2007, Book 660, Page 492, Entry 929984
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-119-W, SECS 12,13,14,15,16,21,22,23,24,25, 1,842.44 acs more or less described as follows:
 Section 12: S/2S/2
 Section 13: N/2NW/4, NW/4NE/4, Lot 1(16.28), Lot 13 (44.58), Lot 14(32.84), Tract 114-A (12.31), Tract 114-B (40.80), Tract 114-C (40.48), Tract 114-D (40.80), Tract 114-E (11.92), Tract 115-A (40.00), Tract 115-B (40.80), Tract 115-C (40.80), Tract 115-D (11.70)
 Section 14: Lot 7 (28.31), Lot 22 (26.66), Tract 61-A (40.00), W/2 of Tract 61-B (20.00) part in Section 23
 Section 15: S/2SE/4
 Section 16: Lot 26(24.69), Lot 27(35.12), Lot 28(10.44), all in Tract 60
 Section 16: Lot 24 (24.72), Lot 25 (10.43), each in Tract 52
 Section 21: Lot 4(27.77), Lot 5(40.00), Lot 6(12.23), Lot 13 (4.91), Lot 12(1.53), Lot 16(3.38), all in Tract 60
 Section 21: Lot 14(35.09), Lot 15(24.02), Lot 11(11.07), Lot 24(40.00), Lot 23 (27.00), Lot 25 (13.01), Lot 30(1.63), Lot 31(4.86), Lot 34 (3.21), all in Tract 53
 Section 21: Lot 2(27.80), Lot 3 (12.23), Lot 18(27.40), Lot 17(12.60), Lot 21(27.00), Lot 22(13.00), Lot 35 (1.57), Lot 38(3.16), all in Tract 52
 Section 21: Lot 20 (13.00), Lot 39 (1.55)
 Section 22: Lot 3 (4.77), Lot 4(4.71), N/2SW/4, SE/4NW/4, SW/4NE/4, N/2NE/4
 Section 23: Lot 9 (26.64)
 Section 24: E/40.00 acres of Tract 62, E/2NW/4SW/4, E/2 of Lot 8(17.54), Lot 7(36.72), SW/4NE/4
 Section 25: Lot 1(12.46), Lot 6(37.12), Lot 4(12.45), Lot 9(2.90), Lot 7(4.42), all in Tract 111
 T-24-N, R-118-W, SECS 07,08,18,19 - 632.28 acs more or less, described as follows:
 Section 7: Lot 14(4.33), Lot 15(35.42), SE/4SW/4, S/2SE/4
 Section 8: W/2SW/4
 Section 18: Lot 5 (35.46), Lot 6(35.50), E/2NW/4, NE/4SW/4

Section 18 & 19: Tract 115-E (29.10)

Section 19: Lot 6 (35.68), Lot 7 (35.72), Lot 9 (31.99), NE/4NW/4

Section 18: Tract 114-F (29.08)

T-22-N, R-119-W, SECS 30,31 - 433.42 acs more or less described as follows:

Section 30: Lot 12(38.39), SE/4SW/4, SW/4SE/4

Section 31: Lot 9(38.27), Lot 10(38.35), Lot 11(38.41), W/2NE/4, SE/4NE/4, E/2NW/4

T-23-N, R-119-W, SECS 24,25 - 1,092.70 acs more or less, described as follows:

That certain Tract in Sections 24 and 25 in Township 23 North. Range 120 West, 6th PM and Sections 19, 20, 29, and 30 in Township 23 North, Range 119 West, 6th PM and more particularly described in that certain Warranty Deed dated January 18, 1995 from Margaret A. McKinnon to Evan H. Pope and wife, Dotty Jo Pope as recorded in Book 363, Page 689 of the Photostatic Records of Lincoln County, Wyoming. containing 1646.00 acres, more or less. LESS AND EXCEPT: That part of a tract of land in Sections 24 and 25 in Township 23 North, Range 120 West, 6th PM and Sections 19 and 30 in Township 23 North, Range 119 West, 6th P.M. and more particularly described in that certain Warranty Deed dated May 1, 2000 from Evan H. Pope and wife, Dotty Jo Pope to Margaret A. McKinnon as recorded in Book 458, Page 496 of the Photostatic Records of Lincoln County, Wyoming. containing 554 acres, more or less.

T-23-N, R-120-W; T-23-N, R-119-W, SECS 19,20,29,30 - 628.00 acs more or less described as follows:

That part of Tracts 44, 45, 71 and 72 of Township 23 North, Range 119 West, 6th PM and Township 23 North, Range 120 West, 6th PM and more particularly described in that certain Warranty Deed dated May 2, 1972 from Joseph J. Buckley and wife, Bonnie Buckley to Evan Pope and wife, Dotty Jo Pope as recorded in Book 233, Page 228 of the Photostatic Records of Lincoln County, Wyoming.

Lease No: 88849-F-0018-02
 Lessor: Joseph J Buckley and Janet Buckley
 Lessee: MRC Rockies Company
 Lease Date: 07/30/2007
 Gross Acres: 2656.1800
 Recording Info: 08/20/2007, Book 669, Page 449, Entry 932318
 State: Wyoming
 County: Lincoln

T-23-N, R-119-W, SECS 24,25 - 1,092.70 acs more or less, described as follows:

That certain Tract in Sections 24 and 25 in Township 23 North. Range 120 West, 6th PM and Sections 19, 20, 29, and 30 in Township 23 North, Range 119 West, 6th PM and more particularly described in that certain Warranty Deed dated January 18, 1995 from Margaret A. McKinnon to Evan H. Pope and wife, Dotty Jo Pope as recorded in Book 363, Page 689 of the Photostatic Records of Lincoln County, Wyoming. containing 1646.00 acres, more or less. LESS AND EXCEPT: That part of a tract of land in Sections 24 and 25 in Township 23 North, Range 120 West, 6th PM, and Sections 19 and 30 in Township 23 North, Range 119 West, 6th PM, and more particularly described in that certain Warranty Deed dated May 1, 2000 from Evan H. Pope and wife, Dotty Jo Pope to Margaret A. McKinnon as recorded in Book 458, Page 496 of the Photostatic Records of Lincoln County, Wyoming. containing 554 acres, more or less.

T-23-N, R-120-W; T-23-N, R-119-W, SECS 19,20,29,30 - 628.00 acs more or less described as follows:

That part of Tracts 44, 45, 71 and 72 of Township 23 North, Range 119 West, 6th PM and Township 23 North, Range 120 West, 6th PM and more particularly described in that certain Warranty Deed dated May 2, 1972 from Joseph J. Buckley and wife, Bonnie Buckley to Evan Pope and wife, Dotty Jo Pope as recorded in Book 233, Page 228 of the Photostatic Records of Lincoln County, Wyoming.

T-23-N, R-120-W, SECS 22,23,35 - 773.00 acs more or less described as follows:

Section 22 - 80.00 acs being the SW/4 SE/4, SE/4 SE/4

Section 23 - 80.00 acs being the SW/4 SW/4, SE/4 SW/4

Section 35 - 223.00 acs being the North 2,331 feet and being situated Westerly of the centerline of the Cokeville-Utah line County Road No. 12-207; and Tract 37 - 390.00 acs being All of Tract 37 and situated Westerly of the centerline of the Cokeville-Utah County Road No. 12-207

T-23-N, R-120-W, SEC 35 - 162.48 acs more or less described as being the South 2,949 feet of Section 35, T-23-N, R-120-W, lying and being situated westerly of the centerline of Cokeville-Utah Line County Road No. 12-207

Lease No: 88849-F-0018-03
 Lessor: William S Buckley and Bonnie Buckley
 Lessee: MRC Rockies Company
 Lease Date: 07/30/2007
 Gross Acres: 2656.1800
 Recording Info: 08/20/2007, Book 669, Page 452, Entry 932319
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-119-W, SECS 24,25 - 1,092.70 acs more or less, described as follows:
 That certain Tract in Sections 24 and 25 in Township 23 North, Range 120 West, 6th PM and Sections 19, 20, 29, and 30 in Township 23 North, Range 119 West, 6th PM and more particularly described in that certain Warranty Deed dated January 18, 1995 from Margaret A. McKinnon to Evan H. Pope and wife, Dotty Jo Pope as recorded in Book 363, Page 689 of the Photostatic Records of Lincoln County, Wyoming, containing 1646.00 acres, more or less. LESS AND EXCEPT: That part of a tract of land in Sections 24 and 25 in Township 23 North, Range 120 West, 6th PM, and Sections 19 and 30 in Township 23 North, Range 119 West, 6th PM, and more particularly described in that certain Warranty Deed dated May 1, 2000 from Evan H. Pope and wife, Dotty Jo Pope to Margaret A. McKinnon as recorded in Book 458, Page 496 of the Photostatic Records of Lincoln County, Wyoming, containing 554 acres, more or less.
 T-23-N, R-120-W; T-23-N, T-119-W, SECS 19,20,29,30 - 628.00 acs more or less described as follows:
 That part of Tracts 44, 45, 71 and 72 of Township 23 North, Range 119 West, 6th PM and Township 23 North, Range 120 West, 6th PM and more particularly described in that certain Warranty Deed dated May 2, 1972 from Joseph J. Buckley and wife, Bonnie Buckley to Evan Pope and wife, Dotty Jo Pope as recorded in Book 233, Page 228 of the Photostatic Records of Lincoln County, Wyoming.
 T-23-N, R-120-W, SECS 22,23,35 - 773.00 acs more or less described as follows:
 Section 22 - 80.00 acs being the SW/4 SE/4, SE/4 SE/4
 Section 23 - 80.00 acs being the SW/4 SW/4, SE/4 SW/4
 Section 35 - 223.00 acs being the North 2,331 feet and being situated Westerly of the centerline of the Cokeville-Utah line County Road No. 12-207; and Tract 37 - 390.00 acs being All of Tract 37 and situated Westerly of the centerline of the Cokeville-Utah County Road No. 12-207
 T-23-N, R-120-W, SEC 35 - 162.48 acs more or less described as being the South 2,949 feet of Section 35, T-23-N, R-120-W, lying and being situated westerly of the centerline of Cokeville-Utah Line County Road No. 12-207

Lease No: 88849-F-0018-04
 Lessor: Ernest A and Karen Thornock
 Lessee: MRC Rockies Company
 Lease Date: 07/30/2007
 Gross Acres: 773.0000
 Recording Info: 08/27/2007, Book 670, Page 092, Entry 932500
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-120-W, SECS 22,23,35 - 773.00 acs more or less described as follows:
 Section 22 - 80.00 acs being the SW/4 SE/4, SE/4 SE/4
 Section 23 - 80.00 acs being the SW/4 SW/4, SE/4 SW/4
 Section 35 - 223.00 acs being the North 2,331 feet and being situated Westerly of the centerline of the Cokeville-Utah line County Road No. 12-207; and Tract 37 - 390.00 acs being All of Tract 37 and situated Westerly of the centerline of the Cokeville-Utah County Road No. 12-207

Lease No: 88849-F-0019-00
 Lessor: R & L Johnson Properties LLC by Robert M and Larue E Johnson
 Lessee: MRC Rockies Company
 Lease Date: 06/26/2007
 Gross Acres: 322.3500
 Recording Info: 07/09/2007, Book 664, Page 805, Entry 931049
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-120-W, SECS 21,27,28,33,34 - 322.35 acs more or less described as follows:
 Section 21 & 28 - Tracts 54A(39.53), 54B (39.73), 54C (39.94), and 54D (40.14)
 Section 28 - Lots 8 and 9 (40.02)
 Section 27 - Lots 16 and 25 (0.37)
 Section 33 - Lot 7 and the N/2 of Lot 8 (40.64)
 Section 34 - Lot 6 and the N/2 of Lot 16 (0.39); and
 The Robert M Johnson Exchange Parcel described as follows:
 That part of Tract 38, T-22-N, R-120-W, 6th PM, Lincoln County, WY, lying and being situated West of a line between Corner No. 6 of said Tract 38 identical with the NE/corner of said Lot 6 and Corner No. 3 of Tract 42 of said T-22-N, R-120-W, 6th PM, identical with the SE/corner of said Lot 16 in Section 27, containing 81.59 acres more or less.

Lease No: 88849-F-0020-00
 Lessor: Sedey Ranch Inc
 by John Sedey, President
 Lessee: MRC Rockies Company
 Lease Date: 06/25/2007
 Gross Acres: 408.7200
 Recording Info: 07/23/2007, Book 666, Page 550, Entry 931512
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-120-W, SECS 22,23,26 - 408.72 acs more or less out of Sections 22, 23, and 26 of T-22-N, R-12-W, bounded on the Westward side by a portion of the lands conveyed to Lawrence B Johnson by Beckwith Quinn and Company, as recorded in Book 196, Page 28 of the Photo Records of Lincoln County, Wyoming; bounded on the Eastward side by the middle channel thread of Bear River and bounded upon its North and South sides by lines bearing due East; described more particularly in that certain Quit Claim Deed dated March 27, 2000 from John Sedey Living Trust to Sedey Ranch Inc as recorded in Book 443, Page 387 of the Photo Records of Lincoln County, Wyoming

Lease No: 88849-F-0021-00
 Lessor: Michael Sims
 Lessee: MRC Rockies Company
 Lease Date: 05/15/2007
 Gross Acres: 1805.3400
 Recording Info: 06/04/2007, Book 660, Page 483, Entry 929981
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-116-W, SECS 24,25,36, - 1,206.95 acs more or less, described as follows:
 Section 24 - SE/4 (160.00)
 Section 25 - Lot 1 (39.60), Lot 2 (38.79), Lot 3 (37.98), Lot 4 (38.73), Lot 5 (1.24), Lot 6 (2.00)
 Section 25 - Lot 7 (1.20), Lot 8 (0.40), NE/4 (160.00), S/2 NW/4 (80.00), N/2 SW/4 (80.00), N/2 SE/4 (80.00)
 Section 36 - N/2 Lot 7, being part of a line extended West from East-West line between 11 & 13 (15.00)
 Section 36 - Lot 8 (40.10), Lot 9 (40.10), Lot 10 (40.10), Lot 11 (20.88), E/2 Lot 14 (20.05), Lot 15 (40.10)
 Section 36 - Lot 16 (40.10), Lot 17 (40.10), Lot 18 (40.10), S/2 & NE/4 of Lot 19 (30.08)
 Section 36 - Lot 24 (40.10), Lot 25 (40.10), Lot 26 (40.10)
 T-22-N, R-115-W, SECS 19, 30, 31 - 598.39 acs more or less, described as follows:
 Section 19 - Lot 3 (39.39), Lot 4 (39.52), Lot 37 (160.00)
 Section 30 - Lot 1 (39.65), Lot 2 (39.80), Lot 3 (39.94), Lot 4 (40.09), E/2 SW/4 (80.00), SW/4 SE/4 (40.00)
 Section 31 - NE/4 NW/4 (40.00), NW/4 NE/4 (40.00)

Lease No: 88849-F-0022-01
 Lessor: Bette R Stock
 Lessee: MRC Rockies Company
 Lease Date: 03/07/2007
 Gross Acres: 292.1900
 Recording Info: 04/06/2007, Book 653, Page 675, Entry 928190
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-117-W, SECS 10,15 - a parcel of land lying within the boundaries of Re-Surveyed T-24-N, R-117-W of the 6th PM and also lying within Tracts 66, 67 and 72 of said Re-Survey of said Township and Range, said parcel of land being more particularly described by metes and bounds as follows: Beginning at corner No. 4 of Tract 72 of the Re-Survey of T-24-N, R-117-W of the 6th PM, thence East 40.00 chains to Corner No. 1 of said Tract 72, thence South 20.00 chains, thence West 20.00 chains, thence South 57.50 chains, thence East 18.75 chains, thence South 5 chains, thence West 20 chains, thence North 105.00 chains to the place of beginning and containing 292.19 acres, more or less

Lease No: 88849-F-0022-02
 Lessor: Dennis T Stock
 Lessee: MRC Rockies Company
 Lease Date: 03/07/2007
 Gross Acres: 292.1900
 Recording Info: 04/06/2007, Book 653, Page 678, Entry 928191
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-117-W, SECS 10,15 - a parcel of land lying within the boundaries of Re-Surveyed T-24-N, R-117-W of the 6th PM and also lying within Tracts 66, 67 and 72 of said Re-Survey of said Township and Range, said parcel of land being more particularly described by metes and bounds as follows: Beginning at corner No. 4 of Tract 72 of the Re-Survey of T-24-N, R-117-W of the 6th PM, thence East 40.00 chains to Corner No. 1 of said Tract 72, thence South 20.00 chains, thence West 20.00 chains, thence South 57.50 chains, thence East 18.75 chains, thence South 5.00 chains, thence West 20.00 chains, thence North 105.00 chains to the place of beginning and containing 292.19 acres, more or less

Lease No: 88849-F-0022-03
 Lessor: Gary R Stock
 Lessee: MRC Rockies Company
 Lease Date: 03/07/2007
 Gross Acres: 292.1900
 Recording Info: 04/06/2007, Book 653, Page 684, Entry 928193
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-117-W, SECS 10,15 - a parcel of land lying within the boundaries of Re-Surveyed T-24-N, R-117-W of the 6th PM and also lying within Tracts 66, 67 and 72 of said Re-Survey of said Township and Range, said parcel of land being more particularly described by metes and bounds as follows: Beginning at corner No. 4 of Tract 72 of the Re-Survey of T-24-N, R-117-W of the 6th PM, thence East 40.00 chains to Corner No. 1 of said Tract 72, thence South 20.00 chains, thence West 20.00 chains, thence South 57.50 chains, thence East 18.75 chains, thence South 5.00 chains, thence West 20.00 chains, thence North 105.00 chains to the place of beginning and containing 292.19 acres, more or less

Lease No: 88849-F-0022-04
 Lessor: Robert F Stock
 Lessee: MRC Rockies Company
 Lease Date: 03/07/2007
 Gross Acres: 292.1900
 Recording Info: 04/06/2007, Book 653, Page 681, Entry 928192
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-117-W, SECS 10,15 - a parcel of land lying within the boundaries of Re-Surveyed T-24-N, R-117-W of the 6th PM and also lying within Tracts 66, 67 and 72 of said Re-Survey of said Township and Range, said parcel of land being more particularly described by metes and bounds as follows: Beginning at corner No. 4 of Tract 72 of the Re-Survey of T-24-N, R-117-W of the 6th PM, thence East 40.00 chains to Corner No. 1 of said Tract 72, thence South 20.00 chains, thence West 20.00 chains, thence South 57.50 chains, thence East 18.75 chains, thence South 5.00 chains, thence West 20.00 chains, thence North 105.00 chains to the place of beginning and containing 292.19 acres, more or less

Lease No: 88849-F-0023-01
 Lessor: Thompson Land and Livestock Company
 Lessee: MRC Rockies Company
 Lease Date: 05/21/2007
 Gross Acres: 1067.6600
 Recording Info: 06/04/2007, Book 660, Page 486, Entry 929982
 State: Wyoming
 County: Lincoln
 Legal Description: T-21-N, R-119-W, SEC 17 - 320.00 acs more or less, being described as being the W/2 NW/4, N/2 SW/4, SW/4 NE/4, W/2 SE/4 and SE/4 SW/4
 T-21-N, R-119-W, SECS 19,20 - 160.00 acs more or less, more particularly described as follows:
 Section 19 - 120.00 acs being the E/2 NE/4 and NE/4 SE/4
 Section 20 - 40.00 acs being the SW/4 NW/4
 T-21-N, R-120-W, SEC 01 - 240.00 acs more or less being the SW/4 NE/4, NE/4 SW/4, W/2 SE/4 and S/2 SW/4
 T-22-N, R-117-W, SEC 25 - 160.00 acs more or less described as NE/4 NE/4, W/2 SE/4 and SE/4 SE/4
 T-19-N, R-118-W, SEC 12 - 160.00 acs more or less being the SW/4
 T-25-N, R-118-W, SEC 33 - 27.66 acs being Tract 97A and 97B

Lease No: 88849-F-0023-02
 Lessor: Etchevery Sheep Company
 Lessee: MRC Rockies Company
 Lease Date: 03/14/2008
 Gross Acres: 320.0000
 Recording Info: 08/29/2008, Book 703, Page 704, Entry 841774
 State: Wyoming
 County: Lincoln
 Legal Description: T-21-N, R-119-W, SEC 17 - 320.00 acs more or less, being described as being the W/2 NW/4, N/2 SW/4, SW/4 NE/4, W/2 SE/4 and SE/4 SW/4

Lease No: 88849-F-0024-01
 Lessor: Alfred C Thoman Family Living Trust dtd 05-18-00
 Lessee: MRC Rockies Company
 Lease Date: 04/03/2007
 Gross Acres: 684.4400
 Recording Info: 05/02/2007, Book 656, Page 470, Entry 928944
 State: Wyoming
 County: Lincoln
 Legal Description: T-21-N, R-119-W, SECS 02,03 - 564.44 acs more or less described as follows:
 SECTION 2 - S/2 SW/4 and SW/4 SE/4 LESS AND EXCEPT 37.96 acs more or less as described in that certain Warranty Deed dated February 4, 1932 from A D Hoskins and wife, Kate S Hoskins to William Julian and recorded in Book 19 Page 43, of the Deed Records of Lincoln County, Wyoming, and LESS AND EXCEPT 18.40 acs more or less as described in that certain Warranty Deed dated February 2, 1932 from Alfred Thoman and wife, Floetta Thoman to Lincoln County, Wyoming and recorded in Book 17, Page 240 of the Deed Records of Lincoln County, Wyoming; and SECTION 3 - Lot 6 (39.70), S/2 N/2 and S/2 of said Section 3, LESS AND EXCEPT 18.90 acs more or less as described in that certain Warranty Deed dated February 2, 1932 from Alfred Thoman and wife Floetta Thoman to Lincoln County, Wyoming and recorded in Book 17, Page 243 of the Deed Records of Lincoln County, Wyoming
 T-22-N, R-119-W, SEC 34 - 120.00 acs more or less being the N/2 SE/4 and SW/4 SE/4

Lease No: 88849-F-0024-02
 Lessor: Shirley K Thoman Family Living Trust dtd 05-18-00
 Lessee: MRC Rockies Company
 Lease Date: 04/03/2007
 Gross Acres: 684.4400
 Recording Info: 05/02/2007, Book 656, Page 467, Entry 928943
 State: Wyoming
 County: Lincoln
 Legal Description: T-21-N, R-119 - W, SECS 02,03 - 564.44 acs more or less described as follows:
 SECTION 2 - S/2 SW/4 and SW/4 SE/4 LESS AND EXCEPT 37.96 acs more or less as described in that certain Warranty Deed dated February 4, 1932 from A D Hoskins and wife, Kate S Hoskins to William Julian and recorded in Book 19 Page 43, of the Deed Records of Lincoln County, Wyoming, and LESS AND EXCEPT 18.40 acs more or less as described in that certain Warranty Deed dated February 2, 1932 from Alfred Thoman and wife, Floetta Thoman to Lincoln County, Wyoming and recorded in Book 17, Page 240 of the Deed Records of Lincoln County, Wyoming; and SECTION 3 - Lot 6 (39.70), S/2 N/2 and S/2 of said Section 3, LESS AND EXCEPT 18.90 acs more or less as described in that certain Warranty Deed dated February 2, 1932 from Alfred Thoman and wife Floetta Thoman to Lincoln County, Wyoming and recorded in Book 17, Page 243 of the Deed Records of Lincoln County, Wyoming
 T-22-N, R-119-W, SEC 34 - 120.00 acs more or less being the N/2 SE/4 and SW/4 SE/4 of Section 34

Lease No: 88849-F-0025-00
 Lessor: James W Buckley
 Lessee: MRC Rockies Company
 Lease Date: 08/01/2007
 Gross Acres: 210.0000
 Recording Info: 08/20/2007, Book 669, Page 457, Entry 932321
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-119-W, SEC 05; T-23-N, R-119-W, SEC 32 - 210.00 acs more or less described as follows:
 22N119W05 - 80.87 acs being Lot 5 (40.49) and Lot 6 (40.38)
 23N119W32 - 129.13 acs being Lots 12 (18.51) , 14 (18.32), 17 (39.40), 19 (39.65), and W/2 SE/4 less and except Lots 12, 14, a part of Lot 17 and part of the W/2 SE/4 being all that land lying North of the road going East and West to the East boundary from US Highway 30, including the Green Machine Shed.

Lease No: 88849-F-0026-00
 Lessor: Joseph J Buckley and Janet Buckley
 Lessee: MRC Rockies Company
 Lease Date: 08/01/2007
 Gross Acres: 66.7500
 Recording Info: 08/20/2007, Book 669, Page 455, Entry 932320
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-119-W, SEC 32 - 66.75 acs more or less, being Lot 12, Lot 14, a part of Lot 17 and part of the W/2 SE/4 being all that land lying North of the road going East and West to the East boundary from US Highway 30, including the Green Machine Shed,

Lease No: 88849-F-0028-00
 Lessor: Samuel O Bennion Jr and Patricia Ann Bennion
 Lessee: MRC Rockies Company
 Lease Date: 07/30/2007
 Gross Acres: 267.6800
 Recording Info: 08/27/2007, Book 670, Page 095, Entry 932501
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-119-W, SEC 28,33; T-23-N, R-119-W, SEC 04 - 267.68 ads described as follows:
 24N119W Sec 28 - Lot 15 (11.69), Lot 17 (35.23); Lot 18 (13.31) and Lot 25 (13.33) and the E/2 SE/4
 24N119W Sec 33 - Lot 1 (13.33) and the NE/4 NE/4
 23N119W Sec 4 - Lot 28 (13.15), Lot 30(36.28) and Lot 31 (11.36)

Lease No: 88849-F-0029-01
 Lessor: Lillian E Harrower
 Lessee: MRC Rockies Company
 Lease Date: 08/27/2007
 Gross Acres: 2521.4970
 Recording Info: 09/21/2007, Book 673, Page 023, Entry 933326
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-119-W, SECS 6, 7 et al 806.478 acs more or less, described as follows:
 T-24-N, R-119-W, SECS 06,07
 SECTION 6: Lots 49 and 50, that part of Lot 18, lying Westerly of the centerline of the Bear River.
 SECTION 7: Lots 12, 23, 24 and that part of Tract 121 lying Westerly of the centerline of the Bear River.
 T-24-N, R-119 & 120-W
 Those portions of Tracts 85 and 86 lying Westerly of the centerline of the Bear River.
 T-24-N, R-120-W, SECS 01,03,04,09,12,14
 SECTION 1: S/2SE/4, Tracts 41A, 41C, 41D, 45 and 130.
 SECTION 3: Lot 9, East of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994.
 SECTION 4: Lots 5 and 10.
 SECTION 9: Lot 7, South of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994.
 SECTION 12: NE/4.
 SECTION 14: NW/4NW/4
 1715.019 acs more or less described as follows:
 T-25-N, R-119-W, SECS 19,20,21,28,29,31,30,32,33,20
 SECTION 21: Lots 30, 32 and 34.
 SECTION 28: Lots 2,4, 5, 7, 11, 13, 16, 34 and 40 also that part of Tract 61, lying West of the Oregon Shortline Railroad Right of way and that part of Tract 129, lying Westerly of the centerline of the Bear River.

SECTION 29: Lots 34, 36, 37 and Tract 56 and Tract 58.
 SECTION 31: Lot 5, North of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994.
 SECTION 30: Tract 53.
 SECTION 32: Lot 7.
 SECTION 33: Lots 8, 9, 14, 15, 25, 26, 32 and 42.
 SECTIONS 20 & 29: Tract 59.
 SECTIONS 29 & 32: Tract 57.
 SECTIONS 21, 28, & 29: Tract 60 and that part of Tract 76, lying Westerly of the centerline of the Bear River.
 SECTIONS 19 & 20: S/2 of Tract 80B and the S/2 of Tract 81.
 All of the aforesaid containing 2521.497 acres, more or less, Being more particularly described in that certain Assignment of Agreement of Sale of Real Estate dated August 22, 2001 from John Russell Thornock and wife Emma Lucy Thornock to John Russell Thornock and Emma Lucy Thornock, Trustees as recorded in Book 471, Page 447 of the Photo Records of Lincoln County, Wyoming.

Lease No: 88849-F-0029-02
 Lessor: Norman M Harrower
 Lessee: MRC Rockies Company
 Lease Date: 08/27/2007
 Gross Acres: 2521.4970
 Recording Info: 09/21/2007, Book 673, Page 032, Entry 933329
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-119-W, SECS 6, 7 et al 806.478 acs more or less, described as follows:

T-24-N, R-119-W, SECS 06,07
 SECTION 6: Lots 49 and 50, that part of Lot 18, lying Westerly of the centerline of the Bear River.
 SECTION 7: Lots 12, 23, 24 and that part of Tract 121 lying Westerly of the centerline of the Bear River.

T-24-N, R-119 & 120-W
 Those portions of Tracts 85 and 86 lying Westerly of the centerline of the Bear River.

T-24-N, R-120-W, SECS 01,03,04,09,12,14
 SECTION 1: S/2SE/4, Tracts 41A, 41C, 41D, 45 and 130.
 SECTION 3: Lot 9, East of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994.
 SECTION 4: Lots 5 and 10.
 SECTION 9: Lot 7, South of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994.
 SECTION 12: NE/4.
 SECTION 14: NW/4NW/4

1715.019 acs more or less described as follows:
 T-25-N, R-119-W, SECS 19,20,21,28,29,31,30,32,33,20
 SECTION 21: Lots 30, 32 and 34.
 SECTION 28: Lots 2,4, 5, 7, 11, 13, 16, 34 and 40 also that part of Tract 61, lying West of the Oregon Shortline Railroad Right of way and that part of Tract 129, lying Westerly of the centerline of the Bear River.
 SECTION 29: Lots 34, 36, 37 and Tract 56 and Tract 58.
 SECTION 31: Lot 5, North of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994.
 SECTION 30: Tract 53.
 SECTION 32: Lot 7.
 SECTION 33: Lots 8, 9, 14, 15, 25, 26, 32 and 42.
 SECTIONS 20 & 29: Tract 59.
 SECTIONS 29 & 32: Tract 57.
 SECTIONS 21, 28, & 29: Tract 60 and that part of Tract 76, lying Westerly of the centerline of the Bear River.

SECTIONS 19 & 20: S/2 of Tract 80B and the S/2 of Tract 81.

All of the aforesaid containing 2521.497 acres, more or less, Being more particularly described in that certain Assignment of Agreement of Sale of Real Estate dated August 22, 2001 from John Russell Thornock and wife Emma Lucy Thornock to John Russell Thornock and Emma Lucy Thornock, Trustees as recorded in Book 471, Page 447 of the Photo Records of Lincoln County, Wyoming.

Lease No: 88849-F-0029-03
Lessor: Thomas S Harrower
Lessee: MRC Rockies Company
Lease Date: 08/27/2007
Gross Acres: 2521.4970
Recording Info: 09/21/2007, Book 673, Page 026, Entry 933327
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-119-W, SECS 06,07 et al 806.478 acs more or less, described as follows:

T-24-N, R-119-W, SECS 06,07

SECTION 6: Lots 49 and 50, that part of Lot 18, lying Westerly of the centerline of the Bear River.

SECTION 7: Lots 12, 23, 24 and that part of Tract 121 lying Westerly of the centerline of the Bear River.

T-24-N, R-119 & 120-W

Those portions of Tracts 85 and 86 lying Westerly of the centerline of the Bear River.

T-24-N, R-120-W, SECS 01,03,04,09,12,14

SECTION 1: S/2SE/4, Tracts 41A, 41C, 41D, 45 and 130.

SECTION 3: Lot 9, East of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994.

SECTION 4: Lots 5 and 10.

SECTION 9: Lot 7, South of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994.

SECTION 12: NE/4.

SECTION 14: NW/4NW/4

1715.019 acs more or less described as follows:

T-25-N, R-119-W, SECS 19,20,21,28,29,31,30,32,33,20

SECTION 21: Lots 30, 32 and 34.

SECTION 28: Lots 2,4, 5, 7, 11, 13, 16, 34 and 40 also that part of Tract 61, lying West of the Oregon Shortline Railroad Right of way and that part of Tract 129, lying Westerly of the centerline of the Bear River.

SECTION 29: Lots 34, 36, 37 and Tract 56 and Tract 58.

SECTION 31: Lot 5, North of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994.

SECTION 30: Tract 53.

SECTION 32: Lot 7.

SECTION 33: Lots 8, 9, 14, 15, 25, 26, 32 and 42.

SECTIONS 20 & 29: Tract 59.

SECTIONS 29 & 32: Tract 57.

SECTIONS 21, 28, & 29: Tract 60 and that part of Tract 76, lying Westerly of the centerline of the Bear River.

SECTIONS 19 & 20: S/2 of Tract 80B and the S/2 of Tract 81.

All of the aforesaid containing 2521.497 acres, more or less, Being more particularly described in that certain Assignment of Agreement of Sale of Real Estate dated August 22, 2001 from John Russell Thornock and wife Emma Lucy Thornock to John Russell Thornock and Emma Lucy Thornock, Trustees as recorded in Book 471, Page 447 of the Photo Records of Lincoln County, Wyoming.

Lease No: 88849-F-0029-04
Lessor: Julienne Harrower
Lessee: MRC Rockies Company
Lease Date: 08/27/2007
Gross Acres: 2521.4970
Recording Info: 09/21/2007, Book 673, Page 029, Entry 933328
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-119-W, SECS 06,07 et al 806.478 acs more or less, described as follows:

T-24-N, R-119-W, SECS 06,07
SECTION 6: Lots 49 and 50, that part of Lot 18, lying Westerly of the centerline of the Bear River.
SECTION 7: Lots 12, 23, 24 and that part of Tract 121 lying Westerly of the centerline of the Bear River.

T-24-N, R-119 & 120-W
Those portions of Tracts 85 and 86 lying Westerly of the centerline of the Bear River.

T-24-N, R-120-W, SECS 01,03,04,09,12,14
SECTION 1: S/2SE/4, Tracts 41A, 41C, 41D, 45 and 130.
SECTION 3: Lot 9, East of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994.
SECTION 4: Lots 5 and 10.
SECTION 9: Lot 7, South of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994.
SECTION 12: NE/4.
SECTION 14: NW/4NW/4

1715.019 acs more or less described as follows:
T-25-N, R-119-W, SECS 19,20,21,28,29,31,30,32,33,20
SECTION 21: Lots 30, 32 and 34.
SECTION 28: Lots 2,4, 5, 7, 11, 13, 16, 34 and 40 also that part of Tract 61, lying West of the Oregon Shortline Railroad Right of way and that part of Tract 129, lying Westerly of the centerline of the Bear River.
SECTION 29: Lots 34, 36, 37 and Tract 56 and Tract 58.
SECTION 31: Lot 5, North of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994.
SECTION 30: Tract 53.
SECTION 32: Lot 7.
SECTION 33: Lots 8,9, 14, 15, 25, 26, 32 and 42.
SECTIONS 20 & 29: Tract 59.
SECTIONS 29 & 32: Tract 57.
SECTIONS 21, 28, & 29: Tract 60 and that part of Tract 76, lying Westerly of the centerline of the Bear River.
SECTIONS 19 & 20: S/2 of Tract 80B and the S/2 of Tract 81.
All of the aforesaid containing 2521.497 acres, more or less, Being more particularly described in that certain Assignment of Agreement of Sale of Real Estate dated August 22, 2001 from John Russell Thornock and wife Emma Lucy Thornock to John Russell Thornock and Emma Lucy Thornock, Trustees as recorded in Book 471, Page 447 of the Photo Records of Lincoln County, Wyoming.

Lease No: 88849-F-0055-00
 Lessor: H & B Land Company
 Lessee: MRC Rockies Company
 Lease Date: 07/16/2007
 Gross Acres: 410.0000
 Recording Info: 09/21/2007, Book 673, Page 035, Entry 933330
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-119-W, SECS 28,29,32,33 - 410.00 acs more or less being Tract 47, LESS & EXCEPT that part of said Tract 47 in that certain Warranty Deed dated July 15, 2004, from Herman K Teichert and wife, Buhla B Teichert to H & B Land Company LLC as recorded in Book 562, Page 627 of the Photo Records of Lincoln County, Wyoming

Lease No: 88849-F-0057-01
 Lessor: Kenneth W & Nanette Cook
 Lessee: MRC Rockies Company
 Lease Date: 09/06/2007
 Gross Acres: 205.0000
 Recording Info: 09/21/2007, Book 673, Page 040, Entry 933332
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-119-W, SECS 33,34 - 205.00 acs more or less being that part of Tracts 46 and 49, more particularly described as Cottonwood Ranch North Tract in that certain Corporation Warranty Deed dated May 28, 2004, from Cottonwood Ranch Inc to Kenneth W Cook and wife Nanette Cook as recorded in Book 557, Page 322, of the Photo Records of Lincoln County, Wyoming

Lease No: 88849-F-0058-01
 Lessor: Esther M Hutchinson
 Lessee: MRC Rockies Company
 Lease Date: 08/23/2007
 Gross Acres: 159.9800
 Recording Info: 09/21/2007, Book 673, Page 038, Entry 933331
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-119-W, SEC 21 - 159.98 acs more or less being Tract 53 (159.98)

Lease No: 88849-F-0058-02
 Lessor: Evan H and Dotty Jo Pope
 Lessee: MRC Rockies Company
 Lease Date: 08/23/2007
 Gross Acres: 159.9800
 Recording Info: 10/03/2007, Book 674, Page 269, Entry 933684
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-119-W, SEC 21 - 159.98 acs more or less being Tract 53 (159.98)

Lease No: 88849-F-0059-01
 Lessor: Norman M Harrower
 Lessee: MRC Rockies Company
 Lease Date: 09/07/2007
 Gross Acres: 608.0000
 Recording Info: 10/03/2007, Book 674, Page 266, Entry 933683
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-119-W, SECS 32,33; 24 & 25N120W06 - 608.00 acs, more or less and being more particularly described in that certain Warranty Deed dated March 8, 1983 from S. Reed Dayton and wife, Lois T Dayton, to Norman M Harrower, as recorded in Book 199, Page 287, Photo Records of Lincoln County, Wyoming, and described as follows:
 T-25-N, R-119-W, SECS 32,33, 6th PM
 Section 32 - Tract 49
 Section 33 - Tract 46
 T-24 & 25-N, R-120-W, SEC 06, 6th PM

Section 6 - Tract 108, a part of Tract 109 and a part of Tract 107, being that part lying West of the Union Pacific Railroad right-of-way

All of the aforesaid containing 608.00 acres, more or less being more particularly described in that certain Warranty Deed dated March 8, 1983 from S Reed Dayton and wife, Lois T Dayton to Norman M Harrower as recorded in Book 199, Page 287 of the Photo Records of Lincoln County, Wyoming

Lease No: 88849-F-0059-02
 Lessor: Cottonwood Ranch Inc
 Lessee: MRC Rockies Company
 Lease Date: 09/06/2007
 Gross Acres: 403.0000
 Recording Info: 09/28/2007, Book 673, Page 667, Entry 933536
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-119-W, SECS 32,33; T-24 & 25-N, R-120-W, SEC 06 - 608.00 acs, more or less and being more particularly described in that certain Warranty Deed dated March 8, 1983 from S. Reed Dayton and wife, Lois T Dayton, to Norman M Harrower, as recorded in Book 199, Page 287, Photo Records of Lincoln County, Wyoming, and described as follows:

T-25-N, R-119-W, SECS 32,33, 6th PM
 Section 32 - Tract 49
 Section 33 - Tract 46

LESS AND EXCEPT 205.00 acs more or less, being that part of Tracts 46 and 49 within Sections 33 and 34, T-25-N, R-119-W, and more particularly described as Cottonwood Ranch North Tract in that certain Corporation Warranty Deed dated May 28, 2004 from Cottonwood Ranch Inc to Kenneth W Cook and wife, Nanette Cook as recorded in Book 557, Page 332 of the Photo Records of Lincoln County, Wyoming

T-24 & 25-N, R-120-W, SEC 06, 6th PM

Section 6 - Tract 108, a part of Tract 109 and a part of Tract 107, being that part lying West of the Union Pacific Railroad right-of-way

All of the aforesaid containing 608.00 acres, more or less being more particularly described in that certain Warranty Deed dated March 8, 1983 from S Reed Dayton and wife, Lois T Dayton to Norman M Harrower as recorded in Book 199, Page 287 of the Photo Records of Lincoln County, Wyoming

Lease No: 88849-F-0060-01
 Lessor: Ernest A and Karen Thornock
 Lessee: MRC Rockies Company
 Lease Date: 09/04/2007
 Gross Acres: 3328.4480
 Recording Info: 09/21/2007, Book 673, Page 017, Entry 933323
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-119-W, 6th PM, 1,715.019 acs described as follows:

Section 21 - Lots 30, 32 and 34

Section 28 - Lots 2,4, 5,7, 11, 13, 16, 34 and 40 also that part of Tract 61, lying West of the Oregon Shortline Railroad Right-of- way and that part of Tract 129, lying Westerly of the centerline of the Bear River

Section 29 - Lots 34, 36, 37 and Tract 56 and Tract 58

Section 31 - Lot 5, North of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994

Section 30 - Tract 53

Section 32 - Lot 7

Section 33 - Lots 8, 9, 14, 15, 25, 26, 32 and 42

Sections 20 & 29 - Tract 59

Sections 29 & 32 - Tract 57

Sections 21, 28, & 29 - Tract 60 and that part of Tract 76, lying Westerly of the centerline of the Bear River

Sections 19 & 20 - S/2 of Tract 80B and the S/2 of Tract 81

Exhibit "A-2"

T-24-N, R-119-W, SECS 06,07; T-24-N, R-119 &120-W; T-24-N, R-120-W, SECS 01,03,04,09,12,14 - 806.478 acs described as follows:

T-24-N, R-119-W, 6th P.M.

Section 6 - Lots 49 and 50, that part of Lot 18, lying Westerly of the centerline of the Bear River

Section 7 - Lots 12, 23, 24 and that part of Tract 121 lying Westerly of the centerline of the Bear River

T-24-N, R-119 & 120-W 6th P.M.

Those portions of Tracts 85 and 86 lying Westerly of the centerline of the Bear River

T-24-N, R-120-W, 6th P. M.

Section 1 - S/2 SE/4, Tracts 41A, 41C, 41D,45 and 130

Section 3 - Lot 9, East of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994

Section 4 - Lots 5 and 10

Section 9 - Lot 7, South of property line/fence line as described by Surveyor Scherbel, LTD on the Map recorded in the Lincoln County, Wyoming Clerk's Office as Map 21C on January 5, 1994

Section 12 - NE/4

Section 14 - NW/4NW/4

Lease No: 88849-F-0061-01
Lessor: Ronald H & Vonda L Teichert
Lessee: MRC Rockies Company
Lease Date: 07/19/2007
Gross Acres: 194.0000
Recording Info: 09/21/2007, Book 673, Page 046, Entry 933334
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-119-W, SECS 28,29,32,33 - 194.00 acs being Tract 47, and that part of said Tract 47 described in that certain Warranty Deed dated May 31, 1999 from Herman K Teichert and wife, Buhla B Teichert to Ronald H Teichert and wife, Vonda L Teichert as recorded in Book 432, Page 126 of the Photo Records of Lincoln County, Wyoming

Lease No: 88849-F-0061-02
Lessor: Richard B & Debra F Teichert
Lessee: MRC Rockies Company
Lease Date: 07/19/2007
Gross Acres: 194.0000
Recording Info: 09/21/2007, Book 673, Page 049, Entry 933335
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-119-W, SECS 28,29,32,33 - 194.00 acs being Tract 47, and that part of said Tract 47 described in that certain Warranty Deed dated May 31, 1999 from Herman K Teichert and wife, Buhla B Teichert to Ronald H Teichert and wife, Vonda L Teichert as recorded in Book 432, Page 126 of the Photo Records of Lincoln County, Wyoming

Lease No: 88849-F-0061-03
Lessor: Chad B Teichert
Lessee: MRC Rockies Company
Lease Date: 07/19/2007
Gross Acres: 194.0000
Recording Info: 09/21/2007, Book 673, Page 043, Entry 933333
State: Wyoming
County: Lincoln
Legal Description: T-24-N, R-119-W, SECS 28,29,32,33 - 194.00 acs being Tract 47, and that part of said Tract 47 described in that certain Warranty Deed dated May 31, 1999 from Herman K Teichert and wife, Buhla B Teichert to Ronald H Teichert and wife, Vonda L Teichert as recorded in Book 432, Page 126 of the Photo Records of Lincoln County, Wyoming

Lease No: 88849-F-0061-04
 Lessor: Briant B and Clyda J Teichert
 Lessee: MRC Rockies Company
 Lease Date: 07/19/2007
 Gross Acres: 194.0000
 Recording Info: 09/21/2007, Book 673, Page 020, Entry 933325
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-119-W, SECS 28,29,32,33 - 194.00 acs being Tract 47 described in that certain Warranty Deed dated May 31, 1999 from Herman K Teichert and wife, Buhla B Teichert to Ronald H Teichert and wife, Vonda L Teichert as recorded in Book 432, Page 126, of the Photo Records of Lincoln County, Wyoming.

Lease No: 88849-F-0062-00
 Lessor: K-H Cornia Investments LLC
 Lessee: MRC Rockies Company
 Lease Date: 09/13/2007
 Gross Acres: 555.0000
 Recording Info: 09/28/2007, Book 673, Page 661, Entry 933534
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-120-W, SEC 27, 6th PM - 555.00 acs more ore less described as beginning at a point situated on the West Boundary of Tract 42 from whence the NW/corner of Section 27, T-22-N, R-12-W, Lincoln County, Wyoming bears South 1343.10 feet; thence South 84 deg 25' East, 3062 feet, thence North 74 deg 20' East, 1164.0 feet; thence South 81 deg 38' East, 890.40 feet; thence South 26 deg 20' East, 508.80 feet; thence South 20 Deg 41" East, 4249.00 feet; thence South 2 deg 27' West, 1320.70 feet along the Western boundary of the holdings of John Sedey and Beckquith-Quinn and Company of A. B Weston; thence North 63 deg 57' West, 7453.50 feet to a point situated in the West boundary of Tract 42; thence North 2574.90 feet along the West boundary of said Tract 42 to the point of beginning and containing 555.00 acres, more or less

Lease No: 88849-F-0063-00
 Lessor: Dayton Sublette LLC
 Lessee: MRC Rockies Company
 Lease Date: 09/10/2007
 Gross Acres: 504.3100
 Recording Info: 09/28/2007, Book 673, Page 664, Entry 933535
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-119-W, SECS 14,23,24 - 504.31 acs more or less, described as follows:
 Section 14, 23 - E/2 of Tract 61B and all of Tract 61C
 Section 23 - Tract 61D, Lot 5, 6, 13, 18, 20, 21, S/2 SE/4 and SE/4 SW/4
 Section 23, 24 - Tract 62 less and except the East 40.00 acres
 Section 24 - W/2 of Lot 8, W/2 NW/4 SW/4

Lease No: 88849-F-0093-00
 Lessor: Anderson Brothers Trust dated 09-26-84, by Craig D Anderson, Trustee and Claudia M Anderson, Individually and as Trustees
 Lessee: MRC Rockies Company
 Lease Date: 11/08/2007
 Gross Acres: 1930.6700
 Recording Info: 02/01/2008, Book 685, Page 495, Entry 936671
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-119-W, SECS 06, 6th PM
 Section 6: All of Resurvey Tract 115
 T-25-N, R-120-W, SEC 01, 6th PM
 Section 1: Tracts 43 and 44 (described under original survey as Lots 2, 3,4, SW/4NW/4, N/2SE/4 and E/2SW/4)
 LESS AND EXCEPT: 1.00 acres, more or less, described in that Certain Warranty Deed dated November 23, 1949 from Parley T. Anderson et al to Alma K. Walton as recorded in Book 27, Page 380 of the Photo Records of Lincoln County, Wyoming.

LESS AND EXCEPT: 1.65 acres, more or less, described in that certain Warranty Deed dated June 14, 1915 from Parley T Anderson to Oregon Short Line Railroad Company, as recorded in Book 2, Page 318 of the Deed Records of Lincoln County, Wyoming.

LESS AND EXCEPT: 0.73 acres, more or less, described in that certain Warranty Deed dated August 23, 1916 from Parley T. Anderson to Oregon Short Line Railroad Company as recorded in Book 2, Page 509 of the Deed Records of Lincoln County, Wyoming.

All of Resurvey Tract 115

A parcel of land bounded on the North by Tracts 44 and 116, on the East by Tract 116 on the South by Tract 43 and on the West by the Idaho State Line, containing 91.46 acres, more or less.

T-26-N, R-119-W, SECS 29,30,31,32, 6th PM

Section 29: SE/4SW/4

Section 30: SW/4SE/4, S/2SW/4

Section 31: S/2, S/2N/2, N/2NW/4, NW/4NE/4

Section 32: Lots I and 2, SW/4NE/4, E/2NW/4, SW/4NW/4, N/2SW/4, NW/4SW/4

T-26-N, R-120-W, SEC 25, 6th PM

Section 25: S/2SE/4 LESS AND EXCEPT: 1.568 acres, more or less, described in that certain Warranty Deed dated May 28, 1932 from Parley T. Anderson et ux to John Peccolo and Ermett Colobarie, as recorded in Book 17, Page 286 of the Deed Records of Lincoln County, Wyoming. LESS AND EXCEPT: 1.58 acres, more or less, described in that certain Warranty Deed dated April 2, 1938 from Parley T Anderson et ux to Reuei T, Call, as recorded in Book 18, Page 606 of the Deed Records of Lincoln County, Wyoming. LESS AND EXCEPT: 1.00 acres, more or less, described in that certain Warranty Deed dated July 28, 1959 from Theodore Anderson et al to Robert Lewis Dayton, as recorded in Book 35, Page 518 of the Photo Records of Lincoln County, Wyoming.

Section 36: NE/4, E/2SE/4 LESS AND EXCEPT: from the hereinabove described lands, 18.16 acres, more or less, described in that certain Warranty Deed dated March 30, 1935 from Parley T. Anderson to Lincoln County, Wyoming as recorded in Book 20, Page 185 of the Deed Records of Lincoln County, Wyoming.

Lease No: 88849-F-0094-00
Lessor: Fisher Revocable Trust dated 06-23-05
Lessee: MRC Rockies Company
Lease Date: 11/14/2007
Gross Acres: 161.6600
Recording Info: 02/01/2008, Book 685, Page 493, Entry 936670
State: Wyoming
County: Lincoln
Legal Description: T-25-N, R-120-W, SECS 01,12, 6th PM
Section 1 and 12, 161.66 acs being Tract 42

Lease No: 88849-F-0095-00
Lessor: Darcy Brent & Mary Ann Holden
Lessee: MRC Rockies Company
Lease Date: 11/27/2007
Gross Acres: 149.2300
Recording Info: 02/01/2008, Book 685, Page 498, Entry 936672
State: Wyoming
County: Lincoln
Legal Description: T-26-N, R-120-W, SECS 25,36
149.23 acs being Lot 4 of Section 25, and Lots 1 & 2 of Section 36

Lease No: 88849-F-0129-00
 Lessor: Michael R Whitby
 Lessee: MRC Rockies Company
 Lease Date: 01/28/2008
 Gross Acres: 97.4600
 Recording Info: 02/26/2008, Book 688, Page 050, Entry 937203
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-119-W, SEC 03 - 97.46 acs, more or less, being all that portion of Tract 94, LESS AND EXCEPT land previously deeded to George L Hankin and Mavis A Hankin recorded in Book 157PR, Page 29 and Book 296PR Page 89. Also LESS AND EXCEPT Lots 35, 43 and 44 of Tract 94, subject to easements and rights-of-way of record and vision

Lease No: 88849-F-0130-01
 Lessor: Carma R Fabrizio
 Lessee: MRC Rockies Company
 Lease Date: 01/30/2008
 Gross Acres: 851.1400
 Recording Info: 02/26/2008, Book 688, Page 041, Entry 937200
 State: Wyoming
 County: Lincoln
 Legal Description: T-24 & 25-N, R-119- W, 6th P. M.
 All of Tract 45, LESS AND EXCEPT: that part described as follows: Beginning at a point designated as 2/45 of Tract 45, Township 25 North, Range 119 West, 6th P. M., Wyoming, and running thence West 302 feet, more or less, to the center of the present state highway; thence South 11°55' East along the middle of said state highway to the West line of Tract 42; thence North to point number 5/45; thence East 39.75 chains to corner number 4; thence North 00 deg 54' East 19.88 chains to corner number 3; thence West 39.90 chains to corner number 2 and point of beginning. LESS AND EXCEPT: that part of Tract 45 Township 25 North, Range 119 West, 6th P. M. Wyoming, described as follows: Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof, thence West along the South line of said Tract to the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning.
 That part of Tracts 42 and 45, Township 25 North, Range 119 West, 6th P.M. described as follows: Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof; thence West along the South line of said Tract to Point Number 7/45, being the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning. Commencing at corner Number 8/45 in Tract 45, Township 25 North, Range 119 West, 6th P.M. and running thence North 9° West 527 feet, thence North 42° East 104 feet, thence North 37° West 104 feet, thence West 184 feet to the Oregon Short Line Railroad right of way, thence South 10 deg 39', East 693 feet along the East Boundary of the Oregon Short Line Railroad Company's right of way, thence South 89°30' East 130 feet to the place of beginning.
 All of Tract 48, Township 25 North, Range 119 West, 6th P. M.
 All of Tract 69, Township 25 North, Range 119 West, 6th P. M.

T-24-N, R-119-W, SECS 04,05

A parcel of land situated within the westernmost portion of Resurvey Tract Number 104 of Township 24 North, Range 119 West, 6th P.M. described in particular as follows: Beginning at Corner 3 of said Tract 104; thence south 89 deg 40' East, 13.03 chains along the southern boundary of said Tract 104 to the Western boundary of land deeded to the San Francisco Sulphur Company as described on page 68 of Book 18 of Lincoln County deeds; thence North 27 deg 3' East, 2.97 chains to a point on the northeasterly bank of the Kinney Irrigation Ditch, a meander point on said western boundary; thence meandering northerly on the northeasterly bank said irrigation Ditch; North 62 deg 1' West 9.03 chains; North 26 deg 25' West 7.76 chains; North 11 deg 3' West, 8.81 chains; North 6 deg 36', 10.86 chains to the northern boundary of said Tract 104; thence South 89 deg 50' West, 2.51 chains to Corner No.4 of said Tract 104; thence South 33.18 chains to the place of beginning.

That part of Tract 105, Township 24 North, Range 119 West of the 6th P.M.

That part of Tract 105. Township 24 North, Range 119 West; lying East of the present

Wyoming State Highway known as 30 North excepting a parcel of land situated within the boundaries of Resurvey Tract No. 105, Township 24 North, Range 119 West, 6th P.M.; said parcel of land forming a portion of the right of way for U.S. Highway No. 30N, as shown in particular upon the plat of the survey for F.A.P. No. 34-Sec. "A" by the Wyoming State Highway Department, as follows, to wit: Beginning at a point on the Southern boundary line of said Tract 107 from whence Corner No.2 of Tract 105 of said T. & R. Bears S. 89 deg 20' East 1258.4 feet; thence North 89 deg 20' West 153.4 feet; thence North 11 deg 58' West, 2211.9 feet, thence North 89 deg 50' East, 153.2 feet along the Northern boundary line of said Tract 105; thence south 11 deg 58' East, 2214.40 feet to the place of beginning.

A parcel of land situated within Tract 106 of Township 24 North, Range 119 West of the 6th P.M., described in particular as follows, to-wit: Beginning at Highway fence on West side of Highway 30N and 30 feet North of Smiths Fork River bank, running 125 feet west, thence North 300 feet, thence East 125 feet, thence south 300 feet to place of beginning, with right of way privileges to enter above described land through driveway to Tract 106.

Lease No: 88849-F-0130-02
 Lessor: Raymond H Moon
 Lessee: MRC Rockies Company
 Lease Date: 01/30/2008
 Gross Acres: 851.1400
 Recording Info: 02/26/2008, Book 688, Page 056, Entry 937205
 State: Wyoming
 County: Lincoln
 Legal Description: T-24 & 25-N, R-119-W, 6th P. M.

All of Tract 45, LESS AND EXCEPT: that part described as follows: Beginning at a point designated as 2/45 of Tract 45, Township 25 North, Range 119 West, 6th P. M., Wyoming, and running thence West 302 feet, more or less, to the center of the present state highway; thence South 11°55' East along the middle of said state highway to the West line of Tract 42; thence North to point number 5/45; thence East 39.75 chains to corner number 4; thence North 00 deg 54' East 19.88 chains to corner number 3; thence West 39.90 chains to corner number 2 and point of beginning. LESS AND EXCEPT: that part of Tract 45 Township 25 North, Range 119 West, 6th P. M. Wyoming, described as follows: Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof, thence West along the South line of said Tract to the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning.

That part of Tracts 42 and 45, Township 25 North, Range 119 West, 6th P.M. described as follows: Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof; thence West along the South line of said Tract to Point Number 7/45, being the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning. Commencing at corner Number 8/45 in Tract 45, Township 25 North, Range 119 West, 6th P.M. and running thence North 9° West 527 feet, thence North 42° East 104 feet, thence North 37° West 104 feet, thence West 184 feet to the Oregon Short Line Railroad right of way, thence South 10 deg 39', East 693 feet along the East Boundary of the Oregon Short Line Railroad Company's right of way, thence South 89°30' East 130 feet to the place of beginning.

All of Tract 48, Township 25 North, Range 119 West, 6th P. M.

All of Tract 69, Township 25 North, Range 119 West, 6th P. M.

T-24-N, R-119-W, SECS 04,05

A parcel of land situated within the westernmost portion of Resurvey Tract Number 104 of Township 24 North, Range 119 West, 6th P.M. described in particular as follows:

Beginning at Corner 3 of said Tract 104; thence south 89 deg 40' East, 13.03 chains along the southern boundary of said Tract 104 to the Western boundary of land deeded to the San Francisco Sulphur Company as described on page 68 of Book 18 of Lincoln County deeds; thence North 27 deg 3' East, 2.97 chains to a point on the northeasterly bank of the Kinney Irrigation Ditch, a meander point on said western boundary; thence meandering northerly on the northeasterly bank said irrigation Ditch; North 62 deg 1' West 9.03 chains; North 26 deg 25' West 7.76 chains; North 11 deg 3' West, 8.81 chains; North 6 deg 36', 10.86 chains to the northern boundary of said Tract 104; thence South 89 deg 50' West, 2.51 chains to Corner No.4 of said Tract 104; thence South 33.18 chains to the place of beginning.

That part of Tract 105, Township 24 North, Range 119 West of the 6th P.M.

That part of Tract 105, Township 24 North, Range 119 West; lying East of the present Wyoming State Highway known as 30 North excepting a parcel of land situated within the boundaries of Resurvey Tract No. 105, Township 24 North, Range 119 West, 6th P.M.; said parcel of land forming a portion of the right of way for U.S. Highway No. 30N, as shown in particular upon the plat of the survey for F.A.P. No. 34-Sec. "A" by the Wyoming State Highway Department, as follows, to wit: Beginning at a point on the Southern boundary line of said Tract 107 from whence Corner No.2 of Tract 105 of said T. & R. Bears S. 89 deg 20' East 1258.4 feet; thence North 89 deg 20' West 153.4 feet; thence North 11 deg 58' West, 2211.9 feet, thence North 89 deg 50' East, 153.2 feet along the Northern boundary line of said Tract 105; thence south 11 deg 58' East, 2214.40 feet to the place of beginning.

A parcel of land situated within Tract 106 of Township 24 North, Range 119 West of the 6th P.M., described in particular as follows, to-wit:

Beginning at Highway fence on West side of Highway 30N and 30 feet North of Smiths Fork River bank, running 125 feet west, thence North 300 feet, thence East 125 feet, thence south 300 feet to place of beginning, with right of way privileges to enter above described land through driveway to Tract 106.

Lease No: 88849-F-0130-03
 Lessor: Carolyn R Moon
 Lessee: MRC Rockies Company
 Lease Date: 01/30/2008
 Gross Acres: 851.1400
 Recording Info: 03/05/2008, Book 688, Page 697, Entry 937384
 State: Wyoming
 County: Lincoln
 Legal Description: T-24 & 25-N, R-119-W, 6th P. M.

All of Tract 45, LESS AND EXCEPT: that part described as follows: Beginning at a point designated as 2/45 of Tract 45, Township 25 North, Range 119 West, 6th P. M., Wyoming, and running thence West 302 feet, more or less, to the center of the present state highway; thence South 11°55' East along the middle of said state highway to the West line of Tract 42; thence North to point number 5/45; thence East 39.75 chains to corner number 4; thence North 00 deg 54' East 19.88 chains to corner number 3; thence West 39.90 chains to corner number 2 and point of beginning. LESS AND EXCEPT: that part of Tract 45 Township 25 North, Range 119 West, 6th P. M. Wyoming, described as follows:

Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof, thence West along the South line of said Tract to the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning.

That part of Tracts 42 and 45, Township 25 North, Range 119 West, 6th P.M. described as follows: Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof; thence West along the South line of said Tract to Point Number 7/45, being the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning. Commencing at corner Number 8/45 in Tract 45, Township 25 North, Range 119 West, 6th P.M. and running thence North 9° West 527 feet, thence North 42° East 104 feet, thence North 37° West 104 feet, thence West 184 feet to the Oregon Short Line Railroad right of way, thence South 10 deg 39', East 693 feet along the East Boundary of the Oregon Short Line Railroad Company's right of way, thence South 89°30' East 130 feet to the place of beginning.

All of Tract 48, Township 25 North, Range 119 West, 6th P. M.

All of Tract 69, Township 25 North, Range 119 West, 6th P. M.

T-24-N, R-119-W, SECS 04,05

A parcel of land situated within the westernmost portion of Resurvey Tract Number 104 of Township 24 North, Range 119 West, 6th P.M. described in particular as follows: Beginning at Corner 3 of said Tract 104; thence south 89 deg 40' East, 13.03 chains along the southern boundary of said Tract 104 to the Western boundary of land deeded to the San Francisco Sulphur Company as described on page 68 of Book 18 of Lincoln County deeds; thence North 27 deg 3' East, 2.97 chains to a point on the northeasterly bank of the Kinney Irrigation Ditch, a meander point on said western boundary; thence meandering northerly on the northeasterly bank said irrigation Ditch; North 62 deg 1' West 9.03 chains;

North 26 deg 25' West 7.76 chains; North 11 deg 3' West, 8.81 chains; North 6 deg 36', 10.86 chains to the northern boundary of said Tract 104; thence South 89 deg 50' West, 2.51 chains to Corner No.4 of said Tract 104; thence South 33.18 chains to the place of beginning.

That part of Tract 105, Township 24 North, Range 119 West of the 6th P.M.

That part of Tract 105, Township 24 North, Range 119 West; lying East of the present Wyoming State Highway known as 30 North excepting a parcel of land situated within the boundaries of Resurvey Tract No. 105, Township 24 North, Range 119 West, 6th P.M.; said parcel of land forming a portion of the right of way for U.S. Highway No. 30N, as shown in particular upon the plat of the survey for F.A.P. No. 34-Sec. "A" by the Wyoming State Highway Department, as follows, to wit: Beginning at a point on the Southern boundary line of said Tract 107 from whence Corner No.2 of Tract 105 of said T. & R. Bears South 89 deg 20' East 1258.4 feet; thence North 89 deg 20' West 153.4 feet; thence North 11 deg 58' West, 2211.90 feet, thence North 89 deg 50' East, 153.2 feet along the Northern boundary line of said Tract 105; thence South 11 deg 58' East, 2214.40 feet to the place of beginning.

A parcel of land situated within Tract 106 of Township 24 North, Range 119 West of the 6th P.M., described in particular as follows, to-wit:

Beginning at Highway fence on West side of Highway 30N and 30 feet North of Smiths Fork River bank, running 125 feet west, thence North 300 feet, thence East 125 feet, thence south 300 feet to place of beginning, with right of way privileges to enter above described land through driveway to Tract 106.

Lease No: 88849-F-0130-04
 Lessor: Monea Mathews
 Lessee: MRC Rockies Company
 Lease Date: 01/30/2008
 Gross Acres: 851.1400
 Recording Info: 02/26/2008, Book 688, Page 044, Entry 937201
 State: Wyoming
 County: Lincoln
 Legal Description: T-24 & 25-N, R-119-W, 6th P. M.

All of Tract 45, LESS AND EXCEPT: that part described as follows: Beginning at a point designated as 2/45 of Tract 45, Township 25 North, Range 119 West, 6th P. M., Wyoming, and running thence West 302 feet, more or less, to the center of the present state highway; thence South 11°55' East along the middle of said state highway to the West line of Tract 42; thence North to point number 5/45; thence East 39.75 chains to corner number 4; thence North 00 deg 54' East 19.88 chains to corner number 3; thence West 39.90 chains to corner number 2 and point of beginning. LESS AND EXCEPT: that part of Tract 45 Township 25 North, Range 119 West, 6th P. M. Wyoming, described as follows: Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof, thence West along the South line of said Tract to the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning.

That part of Tracts 42 and 45, Township 25 North, Range 119 West, 6th P.M. described as follows: Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof; thence West along the South line of said Tract to Point Number 7/45, being the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning. Commencing at corner Number 8/45 in Tract 45, Township 25 North, Range 119 West, 6th P.M. and running thence North 9° West 527 feet, thence North 42° East 104 feet, thence North 37° West 104 feet, thence West 184 feet to the Oregon Short Line Railroad right of way, thence South 10 deg 39', East 693 feet along the East Boundary of the Oregon Short Line Railroad Company's right of way, thence South 89°30' East 130 feet to the place of beginning.

All of Tract 48, Township 25 North, Range 119 West, 6th P. M.

All of Tract 69, Township 25 North, Range 119 West, 6th P. M.

T-24-N, R-119-W, SECS 04,05

A parcel of land situated within the westernmost portion of Resurvey Tract Number 104 of Township 24 North, Range 119 West, 6th P.M. described in particular as follows:

Beginning at Corner 3 of said Tract 104; thence south 89 deg 40' East, 13.03 chains along the southern boundary of said Tract 104 to the Western boundary of land deeded to the San Francisco Sulphur Company as described on page 68 of Book 18 of Lincoln County

deeds; thence North 27 deg 3' East, 2.97 chains to a point on the northeasterly bank of the Kinney Irrigation Ditch, a meander point on said western boundary; thence meandering northerly on the northeasterly bank said irrigation Ditch; North 62 deg 1' West 9.03 chains; North 26 deg 25' West 7.76 chains; North 11 deg 3' West, 8.81 chains; North 6 deg 36', 10.86 chains to the northern boundary of said Tract 104; thence South 89 deg 50' West, 2.51 chains to Corner No.4 of said Tract 104; thence South 33.18 chains to the place of beginning.

That part of Tract 105, Township 24 North, Range 119 West of the 6th P.M.

That part of Tract 105, Township 24 North, Range 119 West; lying East of the present Wyoming State Highway known as 30 North excepting a parcel of land situated within the boundaries of Resurvey Tract No. 105, Township 24 North, Range 119 West, 6th P.M.; said parcel of land forming a portion of the right of way for U.S. Highway No. 30N, as shown in particular upon the plat of the survey for F.A.P. No. 34-Sec. "A" by the Wyoming State Highway Department, as follows, to wit: Beginning at a point on the Southern boundary line of said Tract 107 from whence Corner No.2 of Tract 105 of said T. & R. Bears S. 89 deg 20' East 1258.4 feet; thence North 89 deg 20' West 153.4 feet; thence North 11 deg 58' West, 2211.9 feet, thence North 89 deg 50' East, 153.2 feet along the Northern boundary line of said Tract 105; thence south 11 deg 58' East, 2214.40 feet to the place of beginning.

A parcel of land situated within Tract 106 of Township 24 North, Range 119 West of the 6th

P.M., described in particular as follows, to-wit:

Beginning at Highway fence on West side of Highway 30N and 30 feet North of Smiths Fork River bank, running 125 feet west, thence North 300 feet, thence East 125 feet, thence south 300 feet to place of beginning, with right of way privileges to enter above described land through driveway to Tract 106.

Lease No: 88849-F-0130-05
 Lessor: Gwen Taylor
 Lessee: MRC Rockies Company
 Lease Date: 01/30/2008
 Gross Acres: 851.1400
 Recording Info: 02/26/2008, Book 688, Page 053, Entry 937204
 State: Wyoming
 County: Lincoln
 Legal Description: T-24 & 25-N, R-119-W, 6th P. M.

All of Tract 45, LESS AND EXCEPT: that part described as follows: Beginning at a point designated as 2/45 of Tract 45, Township 25 North, Range 119 West, 6th P. M., Wyoming, and running thence West 302 feet, more or less, to the center of the present state highway; thence South 11°55' East along the middle of said state highway to the West line of Tract 42; thence North to point number 5/45; thence East 39.75 chains to corner number 4; thence North 00 deg 54' East 19.88 chains to corner number 3; thence West 39.90 chains to corner number 2 and point of beginning. LESS AND EXCEPT: that part of Tract 45 Township 25 North, Range 119 West, 6th P. M. Wyoming, described as follows: Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof, thence West along the South line of said Tract to the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning.

That part of Tracts 42 and 45, Township 25 North, Range 119 West, 6th P.M. described as follows: Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof; thence West along the South line of said Tract to Point Number 7/45, being the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning. Commencing at corner Number 8/45 in Tract 45, Township 25 North, Range 119 West, 6th P.M. and running thence North 9° West 527 feet, thence North 42° East 104 feet, thence North 37° West 104 feet, thence West 184 feet to the Oregon Short Line Railroad right of way, thence South 10 deg 39', East 693 feet along the East Boundary of the Oregon Short Line Railroad Company's right of way, thence South 89°30' East 130 feet to the place of beginning.

All of Tract 48, Township 25 North, Range 119 West, 6th P. M.

All of Tract 69, Township 25 North, Range 119 West, 6th P. M.

T-24-N, R-119-W, SECS 04,05

A parcel of land situated within the westernmost portion of Resurvey Tract Number 104 of Township 24 North, Range 119 West, 6th P.M. described in particular as follows:

Beginning at Corner 3 of said Tract 104; thence south 89 deg 40' East, 13.03 chains along the southern boundary of said Tract 104 to the Western boundary of land deeded to the San Francisco Sulphur Company as described on page 68 of Book 18 of Lincoln County deeds; thence North 27 deg 3' East, 2.97 chains to a point on the northeasterly bank of the Kinney Irrigation Ditch, a meander point on said western boundary; thence meandering northerly on the northeasterly bank said irrigation Ditch; North 62 deg 1' West 9.03 chains; North 26 deg 25' West 7.76 chains; North 11 deg 3' West, 8.81 chains; North 6 deg 36', 10.86 chains to the northern boundary of said Tract 104; thence South 89 deg 50' West, 2.51 chains to Corner No.4 of said Tract 104; thence South 33.18 chains to the place of beginning.

That part of Tract 105, Township 24 North, Range 119 West of the 6th P.M.

That part of Tract 105. Township 24 North, Range 119 West; lying East of the present Wyoming State Highway known as 30 North excepting a parcel of land situated within the boundaries of Resurvey Tract No. 105, Township 24 North, Range 119 West, 6th P.M.; said parcel of land forming a portion of the right of way for U.S. Highway No. 30N, as shown in particular upon the plat of the survey for F.A.P. No. 34-Sec. "A" by the Wyoming State Highway Department, as follows, to wit: Beginning at a point on the Southern boundary line of said Tract 107 from whence Corner No.2 of Tract 105 of said T. & R. Bears South 89 deg 20' East 1258.4 feet; thence North 89 deg 20' West 153.4 feet; thence North 11 deg 58' West, 2211.9 feet, thence North 89 deg 50' East, 153.2 feet along the Northern boundary line of said Tract 105; thence south 11 deg 58' East, 2214.40 feet to the place of beginning.

A parcel of land situated within Tract 106 of Township 24 North, Range 119 West of the 6th P.M., described in particular as follows, to-wit:

Beginning at Highway fence on West side of Highway 30N and 30 feet North of Smiths Fork River bank, running 125 feet west, thence North 300 feet, thence East 125 feet, thence south 300 feet to place of beginning, with right of way privileges to enter above described land through driveway to Tract 106.

Lease No: 88849-F-0130-06
 Lessor: David L Moon
 Lessee: MRC Rockies Company
 Lease Date: 01/30/2008
 Gross Acres: 851.1400
 Recording Info: 02/26/2008, Book 688, Page 047, Entry 937202
 State: Wyoming
 County: Lincoln
 Legal Description: T-24 & 25-N, R-119-W, 6th P. M.

All of Tract 45, LESS AND EXCEPT: that part described as follows: Beginning at a point designated as 2/45 of Tract 45, Township 25 North, Range 119 West, 6th P. M., Wyoming, and running thence West 302 feet, more or less, to the center of the present state highway; thence South 11°55' East along the middle of said state highway to the West line of Tract 42; thence North to point number 5/45; thence East 39.75 chains to corner number 4; thence North 0 deg 54' East 19.88 chains to corner number 3; thence West 39.90 chains to corner number 2 and point of beginning. LESS AND EXCEPT: that part of Tract 45 Township 25 North, Range 119 West, 6th P. M. Wyoming, described as follows: Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof, thence West along the South line of said Tract to the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning.

That part of Tracts 42 and 45, Township 25 North, Range 119 West, 6th P.M. described as follows: Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof; thence West along the South line of said Tract to Point Number 7/45, being the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning. Commencing at corner Number 8/45 in Tract 45, Township 25 North, Range 119 West, 6th P.M. and running thence North 9° West 527 feet, thence North 42° East 104 feet, thence North 37° West 104 feet, thence West 184 feet to the Oregon Short Line Railroad right of way, thence South 10 deg 39', East 693 feet along the East Boundary of the Oregon Short Line Railroad Company's right of way, thence South 89°30' East 130 feet to the place of beginning.

All of Tract 48, Township 25 North, Range 119 West, 6th P. M.

All of Tract 69, Township 25 North, Range 119 West, 6th P. M.

T-24-N, R-119-W, SECS 04,05

A parcel of land situated within the westernmost portion of Resurvey Tract Number 104 of Township 24 North, Range 119 West, 6th P.M. described in particular as follows:

Beginning at Corner 3 of said Tract 104; thence south 89 deg 40' East, 13.03 chains along the southern boundary of said Tract 104 to the Western boundary of land deeded to the San Francisco Sulphur Company as described on page 68 of Book 18 of Lincoln County deeds; thence North 27 deg 3' East, 2.97 chains to a point on the northeasterly bank of the Kinney Irrigation Ditch, a meander point on said western boundary; thence meandering northerly on the northeasterly bank said irrigation Ditch; North 62 deg 1' West 9.03 chains; North 26 deg 25' West 7.76 chains; North 11 deg 3' West, 8.81 chains; North 6 deg 36', 10.86 chains to the northern boundary of said Tract 104; thence South 89 deg 50' West, 2.51 chains to Corner No.4 of said Tract 104; thence South 33.18 chains to the place of beginning.

That part of Tract 105, Township 24 North, Range 119 West of the 6th P.M.

That part of Tract 105, Township 24 North, Range 119 West; lying East of the present Wyoming State Highway known as 30 North excepting a parcel of land situated within the boundaries of Resurvey Tract No. 105, Township 24 North, Range 119 West, 6th P.M.; said parcel of land forming a portion of the right of way for U.S. Highway No. 30N, as shown in particular upon the plat of the survey for F.A.P. No. 34-Sec. "A" by the Wyoming State Highway Department, as follows, to wit: Beginning at a point on the Southern boundary line of said Tract 107 from whence Corner No.2 of Tract 105 of said T. & R. Bears S. 89 deg 20' East 1258.4 feet; thence North 89 deg 20' West 153.4 feet; thence North 11 deg 58' West, 2211.9 feet, thence North 89 deg 50' East, 153.2 feet along the Northern boundary line of said Tract 105; thence south 11 deg 58' East, 2214.40 feet to the place of beginning.

A parcel of land situated within Tract 106 of Township 24 North, Range 119 West of the 6th P.M., described in particular as follows, to-wit:

Beginning at Highway fence on West side of Highway 30N and 30 feet North of Smiths Fork River bank, running 125 feet west, thence North 300 feet, thence East 125 feet, thence south 300 feet to place of beginning, with right of way privileges to enter above described land through driveway to Tract 106.

Lease No: 88849-F-0130-07
 Lessor: Ilene Harward
 Lessee: MRC Rockies Company
 Lease Date: 01/30/2008
 Gross Acres: 851.1400
 Recording Info: 04/02/2008, Book 691, Page 056, Entry 937973
 State: Wyoming
 County: Lincoln
 Legal Description: T-24 & 25-N, R-119-W, 6th P. M.

All of Tract 45, LESS AND EXCEPT: that part described as follows: Beginning at a point designated as 2/45 of Tract 45, Township 25 North, Range 119 West, 6th P. M., Wyoming, and running thence West 302 feet, more or less, to the center of the present state highway; thence South 11°55' East along the middle of said state highway to the West line of Tract 42; thence North to point number 5/45; thence East 39.75 chains to corner number 4; thence North 00 deg 54' East 19.88 chains to corner number 3; thence West 39.90 chains to corner number 2 and point of beginning. LESS AND EXCEPT: that part of Tract 45 Township 25 North, Range 119 West, 6th P. M. Wyoming, described as follows:

Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof, thence West along the South line of said Tract to the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning.

That part of Tracts 42 and 45, Township 25 North, Range 119 West, 6th P.M. described as follows: Commencing at Point Number 6/45 of Tract 45, being the Southeast corner thereof; thence West along the South line of said Tract to Point Number 7/45, being the Southwest corner thereof; thence North along the West line of said Tract 80 rods; thence East to the center line of the present Wyoming State Highway; thence Southeasterly along the center line of said highway to a point where said center line crosses the South line of Tract 42; thence West to the place of beginning. Commencing at corner Number 8/45 in Tract 45, Township 25 North, Range 119 West, 6th P.M. and running thence North 9° West 527 feet, thence North 42° East 104 feet, thence North 37° West 104 feet, thence West 184 feet to the Oregon Short Line Railroad right of way, thence South 10 deg 39', East 693 feet along the East Boundary of the Oregon Short Line Railroad Company's right of way, thence South 89°30' East 130 feet to the place of beginning.

All of Tract 48, Township 25 North, Range 119 West, 6th P. M.
 All of Tract 69, Township 25 North, Range 119 West, 6th P. M.

T-24-N, R-119-W, SECS 04,05

A parcel of land situated within the westernmost portion of Resurvey Tract Number 104 of Township 24 North, Range 119 West, 6th P.M. described in particular as follows:

Beginning at Corner 3 of said Tract 104; thence south 89 deg 40' East, 13.03 chains along the southern boundary of said Tract 104 to the Western boundary of land deeded to the San Francisco Sulphur Company as described on page 68 of Book 18 of Lincoln County deeds; thence North 27 deg 3' East, 2.97 chains to a point on the northeasterly bank of the Kinney Irrigation Ditch, a meander point on said western boundary; thence meandering northerly on the northeasterly bank said irrigation Ditch; North 62 deg 1' West 9.03 chains; North 26 deg 25' West 7.76 chains; North 11 deg 3' West, 8.81 chains; North 6 deg 36', 10.86 chains to the northern boundary of said Tract 104; thence South 89 deg 50' West, 2.51 chains to Corner No.4 of said Tract 104; thence South 33.18 chains to the place of beginning.

That part of Tract 105, Township 24 North, Range 119 West of the 6th P.M.

That part of Tract 105, Township 24 North, Range 119 West; lying East of the present Wyoming State Highway known as 30 North excepting a parcel of land situated within the boundaries of Resurvey Tract No. 105, Township 24 North, Range 119 West, 6th P.M.; said parcel of land forming a portion of the right of way for U.S. Highway No. 30N, as shown in particular upon the plat of the survey for F.A.P. No. 34-Sec. "A" by the Wyoming State Highway Department, as follows, to wit: Beginning at a point on the Southern boundary line of said Tract 107 from whence Corner No.2 of Tract 105 of said T. & R. Bears South 89 deg 20' East 1258.4 feet; thence North 89 deg 20' West 153.4 feet; thence North 11 deg 58' West, 2211.9 feet, thence North 89 deg 50' East, 153.2 feet along the Northern boundary line of said Tract 105; thence south 11 deg 58' East, 2214.40 feet to the place of beginning.

A parcel of land situated within Tract 106 of Township 24 North, Range 119 West of the 6th P.M., described in particular as follows, to-wit:

Beginning at Highway fence on West side of Highway 30N and 30 feet North of Smiths Fork River bank, running 125 feet west, thence North 300 feet, thence East 125 feet, thence south 300 feet to place of beginning, with right of way privileges to enter above described land through driveway to Tract 106.

Lease No: 88849-F-0131-00
 Lessor: Reed Land and Cattle Company LLP
 Lessee: MRC Rockies Company
 Lease Date: 02/14/2008
 Gross Acres: 729.3700
 Recording Info: 04/02/2008, Book 691, Page 059, Entry 937974
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-119-W, SECS 20,21 - 729.37 acs being All of Tracts 78, 79 and 86

Lease No: 88849-F-0132-00
 Lessor: Julie Anne Reed
 Lessee: MRC Rockies Company
 Lease Date: 02/05/2008
 Gross Acres: 238.4500
 Recording Info: 04/02/2008, Book 691, Page 067, Entry 937977
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-119-W, SEC 27 - 238.45 acs being all of Tract 62 and all of Tract 61 of Township 25 North, Range 119 West, 6th P.M., lying and being situated Easterly of the Oregon Short Line Railroad; EXCEPTING THEREFROM the following described Tracts of land:
 Beginning at corner No. 2 of Tract 129 where is found a concrete tack set in Highway 30N with 2" 1 P&BC witness corners set Westerly and Southerly; thence South 87°42' East, 458.00 feet to a point; thence South 10°11' East, 407.90 feet to a point; thence South 83°31' West, 954.30 feet, more or less, to the East right-of-way line of the Oregon Short Line Railroad; thence North 09°37' West, 537.00 feet, more or less, along the said right-of-way line to the North line of said Tract 61; thence South 89°47' East, 103.00 feet along the said North line to a point; thence continuing South 89°47' East, 405.00 feet, more or less, along the said North line to the place of beginning; each point being marked by a 2" galvanized steel pipe 30" long with brass cap appropriately inscribed; encompassing an area of 10.40 acres, more or less; and

That part of Tract 61 of Township 25 North, Range 119 West, Lincoln County, Wyoming, described as follows: Beginning at Corner No. 3 of Tract 48, Township 25 North, Range 119 West, 6th P.M., and running North 9° West 527.00 feet; thence North 42° East 104.00 feet; thence North 37° West 104.00 feet; thence West 184.00 feet to the Oregon Short Line Railroad (or right-of-way, as the case may be); thence South 10°39' East 693.00 feet along the Oregon Short Line Railroad (or East boundary of the Oregon Short Line Railroad right-of-way, as the case may be); thence South 89°30' East 130.00 feet to the place of beginning, containing 2.38 acres, more or less.

Lease No: 88849-F-0133-01
 Lessor: Frederic C Reed
 Lessee: MRC Rockies Company
 Lease Date: 02/22/2008
 Gross Acres: 76.6900
 Recording Info: 04/02/2008, Book 691, Page 061, Entry 937975
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-119-W, SECS 21,22 - 76.69 acs being all that portion of the most Northerly forty acres, more or less, of Tract 129, of Township 25 North, Range 119 West, 6th P. M., lying and being East of the right-of-way of the Oregon Short Line Railroad (Union Pacific System) formerly described as the SW/4SW/4 of Section 21, Township 25 North, Range 19 West 6th P. M., more particularly described by metes and bounds as follows: Beginning at corner No. I of said Tract 129 and running thence South 0 deg 16' East 20.43 chains; thence North 89°53' West to the Easterly boundary line of the right-of-way of the Oregon Short Line Railroad (Union Pacific System); thence running in a Northwesterly direction along said right-of-way boundary to a point on the North boundary of said Tract 129; thence South 80°53' East to Corner No. I of said Tract 129, the place of beginning.
 All of that portion of Tract 76, of Township 25 North, Range 119 West, 6th P. M., lying and being situated East of the East line of the right-of-way of the Oregon Short Line Railroad (Union Pacific System), according to the resurvey and known and described under the original survey thereof as being approximately the whole of the NW/4SW/4 of Section 22, Township 25 North, Range 119 West, 6th P. M., LESS AND EXCEPT: approximately 3.31 acres conveyed to Lincoln County by Deed dated March 30, 1935 and Recorded December17, 1937 in Book 21, Page 60 of the Deed Records, Lincoln County, Wyoming, for highway purpose and which portion lies on the Easterly portion of said hereinabove-described land.

Lease No: 88849-F-0133-02
 Lessor: Bernadine A Reed and Frederic C Reed, Trustees of the Bernadine A Reed Revocable Trust dated December 26, 1991
 Lessee: MRC Rockies Company
 Lease Date: 02/22/2008
 Gross Acres: 76.6900
 Recording Info: 04/02/2008, Book 691, Page 064, Entry 937976
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-119-W, SECS 21,22 - 76.69 acs being all that portion of the most Northerly forty acres, more or less, of Tract 129, of Township 25 North, Range 119 West, 6th P. M., lying and being East of the right-of-way of the Oregon Short Line Railroad (Union Pacific System) formerly described as the SW/4SW/4 of Section 21, Township 25 North, Range 119 West 6th P. M., more particularly described by metes and bounds as follows:
 Beginning at corner No. I of said Tract 129 and running thence South 0 deg 16' East 20.43 chains; thence North 89°53' West to the Easterly boundary line of the right-of-way of the Oregon Short Line Railroad (Union Pacific System); thence running in a Northwesterly direction along said right-of-way boundary to a point on the North boundary of said Tract 129; thence South 80°53' East to Corner No. I of said Tract 129, the place of beginning.
 All of that portion of Tract 76, of Township 25 North, Range 119 West, 6th P. M., lying and being situated East of the East line of the right-of-way of the Oregon Short Line Railroad (Union Pacific System), according to the resurvey and known and described under the original survey thereof as being approximately the whole of the NW1/4SW1/4 of Section 22, Township 25 North, Range 119 West, 6th P. M., LESS AND EXCEPT: approximately 3.31 acres conveyed to Lincoln County by Deed dated March 30, 1935 and Recorded December17, 1937 in Book 21, Page 60 of the Deed Records, Lincoln County, Wyoming, for highway purpose and which portion lies on the Easterly portion of said hereinabove-described land.

Lease No: 88849-F-0134-00
 Lessor: Jeanne Reed Esterholdt
 Lessee: MRC Rockies Company
 Lease Date: 02/26/2008
 Gross Acres: 23.5800
 Recording Info: 04/02/2008, Book 691, Page 070, Entry 937978
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-119-W, SECS 27,28 - 23.58 acs being that part of Tract 61 and 62 described as follows:
 Beginning at corner No.2 of Tract 129 where is found a concrete tack set in Highway 30N with 2" 1P&BC witness corners set Westerly and Southerly; thence South 87°42' East, 458.00 feet to a point; thence South 10 deg 11' East, 407.90 feet to a point; thence South 83°31' West, 954.30 feet, more or less, to the East right-of-way line of the Oregon Short Line Railroad; thence North 09°37' West, 537.00 feet, more or less, along the said right-of-way line to the North line of said Tract 61; thence South 89°47' East, 103.00 feet along the said North line to a point; thence continuing South 39°47' East, 405.00 feet, more or less, along the said North line to the place of beginning; each point being marked by a 2" alvanized steel pipe 30" long with brass cap appropriately inscribed. LESS AND EXCEPT: 2.00 acres, more or less, deeded to the State Highway Commission of Wyoming and described as Parcel I on that certain Quit Claim Deed recorded in Book 127, Page 318 of the Photostatic Records, Lincoln County, Wyoming.
 That part of Tract 129 of Township 25 North, Range 119 West, 6th P. M., Lincoln County, Wyoming described as follows:
 Beginning at Corner No. 4 of Tract 62; thence North 450.0 feet along the East line of said Tract 129 to a point; thence West 287.4 feet to a point; thence South 450.0 feet to a point; thence South 12°02' West 388.2 feet to a point; thence South 02°08' West 980.5 feet to a point on the South line of said Tract 129 South 89°47' East 405.0 feet to Corner No. 2 of said Tract 129; thence North 1360.92 feet, more or less, along the East line of said Tract 129 to the corner of beginning; each point being marked by a 2" galvanized steel pipe with brass cap appropriately inscribed. That part of Lot 8 of Section 27, Township 25 North, Range 119 West, 6th P. M., Lincoln County, Wyoming described as follows: Beginning at said Corner No. 4 of Tract 62; thence South 89°52' East 51.5 feet along the South boundary of said Lot 8; thence Northerly 450.8 feet along the West right-of-way line of Highway 30 North; thence West 70.5 feet to a point on the West line of said Lot 8 which is identical with the East line of said Tract 129; thence South 450.0 feet along the said West line of Lot 8 to the place of beginning; all in accordance with the map prepared and filed for record in the Office of the Clerk of Lincoln County, Wyoming.

Lease No: 88849-P-0097-00
 St/Fed Lease No: WYW174332
 Lessor: BLM - MMS WYW174332
 Lessee: Meath LLC
 Lease Date: 01/01/2008
 Gross Acres: 2200.7300
 Recording Info: 02/05/2008, Book 685, Page 740, Entry 936733
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-120-W, SECS 03,04,09,10,15 - 2,200.73 acs described as follows:
 Section 03 - Lots 5-8, S/2 N/2, S/2
 Section 04 - Lots 5-8
 Section 09 - Lots 5-8
 Section 10 - NE/4, NE/4 NW/4, S/2 NW/4, S/2
 Section 15 - All

Lease No: 88849-P-0098-00
 St/Fed Lease No: WYW174333
 Lessor: BLM - MMS WYW174333
 Lessee: Meath LLC
 Lease Date: 01/01/2008
 Gross Acres: 1443.8200
 Recording Info: 02/05/2008, Book 685, Page 750, Entry 936734
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-120-W, SECS 14,23,26 - 1,443.82 acs described as follows:
 Section 14 - Lots 1, 4, 5, 8, 9, 12, 13, 16 and the N/2
 Section 23 - Lots 1, 4, N/2 and N/2 S/2
 Section 26 - Lots 3, 4, 9, 10, 13 and W/2

Lease No: 88849-P-0099-00
 St/Fed Lease No: WYW174334
 Lessor: BLM - MMS WYW174334
 Lessee: Meath LLC
 Lease Date: 01/01/2008
 Gross Acres: 1507.0900
 Recording Info: 02/05/2008, Book 685, Page 761, Entry 936735
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-120-W, SECS 21,22,27,28 - 1,507.09 acs described as follows:
 Section 21 - Lots 5-8
 Section 22 - N/2, SW/4, N/2 SE/4
 Section 27 - All
 Section 28 - Lots 5-8

Lease No: 88849-P-0100-00
 St/Fed Lease No: WYW174335
 Lessor: BLM - MMS WYW174335
 Lessee: Matador Resources Company
 Lease Date: 01/01/2008
 Gross Acres: 1552.8400
 Recording Info: 02/05/2008, Book 685, Page 771, Entry 936736
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-120-W, SECS 02,03,04 - 1,552.84 acs described as follows:
 Section 02 - Lots 6, 9-13,15, 22, 24-26, 29, SW/4 and S/2 SE/4
 Section 03 - Lots 5-8, 10-16 and S/2
 Section 04 - Lots 6-8

Lease No: 88849-P-0101-00
 St/Fed Lease No: WYW174336
 Lessor: BLM - MMS WYW174336
 Lessee: Matador Resources Company
 Lease Date: 01/01/2008
 Gross Acres: 2089.0500
 Recording Info: 02/05/2008, Book 685, Page 780, Entry 936737
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-120-W, SECS 09,10,15,21,22 - 2,089.05 acs described as follows:
 Section 09 - Lots 6, 8
 Section 10 - N/2, NE/4 SW/4, S/2 SW/4, SE/4
 Section 15 - All
 Section 21 - Lots 5-8
 Section 22 - N/2 NE/4, SW/4 NE/4, W/2 and SE/4

Lease No: 88849-P-0102-00
 St/Fed Lease No: WYW174337
 Lessor: BLM - MMS WYW174337
 Lessee: Matador Resources Company
 Lease Date: 01/01/2008
 Gross Acres: 1783.5700
 Recording Info: 02/05/2008, Book 685, Page 789, Entry 936738
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-120-W, SECS 11,14,23 - 1,783.57 acs described as follows:
 Section 11 - All
 Section 14 - NE/4 NE/4 NW/4, S/2 NW/4, S/2
 Section 23 - Lots 1, 4, 5, 8, NE/4, N/2 NW/4, SE/4 NW/4 and SW/4

Lease No: 88849-P-0103-00
 St/Fed Lease No: WYW174338
 Lessor: BLM - MMS WYW174338
 Lessee: Matador Resources Company
 Lease Date: 01/01/2008
 Gross Acres: 2052.5200
 Recording Info: 02/05/2008, Book 685, Page 799, Entry 936739
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-120-W, SECS 27,28,33,34,35 - 2052.52 acs described as follows:
 Section 27 - All
 Section 28 - Lots 5-8
 Section 33 - Lots 5-8
 Section 34 - All
 Section 35 - N/2 NE/4, NE/4 NW/4, S/2

Lease No: 88849-P-0104-00
 St/Fed Lease No: WYW174823
 Lessor: BLM - MMS WYW174823
 Lessee: Meath LLC
 Lease Date: 10/01/2007
 Gross Acres: 1346.8800
 Recording Info: 09/26/2007, Book 673, Page 356, Entry 933451
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-116-W, SECS 04,20 - 1346.88 acs described as follows:
 Section 04 - Lots 1-12 and S/2
 Section 20 - E/2, E/2 W/2

Lease No: 88849-P-0105-00
 St/Fed Lease No: WYW174825
 Lessor: BLM - MMS WYW174825
 Lessee: Meath LLC
 Lease Date: 04/01/2008
 Gross Acres: 40.0000
 Recording Info: 03/20/2008, Book 689, Page 854, Entry 937709
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-116-W, SECS 35 - 40.00 acs being the NE/4 NE/4 of Section 35

Lease No: 88849-P-0106-00
 St/Fed Lease No: WYW174826
 Lessor: BLM - MMS WYW174826
 Lessee: Meath LLC
 Lease Date: 04/01/2008
 Gross Acres: 1745.3900
 Recording Info: 03/20/2008, Book 689, Page 863, Entry 937710
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-117-W, SECS 01,02,12,13,24,25 - 1,745.39 acs described as follows:
 Section 01 - Lots 5-12
 Section 02 - Lots 6, 8, 9, 13, 16-19,
 Section 12 - Lots 2, 3, SW/4 NE/4, SE/4 NW/4, E/2 SW/4, SE/4
 Section 13 - NE/4, SE/4 NW/4, E/2 SW/4, NE/4 SE/4, S/2 SE/4
 Section 24 - Lots 4, 7, NE/4, E/2 NW/4, NW/4 SE/4, Lot 5 of TR 48 and Lot 6 of TR 48
 Section 25 - Lots 5, 6

Lease No: 88849-P-0107-00
 St/Fed Lease No: WYW174827
 Lessor: BLM - MMS WYW174827
 Lessee: Meath LLC
 Lease Date: 04/01/2008
 Gross Acres: 972.7700
 Recording Info: 03/20/2008, Book 689, Page 879, Entry 937711
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-117-W, SECS 07,08,09 - 972.77 acs described as follows:
 Section 07 - Lots 10, 11, NE/4 NE/4, S/2 NE/4, N/2 SE/4
 Section 08 - N/2, N/2 S/2, SE/4 SE/4
 Section 09 - Lots 1-7

Lease No: 88849-P-0108-00
 St/Fed Lease No: WYW174828
 Lessor: BLM - MMS WYW174828
 Lessee: Meath LLC
 Lease Date: 04/01/2008
 Gross Acres: 2202.9600
 Recording Info: 03/20/2008, Book 689, Page 890, Entry 937712
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-118-W, SECS 03,10,15,22 - 2202.96 acs described as follows:
 Section 03 - Lots 5, 6, S/2 N/2, NW/4 SW/4, S/2 SW/4, SE/4
 Section 10 - N/2, N/2 SW/4, SE/4 SW/4, SE/4
 Section 15 - Lots 1-4, 9, 15, 16, N/2 N/2, SE/4 SW/4, S/2 SE/4
 Section 22 - Lots 1, 4, 5, E/2, E/2 W/2, NW/4 SW/4

Lease No: 88849-P-0109-00
 St/Fed Lease No: WYW174829
 Lessor: BLM - MMS WYW174829
 Lessee: Meath LLC
 Lease Date: 04/01/2008
 Gross Acres: 736.2500
 Recording Info: 03/20/2008, Book 690, Page 001, Entry 937713
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-118-W, SECS 04,09,16,21,28 - 736.25 acs described as follows:
 Section 04 - Lot 8, S/2 NE/4, SE/4
 Section 09 - Lots 1-4, 9, NE/4, SE/4 NW/4
 Section 16 - Lots 1, 10
 Section 21 - Lot 15
 Section 28 - Lots 4, 14, SE/4 NE/4

Lease No: 88849-P-0110-00
 St/Fed Lease No: WYW174830
 Lessor: BLM - MMS WYW174830
 Lessee: Meath LLC
 Lease Date: 04/01/2008
 Gross Acres: 504.8330
 Recording Info: 03/20/2008, Book 690, Page 015, Entry 937715
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-118-W, SECS 18,19,30 - 504.83 acs described as follows:
 Section 18 - Lots 6, 7, 10, 14, 16, 17, 20, 26-31
 Section 19 - Lots 9-12, 26--28, 31
 Section 30 - Lots 21-24

Lease No: 88849-P-0135-00
 St/Fed Lease No: WYW175167
 Lessor: BLM - MMS WYW175167
 Lessee: MRC Rockies Company
 Lease Date: 06/01/2008
 Gross Acres: 2080.0000
 Recording Info: 06/20/2008, Book 697, Page 870, Entry 939942
 State: Wyoming
 County: Lincoln
 Legal Description: T-21-N, R-118 - W, SECS 13,14,15,17 - 2,080.00 acs described as follows:
 Section 13 - N/2, SW/4
 Section 14 - All
 Section 15 - All
 Section 17 - E/2

Lease No: 88849-P-0136-00
 St/Fed Lease No: WYW175168
 Lessor: BLM - MMS WYW175168
 Lessee: MRC Rockies Company
 Lease Date: 06/01/2008
 Gross Acres: 599.6200
 Recording Info: 06/20/2008, Book 697, Page 895, Entry 939944
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-118-W, SECS 01,12,13, 599.60 acs described as follows:
 Section 1 - Lots 6 - 8
 Section 1 - SW/4 NE/4
 Section 12 - W/2 NW/4, NW/4 SW/4
 Section 13 - NE/4 NE/4, S/2 NE/4, NW/4 NW/4, SE/4 NW/4, NE/4 SW/4
 Section 13 - N/2 SE/4

Lease No: 88849-P-0137-00
 St/Fed Lease No: WYW175169
 Lessor: BLM - MMS WYW175169
 Lessee: MRC Rockies Company
 Lease Date: 06/01/2008
 Gross Acres: 1240.0000
 Recording Info: 06/20/2008, Book 697, Page 882, Entry 939943
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-118-W, SECS 04,09,21,22 - 1,240.00 acs described as follows:
 Section 4 - SE/4 NE/4, NE/4 SE/4
 Section 9 - SE/4 NE/4, N/2 S/2
 Section 21 - All
 Section 22 - S/2

Lease No: 88849-P-0138-00
 St/Fed Lease No: WYW176009
 Lessor: BLM - MMS WYW176009
 Lessee: MRC Rockies Company
 Lease Date: 12/01/2008
 Gross Acres: 76.0000
 Recording Info: 11/25/2008, Book 709, Page 717, Entry 943827
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-118-W, SEC 20 - 76.00 acs being Lots 2, 3, 12, 13 and 33

Lease No: 88849-P-0139-00
 St/Fed Lease No: WYW176010
 Lessor: BLM - MMS WYW176010
 Lessee: MRC Rockies Company
 Lease Date: 12/01/2008
 Gross Acres: 55.7500
 Recording Info: 11/25/2008, Book 709, Page 730, Entry 943828
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-118-W, SEC 28 - 55.75 acs being Lot 15 of TR 54; Lot 1 of TR 55; and Lot 2 of TR 55

Lease No: 88849-P-0140-00
 St/Fed Lease No: WYW176011
 Lessor: BLM - MMS WYW176011
 Lessee: MRC Rockies Company
 Lease Date: 12/01/2008
 Gross Acres: 150.3400
 Recording Info: 11/25/2008, Book 709, Page 742, Entry 943829
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-118-W, SECS 30,31 - 150.34 acs described as follows:
 Sec 30 - Lot 33 of TR 44
 Sec 30 - Lot 34 of TR 44
 Sec 30 - Lot 11 of TR 47
 Sec 30 - Lot 12 of TR 47
 Sec 30 - Lot 13 of TR 47
 Sec 30 - Lot 14 of TR 47
 Sec 31 - Lot 11 of TR 44
 Sec 31 - Lot 12 of TR 44
 Sec 31 - Lot 21 of TR 44
 Sec 31 - Lot 22 of TR 44

Lease No: 88849-P-0141-00
 St/Fed Lease No: WYW176012
 Lessor: BLM - MMS WYW176012
 Lessee: MRC Rockies Company
 Lease Date: 12/01/2008
 Gross Acres: 365.3200
 Recording Info: 11/25/2008, Book 709, Page 754, Entry 943830
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-119-W, SECS 13,14,24 - 365.32 acs being described as follows:
 Section 13 - Lots 8, 14, 24
 Section 13 - Lot 4 of TR 92
 Section 13 - Lot 5 of TR 92
 Section 13 - Lot 15 of TR 92
 Section 14 - Lot 2 of TR 91
 Section 14 - Lot 1 of TR 92
 Section 24 - Lot 13
 Section 24 - E/2 NE/4, NE/4 SE/4
 Section 24 - Lot 14 of TR 47

Lease No: 88849-P-0142-00
 St/Fed Lease No: WYW174331
 Lessor: BLM - MMS WYW174331
 Lessee: Meath LLC
 Lease Date: 01/01/2008
 Gross Acres: 2238.4800
 Recording Info: 02/05/2008, Book 685, Page 729, Entry 936732
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-120-W, SECS 01, 02, 11, 12 - 2,238.48 acs described as follows:
 Section 01 - Lots 5-8, 11, 12, 14, 17, 18, 22, 24, 25, 28 and W/2 SW/4
 Section 02 - Lots 5, 8-11, 13, 16, 18, 19, 22, SW/4 NW/4, NW/4 SW/4 and S/2 S/2
 Section 11 - All
 Section 12 - All

Lease No: 88849-S-0030-00
 St/Fed Lease No: 06-00512
 Lessor: State of WY Lease #06-00512, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 06/02/2006
 Gross Acres: 640.0000
 Recording Info: 07/17/2006, Book 626, Page 496, Entry 920298
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-116-W, SEC 35 - 640.00 acs being All of Tract 65 (formerly Section 35)

Lease No: 88849-S-0031-00
 St/Fed Lease No: 07-00168
 Lessor: State of WY Lease #07-00168, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2007
 Gross Acres: 40.0000
 Recording Info: 03/08/2007, Book 650, Page 509, Entry 927436
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-117-W, SEC 19 - 40.00 acs being Lot 15

Lease No: 88849-S-0032-00
 St/Fed Lease No: 07-00169
 Lessor: State of WY Lease #07-00169, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2007
 Gross Acres: 46.5900
 Recording Info: 03/08/2007, Book 650, Page 506, Entry 927435
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-117-W, SEC 30 - 46.59 acs being Lot 8

Lease No: 88849-S-0033-00
 St/Fed Lease No: 07-00170
 Lessor: State of WY Lease #07-00170, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2007
 Gross Acres: 40.0000
 Recording Info: 03/08/2007, Book 650, Page 503, Entry 927434
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-117-W, SEC 31 - 40.00 acs being Lot 5

Lease No: 88849-S-0034-00
 St/Fed Lease No: 07-00173
 Lessor: State of WY Lease #07-00173, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2007
 Gross Acres: 78.9400
 Recording Info: 03/08/2007, Book 650, Page 500, Entry 927433
 State: Wyoming
 County: Lincoln
 Legal Description: T-21-N, R-118-W, SEC 04 - 78.49 acs more less being Lot 7 and SE/4 NW/4

Lease No: 88849-S-0035-00
 St/Fed Lease No: 07-00174
 Lessor: State of WY Lease #07-00174, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2007
 Gross Acres: 80.0000
 Recording Info: 03/08/2007, Book 650, Page 497, Entry 927432
 State: Wyoming
 County: Lincoln
 Legal Description: T-21-N, R-118-W, SEC 04 - 80.00 acs more or less being the E/2 SW/4

Lease No: 88849-S-0036-00
 St/Fed Lease No: 07-00176
 Lessor: State of WY Lease #07-00176, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2007
 Gross Acres: 640.0000
 Recording Info: 03/08/2007, Book 650, Page 494, Entry 927431
 State: Wyoming
 County: Lincoln
 Legal Description: T-21-N, R-118-W, SEC 36 - 640.00 acs being All of Section 36

Lease No: 88849-S-0037-00
 St/Fed Lease No: 07-00179
 Lessor: State of WY Lease #07-00179, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2007
 Gross Acres: 640.0000
 Recording Info: 03/08/2007, Book 650, Page 491, Entry 927430
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-118-W, SEC 16 - 640.00 acs being All of Section 16

Lease No: 88849-S-0038-00
 St/Fed Lease No: 07-00180
 Lessor: State of WY Lease #07-00180, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2007
 Gross Acres: 320.0000
 Recording Info: 03/08/2007, Book 650, Page 488, Entry 927429
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-118-W, SEC 20,29 - 320.00 acs being the SE/4 of Section 20, and the NE/4 of Section 29, T-23-N, R-118-W

Lease No: 88849-S-0039-00
 St/Fed Lease No: 07-00181
 Lessor: State of WY Lease #07-00181, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/07/2007
 Gross Acres: 160.0000
 Recording Info: 03/08/2007, Book 650, Page 485, Entry 927428
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-118-W, SEC 20 - 160.00 acs being the SW/4

Lease No: 88849-S-0040-00
 St/Fed Lease No: 07-00184
 Lessor: State of WY Lease #07-00184, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/07/2007
 Gross Acres: 640.0000
 Recording Info: 03/08/2007, Book 650, Page 482, Entry 927427
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-118-W, SECS 29, 32 - 640.00 acs being the W/2 of Section 29, and the W/2 of Section 32, T-23-N, R-118-W

Lease No: 88849-S-0041-00
 St/Fed Lease No: 07-00186
 Lessor: State of WY Lease #07-00186 (Parcel 197), Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2007
 Gross Acres: 640.0000
 Recording Info: 03/08/2007, Book 650, Page 479, Entry 927426
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-118-W, SEC 36 - 640.00 acs being All of Section 36,

Lease No: 88849-S-0042-00
 St/Fed Lease No: 07-00193
 Lessor: State of WY Lease #07-00193, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 04/02/2007
 Gross Acres: 320.0000
 Recording Info: 04/26/2007, Book 655, Page 796, Entry 928773
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-120-W, SEC 36 - 320.00 acs being Tract 46 Resurvey (formerly W/2 Sec 36)

Lease No: 88849-S-0043-00
 St/Fed Lease No: 07-00194
 Lessor: State of WY Lease #07-00194, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 04/02/2007
 Gross Acres: 39.5100
 Recording Info: 04/26/2007, Book 655, Page 799, Entry 928774
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-115-W, SEC 06 - 39.51 acs more or less being Lot 1 Section 6 Resurvey

Lease No: 88849-S-0044-00
 St/Fed Lease No: 06-00213
 Lessor: State of WY Lease #06-00213, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2006
 Gross Acres: 640.0000
 Recording Info: 03/06/2006, Book 613, Page 677, Entry 916427
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-116-W, SEC 36 - 640.00 acs being all of Lot 38 Resurvey (formerly known as All of Section 36)

Lease No: 88849-S-0045-00
 St/Fed Lease No: 06-00214
 Lessor: State of WY Lease #06-00214, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2007
 Gross Acres: 634.6600
 Recording Info: 03/06/2006, Book 613, Page 680, Entry 916428
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-116-W, SEC 36 - 634.66 acs more or less being Lot 38 Resurvey (formerly All of Section 36)

Lease No: 88849-S-0046-00
 St/Fed Lease No: 05-00376
 Lessor: State of WY Lease #05-00376, Board of Land Commissioners
 Lessee: Lane Lasrich
 Lease Date: 08/02/2005
 Gross Acres: 393.2600
 Recording Info: 07/09/2007, Book 665, Page 104, Entry 931098
 State: Wyoming
 County: Lincoln
 Legal Description: T-21-N, R-116-W, SEC 02 - 393.26 acs more or less being Tract 76 Lots 5 - 7, 12 - 17, 22 - 27 of said Section 2

Lease No: 88849-S-0047-00
 St/Fed Lease No: 05-00377
 Lessor: State of WY Lease #05-00377, Board of Land Commissioners
 Lessee: Lane Lasrich
 Lease Date: 08/02/2005
 Gross Acres: 640.0000
 Recording Info: 07/09/2007, Book 665, Page 102, Entry 931097
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-116-W, SEC 16 - 640.00 acs being Tract 59 Resurvey (formerly All of Section 16)

Lease No: 88849-S-0048-00
 St/Fed Lease No: 05-00378
 Lessor: State of WY Lease #05-00378, Board of Land Commissioners
 Lessee: Lane Lasrich
 Lease Date: 08/02/2005
 Gross Acres: 38.0500
 Recording Info: 07/09/2007, Book 665, Page 100, Entry 931096
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-116-W, SEC 35 - 38.05 acs being Lot 8 Resurvey (formerly Part of SE SW Sec 35)

Lease No: 88849-S-0049-00
 St/Fed Lease No: 05-00379
 Lessor: State of WY Lease #05-00379, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 08/02/2005
 Gross Acres: 87.4100
 Recording Info: 07/09/2007, Book 665, Page 098, Entry 931095
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-117-W, SEC 07 - 87.41 acs being Lots 10 and 14

Lease No: 88849-S-0050-00
 St/Fed Lease No: 05-00380
 Lessor: State of WY Lease #05-00380, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 08/02/2005
 Gross Acres: 594.0000
 Recording Info: 07/09/2007, Book 665, Page 096, Entry 931094
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-117-W, SEC 12 - 594.00 acs being Tract 56 Resurvey (formerly All Sec 12)

Lease No: 88849-S-0051-00
 St/Fed Lease No: 05-00381
 Lessor: State of WY Lease #05-00381, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 08/02/2005
 Gross Acres: 596.9200
 Recording Info: 07/09/2007, Book 665, Page 094, Entry 931093
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-117-W, SEC 13 - 596.92 acs being Tract 49 Resurvey (formerly All Section 13)

Lease No: 88849-S-0052-00
 St/Fed Lease No: 05-00382
 Lessor: State of WY Lease #05-00382, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 08/02/2005
 Gross Acres: 320.0000
 Recording Info: 07/09/2007, Book 665, Page 092, Entry 931092
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-117-W, SEC 10 - 320.00 acs being Tract 71 Resurvey (formerly W/2 Section 10)

Lease No: 88849-S-0053-00
 St/Fed Lease No: 05-00383
 Lessor: State of WY Lease #05-00383, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 08/02/2005
 Gross Acres: 640.0000
 Recording Info: 07/09/2007, Book 665, Page 090, Entry 931091
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-118-W, SEC 16 - 640.00 acs being All of Section 16

Lease No: 88849-S-0054-00
 St/Fed Lease No: 05-00384
 Lessor: State of WY Lease #05-00384, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 08/02/2005
 Gross Acres: 298.5300
 Recording Info: 07/09/2007, Book 665, Page 106, Entry 931099
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-118-W, SECS 19,21,28,30
 SEC 19 - 155.78 acs being S/2 NE, SE NW, Lot 8
 SEC 21 - 40.00 acs being the NE SW
 SEC 28 - 40.00 acs being the SW NE
 SEC 30 - 62.75 acs being Lots 6, 8, NE SW
 containing in the aggregate 298.53 acs more or less

Lease No: 88849-S-0064-00
 St/Fed Lease No: 07-00527
 Lessor: State of WY Lease #07-00527, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 640.0000
 Recording Info: 12/26/2007, Book 682, Page 006, Entry 935778
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-115-W SEC 16 - 640.00 acs being Lot 43 (formerly All Section 16) Resurvey

Lease No: 88849-S-0065-00
 St/Fed Lease No: 07-00530
 Lessor: State of WY Lease #07-00530, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 640.0000
 Recording Info: 12/26/2007, Book 682, Page 008, Entry 935779
 State: Wyoming
 County: Lincoln
 Legal Description: T-20-N, R-116-W, SEC 16 - 640.00 acs being All

Lease No: 88849-S-0066-00
 St/Fed Lease No: 07-00532
 Lessor: State of WY Lease #07-00532, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 640.0000
 Recording Info: 12/26/2007, Book 682, Page 010, Entry 935780
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-116-W, SEC 36 - 640.00 acs being All

Lease No: 88849-S-0067-00
 St/Fed Lease No: 07-00535
 Lessor: State of WY Lease #07-00535, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 598.7400
 Recording Info: 12/26/2007, Book 682, Page 014, Entry 935782
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-117-W, SEC 01 - 598.74 acs being Tract 58 (formerly All Section 1) Resurvey

Lease No: 88849-S-0068-00
 St/Fed Lease No: 07-00537
 Lessor: State of WY Lease #07-00537, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 27.5900
 Recording Info: 12/26/2007, Book 682, Page 016, Entry 935783
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-117-W, SEC 25 - 27.59 acs being Lots 7 - 18

Lease No: 88849-S-0069-00
 St/Fed Lease No: 07-00538
 Lessor: State of WY Lease #07-00538, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 40.0000
 Recording Info: 12/26/2007, Book 682, Page 018, Entry 935784
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-117-W, SEC 32 - 40.00 acs being the SE/4 NE/4 Resurvey

Lease No: 88849-S-0070-00
 St/Fed Lease No: 07-00539
 Lessor: State of WY Lease #07-00539, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 640.0000
 Recording Info: 12/26/2007, Book 682, Page 020, Entry 935785
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-117-W, SEC 36 - 640.00 acs being Tract 37 (formerly All Sec 36)

Lease No: 88849-S-0071-00
 St/Fed Lease No: 07-00540
 Lessor: State of WY Lease #07-00540, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 240.0000
 Recording Info: 12/26/2007, Book 682, Page 022, Entry 935786
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-117-W, SEC 27 - 240.00 acs being Tract 53 (formerly NE/4, E/2 NW/4 Section 27)

Lease No: 88849-S-0072-00
 St/Fed Lease No: 07-00541
 Lessor: State of WY Lease #07-00541, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 480.0000
 Recording Info: 12/26/2007, Book 682, Page 024, Entry 935787
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-117-W, SEC 22 - 480.00 acs being Tract 57 (formerly E/2, E/2 W/2 Section 22) Resurvey

Lease No: 88849-S-0073-00
 St/Fed Lease No: 07-00542
 Lessor: State of WY Lease #07-00542, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 640.0000
 Recording Info: 12/26/2007, Book 682, Page 026, Entry 935788
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-117-W, SEC 16 - 640.00 acs being Tract 69 (formerly All of Section 16) Resurvey

Lease No: 88849-S-0074-00
 St/Fed Lease No: 07-00543
 Lessor: State of WY Lease #07-00543, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 80.0000
 Recording Info: 12/26/2007, Book 682, Page 028, Entry 935789
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-117-W, SEC 09 - 80.00 acs being Tract 70 (formerly E/2 SE/4 of Section 9)

Lease No: 88849-S-0075-00
 St/Fed Lease No: 07-00544
 Lessor: State of WY Lease #07-00544, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 240.0000
 Recording Info: 12/26/2007, Book 682, Page 030, Entry 935790
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-117-W, SEC 03 - 240.00 acs being Tract 76 (formerly NE/4 SW/4 Sec 3); and Tract 77 (formerly Lots 2-4, SE/4 NW/4, NE/4 SW/4 Sec 3) Resurvey

Lease No: 88849-S-0076-00
 St/Fed Lease No: 07-00545
 Lessor: State of WY Lease #07-00545, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 640.0000
 Recording Info: 12/26/2007, Book 682, Page 032, Entry 935791
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-117-W, SEC 01 - 640.00 acs being Tract 81 (formerly All Sec 1) Resurvey

Lease No: 88849-S-0077-00
 St/Fed Lease No: 07-00546
 Lessor: State of WY Lease #07-00546, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 640.0000
 Recording Info: 12/26/2007, Book 682, Page 034, Entry 935792
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-117-W, SEC 16 - 640.00 acs being All of Section 16

Lease No: 88849-S-0078-00
 St/Fed Lease No: 07-00547
 Lessor: State of WY Lease #07-00547, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 640.0000
 Recording Info: 12/26/2007, Book 682, Page 036, Entry 935793
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-117-W, SEC 36 - 640.00 acs being All of Section 36 Resurvey

Lease No: 88849-S-0079-00
 St/Fed Lease No: 07-00549
 Lessor: State of WY Lease #07-00549, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 80.0500
 Recording Info: 12/26/2007, Book 682, Page 038, Entry 935794
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-118-W, SEC 03 - 80.05 acs being Lot 15 and NE/4 SW/4 of Section 3

Lease No: 88849-S-0080-00
 St/Fed Lease No: 07-00550
 Lessor: State of WY Lease #07-00550, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 40.0000
 Recording Info: 12/26/2007, Book 682, Page 040, Entry 935795
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-118-W, SEC 10 - 40.00 acs being the SW/4 SW/4 of Section 10 Resurvey

Lease No: 88849-S-0081-00
 St/Fed Lease No: 07-00552
 Lessor: State of WY Lease #07-00552, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 318.8900
 Recording Info: 12/26/2007, Book 682, Page 042, Entry 935796
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-118-W, SEC 34 - 319.89 acs being Tract 38 (formerly W/2 Section 34) Resurvey

Lease No: 88849-S-0082-00
 St/Fed Lease No: 07-00554
 Lessor: State of WY Lease #07-00554, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 640.0200
 Recording Info: 12/26/2007, Book 682, Page 044, Entry 935797
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-118-W, SEC 16 - 640.02 acs being Tract 60 (formerly All Sec 16) Resurvey

Lease No: 88849-S-0083-00
 St/Fed Lease No: 07-00556
 Lessor: State of WY Lease #07-00556, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 403.8300
 Recording Info: 12/26/2007, Book 682, Page 046, Entry 935798
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-118-W, SEC 06 - 403.83 acs, being Part of Tract 71, Lots 6-13; 16-18; 30-34 Resurvey

Lease No: 88849-S-0084-00
 St/Fed Lease No: 07-00558
 Lessor: State of WY Lease #07-00558, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 320.0000
 Recording Info: 12/26/2007, Book 682, Page 048, Entry 935799
 State: Wyoming
 County: Lincoln
 Legal Description: T-21-N, R-120-W, SEC 11 - 320.00 acs being the S/2

Lease No: 88849-S-0085-00
 St/Fed Lease No: 07-00559
 Lessor: State of WY Lease #07-00559, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 640.0000
 Recording Info: 12/26/2007, Book 682, Page 050, Entry 935800
 State: Wyoming
 County: Lincoln
 Legal Description: T-21-N, R-120-W, SEC 12 - 640.00 acs being All

Lease No: 88849-S-0086-00
 St/Fed Lease No: 07-00560
 Lessor: State of WY Lease #07-00560, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 167.2400
 Recording Info: 12/26/2007, Book 682, Page 052, Entry 935801
 State: Wyoming
 County: Lincoln
 Legal Description: T-21-N, R-120-W, SEC 16 - 167.24 acs being Lots 5-8

Lease No: 88849-S-0087-00
 St/Fed Lease No: 07-00565
 Lessor: State of WY Lease #07-00565, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 153.2000
 Recording Info: 12/26/2007, Book 682, Page 054, Entry 935802
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-120-W, SEC 16 - 153.20 acs being Lots 5-8

Lease No: 88849-S-0088-00
 St/Fed Lease No: 07-00566
 Lessor: State of WY Lease #07-00566, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 640.0000
 Recording Info: 12/26/2007, Book 682, Page 056, Entry 935803
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-120-W, SEC 36 - 640.00 acs being Tract 58 (formerly All Sec 36) Resurvey

Lease No: 88849-S-0089-00
 St/Fed Lease No: 07-00567
 Lessor: State of WY Lease #07-00567, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 191.9400
 Recording Info: 12/26/2007, Book 682, Page 058, Entry 935804
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-120-W, SECS 10,16 - 191.94 acs being Lots 5-8 Section 16, and NW/4 NW/4 of Section 10, Resurvey

Lease No: 88849-S-0090-00
 St/Fed Lease No: 07-00568
 Lessor: State of WY Lease #07-00568, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 160.0000
 Recording Info: 12/26/2007, Book 682, Page 060, Entry 935805
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-120-W, SEC 14 - 160.00 acs being Tract 38 (formerly S/2S/2 Section 14) Resurvey

Lease No: 88849-S-0091-00
 St/Fed Lease No: 07-00569
 Lessor: State of WY Lease #07-00569, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 320.0000
 Recording Info: 12/26/2007, Book 682, Page 062, Entry 935806
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-120-W, SECS 01,02 - 320.00 acs being Tract 40 (formerly E/2 SW/4, W/2 SE/4 Section 1) Resurvey; and Tract 41 (formerly S/2 NE/4, NE/4 SW/4, NW/4 SE/4 Section 2) Resurvey

Lease No: 88849-S-0092-00
 St/Fed Lease No: 07-00534
 Lessor: State of WY Lease #07-00534, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 40.0300
 Recording Info: 12/26/2007, Book 682, Page 012, Entry 935781
 State: Wyoming
 County: Lincoln
 Legal Description: T-23-N, R-117-W, SEC 04 - 40.03 acs being Lot 6 (Resurvey)

Lease No: 88849-S-0096-00
 St/Fed Lease No: 07-00513
 Lessor: State of WY Lease #07-00513, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 10/02/2007
 Gross Acres: 640.0000
 Recording Info: 12/26/2007, Book 682, Page 004, Entry 935777
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-115-W, SEC 36 - 640.00 acs being Lot 39 (formerly All Sec 36)

Lease No: 88849-S-0111-00
 St/Fed Lease No: 08-00116
 Lessor: State of WY Lease #08-00116, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2008
 Gross Acres: 80.0000
 Recording Info: 03/20/2008, Book 689, Page 830, Entry 937697
 State: Wyoming
 County: Lincoln
 Legal Description: T-21-N, R-115-W, SEC 10 - 80.00 acs being the NE/4 SW/4 and NW/4 SE/4 of Section 10 Resurvey

Lease No: 88849-S-0112-00
 St/Fed Lease No: 08-00117
 Lessor: State of WY Lease #08-00117, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2008
 Gross Acres: 640.0000
 Recording Info: 03/20/2008, Book 689, Page 828 Entry 937696
 State: Wyoming
 County: Lincoln
 Legal Description: T-24-N, R-115-W, SEC 36 - 640.00 acs being Lot 38 (formerly All of Section 36) Resurvey

Lease No: 88849-S-0113-00
 St/Fed Lease No: 08-00128
 Lessor: State of WY Lease #08-00128, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2008
 Gross Acres: 160.0100
 Recording Info: 03/20/2008, Book 689, Page 820, Entry 937692
 State: Wyoming
 County: Lincoln
 Legal Description: T-22-N, R-119-W, SEC 08 - 160.01 acs being Tract 46 (formerly NW/4 Section 8) Resurvey

Lease No: 88849-S-0114-00
 St/Fed Lease No: 08-00135
 Lessor: State of WY Lease #08-00135, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2008
 Gross Acres: 165.5800
 Recording Info: 03/20/2008, Book 689, Page 824, Entry 937694
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-119-W, SEC 09 - 165.58 acs being Tract 106 (formerly NW/4 Section 9) Resurvey

Lease No: 88849-S-0115-00
 St/Fed Lease No: 08-00138
 Lessor: State of WY Lease #08-00138, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2008
 Gross Acres: 41.3800
 Recording Info: 03/20/2008, Book 689, Page 832, Entry 937698
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-119-W, SEC 05 - 41.38 acs being Part of Tract 123 Lots 19, 20 Section 5 Resurvey

Lease No: 88849-S-0116-00
 St/Fed Lease No: 08-00139
 Lessor: State of WY Lease #08-00139, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2008
 Gross Acres: 166.7000
 Recording Info: 03/20/2008, Book 689, Page 834, Entry 937699
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-119-W, SEC 04 - 166.70 acs being Tract 125 (formerly SW/4 Section 4) Resurvey

Lease No: 88849-S-0117-00
 St/Fed Lease No: 08-00140
 Lessor: State of WY Lease #08-00140, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2008
 Gross Acres: 80.6400
 Recording Info: 03/20/2008, Book 689, Page 836, Entry 937700
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-119-W, SEC 13 - 80.64 acs being Tract 131 A-B (formerly E/2 SE/4 Section 13) Resurvey

Lease No: 88849-S-0118-00
 St/Fed Lease No: 08-00141
 Lessor: State of WY Lease #08-00141, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2008
 Gross Acres: 41.2500
 Recording Info: 03/20/2008, Book 689, Page 838, Entry 937701
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-119-W, SEC 08 - 41.52 acs being Tract 132 (formerly NE/4 NE/4 Section 8) Resurvey

Lease No: 88849-S-0119-00
 St/Fed Lease No: 08-00142
 Lessor: State of WY Lease #08-00142, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2008
 Gross Acres: 652.9000
 Recording Info: 03/20/2008, Book 689, Page 840, Entry 937702
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-119-W, SEC 36 - 652.90 acs being Tract 37 (formerly All of Section 36) Resurvey

Lease No: 88849-S-0120-00
 St/Fed Lease No: 08-00148
 Lessor: State of WY Lease #08-00148, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2008
 Gross Acres: 659.8000
 Recording Info: 03/20/2008, Book 689, Page 842, Entry 937703
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-119-W, SEC 15 - 659.80 acs being Tract 90 (formerly All of Section 15) Resurvey

Lease No: 88849-S-0121-00
 St/Fed Lease No: 08-00149
 Lessor: State of WY Lease #08-00149, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2008
 Gross Acres: 166.6000
 Recording Info: 03/20/2008, Book 689, Page 844, Entry 937704
 State: Wyoming
 County: Lincoln
 Legal Description: T-25-N, R-119-W, SEC 09 - 166.60 acs being Tract 97 (formerly SE/4 Section 9) Resurvey

Lease No: 88849-S-0122-00
 St/Fed Lease No: 08-00150
 Lessor: State of WY Lease #08-00150, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2008
 Gross Acres: 640.0000
 Recording Info: 03/20/2008, Book 689, Page 846, Entry 937705
 State: Wyoming
 County: Lincoln
 Legal Description: T-26-N, R-119-W, SEC 16 - 640.00 acs being All of Section 16

Lease No: 88849-S-0123-00
 St/Fed Lease No: 08-00151
 Lessor: State of WY Lease #08-00151, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2008
 Gross Acres: 160.0000
 Recording Info: 03/20/2008, Book 689, Page 848, Entry 937706
 State: Wyoming
 County: Lincoln
 Legal Description: T-26-N, R-119-W, SEC 25 - 160.00 acs being Lots 4, 9, 10 and SE/4 NW/4 of Section 25

Lease No: 88849-S-0124-00
 St/Fed Lease No: 08-00152
 Lessor: State of WY Lease #08-00152, Board of Land Commissioners
 Lessee: MRC Rockies Company
 Lease Date: 02/02/2008
 Gross Acres: 40.0000
 Recording Info: 03/20/2008, Book 689, Page 850, Entry 937707
 State: Wyoming
 County: Lincoln
 Legal Description: T-26-N, R-119-W, SEC 28 - 40.00 acs being the SW/4 SW/4

Lease No: 88849-S-0125-00
St/Fed Lease No: 08-00153
Lessor: State of WY Lease #08-00153, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/02/2008
Gross Acres: 701.2600
Recording Info: 03/20/2008, Book 689, Page 822, Entry 937693
State: Wyoming
County: Lincoln
Legal Description: T-26-N, R-119-W, SEC 36 - 701.26 acs being Lots 1-14, NW/4 and N/2 SW/4 of Section 36

Lease No: 88849-S-0126-00
St/Fed Lease No: 08-00154
Lessor: State of WY Lease #08-00154, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/02/2008
Gross Acres: 40.0000
Recording Info: 03/20/2008, Book 689, Page 852, Entry 937708
State: Wyoming
County: Lincoln
Legal Description: T-27-N, R-119-W, SEC 13 - 40.00 acs being the SW4 NW/4 of Section 13

Lease No: 88849-S-0127-00
St/Fed Lease No: 08-00155
Lessor: State of WY Lease #08-00155, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/02/2008
Gross Acres: 80.0000
Recording Info: 03/20/2008, Book 689, Page 816, Entry 937690
State: Wyoming
County: Lincoln
Legal Description: T-27-N, R-119-W, SEC 15 - 80.00 acs being the E/2 SE/4 of Section 15

Lease No: 88849-S-0128-00
St/Fed Lease No: 08-00156
Lessor: State of WY Lease #08-00156, Board of Land Commissioners
Lessee: MRC Rockies Company
Lease Date: 02/02/2008
Gross Acres: 725.6400
Recording Info: 03/20/2008, Book 689, Page 818, Entry 937691
State: Wyoming
County: Lincoln
Legal Description: T-27-N, R-119-W, SEC 36 - 725.64 acs being Lots 1-12 and W/2 of Section 36

Exhibit "B"

Attached to and made a part of that certain Operating Agreement dated May 14, 2010,
by and between Matador Production Company, as Operator, and
Roxanna Rocky Mountains, LLC, MRC Rockies Company,
and Alliance Capital Real Estate, Inc., as Non-Operators

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EXHIBIT "C"

Attached to and made a part of that certain Operating Agreement dated May 14, 2010, by and between Matador Production Company, as Operator, and Roxanna Rocky Mountains, LLC, MRC Rockies Company and Alliance Capital Real Estate, Inc., as Non-Operators

ACCOUNTING PROCEDURE

JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the Parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council or Petroleum Accountants Societies.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

A. Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation within fifteen (15) days after receipt of the billing or by the first day of the month for which the advance is required, whichever is later. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

B. Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the prime rate in effect at Comerica Bank, Texas on the first day of the month in which delinquency occurs plus 1% or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

5. **Audits**
- A. A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct a joint audit in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator. The audits shall not be conducted more than once each year without prior approval of Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of those Non-Operators approving such audit.
- B. The Operator shall reply in writing to an audit report within 180 days after receipt of such report.

6. **Approval By Non-Operators**

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. **Ecological and Environmental**

Costs incurred for the benefit of the Joint Property as a result of governmental or regulatory requirements to satisfy environmental considerations applicable to the Joint Operations. Such costs may include surveys of an ecological or archaeological nature and pollution control procedures as required by applicable laws and regulations.

2. **Rentals and Royalties**

Lease rentals and royalties paid by Operator for the Joint Operations.

3. **Labor**

- A. (1) Salaries and wages of Operator's field employees and/or consultants directly employed on the Joint Property in the conduct of Joint Operations.
(2) Salaries of First level Supervisors in the field.
(3) Salaries and wages of Technical Employees and/or consultants directly employed on the Joint Property if such charges are excluded from the overhead rates.
(4) Salaries and wages of Technical Employees and/or consultants either temporarily or permanently assigned to and directly employed in the operation or the Joint Property if such charges are excluded from the overhead rates.
- B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section II. Such costs under this Paragraph 3B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 3A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
- C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II.
- D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II.

4. **Employee Benefits**

Operator's current costs or established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II shall be Operator's actual cost not to exceed the percent most recently recommended by the Council of Petroleum Accountants Societies.

5. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

6. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

- A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store where like material is normally available or railway receiving point nearest the Joint Property unless agreed to by the Parties.
- B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store where like material is normally available, or railway receiving point nearest the Joint Property unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.
- C. In the application of subparagraphs A and B above, the option to equalize or charge actual trucking cost is available when the actual charge is \$400 or less excluding accessorial charges. The \$400 will be adjusted to the amount most recently recommended by the Council of Petroleum Accountants Societies.

7. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 10 of Section II and Paragraph i, ii, and iii, of Section III. The cost of professional consultant services including outside consultants, landmen and attorneys and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

8. Equipment and Facilities Furnished By Operator

- A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on gross investment less accumulated depreciation not to exceed twelve percent (12.0%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.
- B. In lieu of charges in Paragraph 8A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property. ~~less 20%~~ For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

9. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

10. Legal Expense

Expense of handling, investigating and settling litigation or claims, title and regulatory work, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff ~~or fees or expense of outside attorneys~~ shall be made unless previously agreed to by the Parties. All other legal expense ~~is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.~~ shall be the expense of the joint account, except as provided in Section I, Paragraph 3.

11. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the Joint Account shall be made and paid by the Parties hereto in accordance with the tax value generated by each party's working interest.

12. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Worker's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

13. Abandonment and Reclamation

Costs incurred for abandonment of the Joint Property, including costs required by governmental or other regulatory authority.

14. Communications

Cost of acquiring, leasing, installing, operating, repairing and maintaining communication systems, including radio and microwave facilities directly serving the Joint Property. In the event communication facilities/systems serving the Joint Property are Operator owned, charges to the Joint Account shall be made as provided in Paragraph 8 of this Section II.

15. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III and which is of direct benefit to the Joint Property and is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead—Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

Fixed Rate Basis, Paragraph 1A, or

Percentage Basis, Paragraph 1B

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 3A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be ~~considered as included in the overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge~~ to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services including outside consultants, landmen and attorneys and contract services of technical personnel directly employed on the Joint Property:

shall be covered by the overhead rates, or

shall not be covered by the overhead rates.

iii. The salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant services including outside consultants, landmen and attorneys and contract services of technical personnel either temporarily or permanently assigned to and directly employed in the operation of the Joint Property:

shall be covered by the overhead rates, or

shall not be covered by the overhead rates.

A. Overhead—Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 14,000.00

(Prorated for less than a full month)

Producing Well Rate \$ 1,400.00

(2) Application of Overhead—Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

(1) Charges for drilling wells shall begin on the date operations are commenced ~~the well is spudded~~ and terminate on the date the drilling rig, completion rig, or other units used in completion of the well is released, whichever is later, except that no charge shall be made during suspension of drilling or completion operations for fifteen (15) or more consecutive calendar days.

- (2) Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive work days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig or other units used in workover, commence through date of completion of testing rig or other unit release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.
- (b) Producing Well Rates
- (1) An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- (2) Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- (3) An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- (4) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well. This one-well charge shall be made whether or not the well has produced except when drilling well rate applies.
- (5) All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.
- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached by the percentage increase or decrease published by COPAS. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

B. Overhead—Percentage Basis

- (1) Operator shall charge the Joint Account at the following rates:
- (a) Development
Percent (%) of the cost of development of the Joint Property exclusive of costs provided under Paragraph 10 of Section II and all salvage credits.
- (b) Operating
Percent (%) of the cost of operating the Joint Property exclusive of costs provided under Paragraphs 2 and 10 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.
- (2) Application of Overhead—Percentage Basis shall be as follows:
~~For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening, or any remedial operations on any or all wells involving the use of drilling rig and crew capable of drilling to the producing interval on the Joint Property; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as operating.~~

2. Overhead—Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint

Account for overhead based on the following rates for any Major Construction project in excess of \$ 25,000.00 :

- A. 5.0 % of first \$100,000 or total cost if less, plus
- B. 3.0 % of costs in excess of \$100,000 but less than \$1,000,000, plus
- C. 2.0 % of costs in excess of \$1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells and artificial lift equipment shall be excluded.

3. Catastrophe Overhead

To compensate Operator for overhead costs incurred in the event of expenditures resulting from a single occurrence due to oil spill, blowout, explosion, fire, storm, hurricane, or other catastrophes as agreed to by the Parties, which are necessary to restore the Joint Property to the equivalent condition that existed prior to the event causing the expenditures, Operator shall either negotiate a rate prior to charging the Joint Account or shall charge the Joint Account for overhead based on the following rates:

- A. 5.0 % of total costs through \$100,000; plus
- B. 3.0 % of total costs in excess of \$100,000 but less than \$1,000,000; plus
- C. 2.0 % of total costs in excess of \$1,000,000.

Expenditures subject to the overheads above will not be reduced by insurance recoveries, and no other overhead provisions of this Section III shall apply.

4. Amendment of Rates

The overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all Material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reasons, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions See Article XVI. Material, Purchases, Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following basis exclusive of cash discounts: Operator shall account for material purchases and transfers in accordance with COPAS Model Form Interpretation 38 (MFI-38), or the price procedure most recently recommended by COPAS.

A. New Material (Condition A)

(1) ~~Tubular Goods Other than Line Pipe~~

- (a) ~~Tubular goods, sized 2 3/8 inches OD and larger, except line pipe, shall be priced at Eastern mill published carload base prices effective as of date of movement plus transportation cost using the 80,000 pound carload weight basis to the railway receiving point nearest the Joint Property for which published rail rates for tubular goods exist. If the 80,000 pound rail rate is not offered, the 70,000 pound or 90,000 pound rail rate may be used. Freight charges for tubing will be calculated from Lorain, Ohio and casing from Youngstown, Ohio.~~
- (b) ~~For grades which are special to one mill only, prices shall be computed at the mill base of that mill plus transportation cost from that mill to the railway receiving point nearest the Joint Property as provided above in Paragraph 2.A.(1)(a). For transportation cost from points other than Eastern mills, the 30,000 pound Oil Field Haulers Association interstate truck rate shall be used.~~

- (e) ~~Special end finish tubular goods shall be priced at the lowest published out of stock price, f.o.b. Houston, Texas, plus transportation cost, using Oil Field Haulers Association interstate 30,000 pound truck rate, to the railway receiving point nearest the Joint Property.~~
- (d) ~~Macaroni tubing (size less than 2 3/8 inch OD) shall be priced at the lowest published out of stock prices f.o.b. the supplier plus transportation costs, using the Oil Field Haulers Association interstate truck rate per weight of tubing transferred, to the railway receiving point nearest the Joint Property.~~

(2) ~~Line Pipe~~

- (a) ~~Line pipe movements (except size 24 inch OD and larger with walls 3/4 inch and over) 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.~~
 - (b) ~~Line Pipe movements (except size 24 inch OD) and larger with walls 3/4 inch and over) less than 30,000 pounds shall be priced at Eastern mill published carload base prices effective as of date of shipment, plus 20 percent, plus transportation costs based on freight rates as set forth under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.~~
 - (c) ~~Line pipe 24 inch OD and over and 3/4 inch wall and larger shall be priced f.o.b. the point of manufacture at current new published prices plus transportation cost to the railway receiving point nearest the Joint Property.~~
 - (d) ~~Line pipe, including fabricated line pipe, drive pipe and conduit not listed on published price lists shall be priced at quoted prices plus freight to the railway receiving point nearest the Joint Property or at prices agreed to by the Parties.~~
- (3) ~~Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property.~~
 - (4) ~~Unused new Material, except tubular goods, moved from the Joint Property shall be priced at the current new price, in effect on date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property. Unused new tubulars will be priced as provided above in Paragraph 2.A.(1) and (2).~~

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

- (1) Material moved to the Joint Property
At seventy-five percent (75%) of current new price, as determined by Paragraph A.
- (2) Material used on and moved from the Joint Property
 - (a) At seventy-five percent (75%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as new Material or
 - (b) At sixty-five percent (65%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as used Material
- (3) Material not used on and moved from the Joint Property
At seventy-five percent (75%) of current new price as determined by Paragraph A.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material

- (1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph A. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

Material, excluding junk, no longer suitable for its original purpose, but usable for some other purpose shall be priced on a basis commensurate with its use. Operator may dispose of Condition D Material under procedures normally used by Operator without prior approval of Non-Operators.

- (a) Casing, tubing, or drill pipe used as line pipe shall be priced as Grade A and B seamless line pipe of comparable size and weight. Used casing, tubing or drill pipe utilized as line pipe shall be priced at used line pipe prices.
- (b) Casing, tubing or drill pipe used as higher pressure service lines than standard line pipe, e.g. power oil lines, shall be priced under normal pricing procedures for casing, tubing, or drill pipe. Upset tubular goods shall be priced on a non upset basis.

(3) Condition E

Junk shall be priced at prevailing prices. Operator may dispose of Condition E Material under procedures normally utilized by Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

- (1) Loading or unloading costs may be charged to the Joint Account at the rate of twenty five cents (25¢) per hundred weight on all tubular goods movements, in lieu of actual loading or unloading costs sustained, at the stocking point. The above rate shall be adjusted as of the first day of April each year following January 1, 1985 by the same percentage increase or decrease used to adjust overhead rates in Section III, Paragraph 1.A.(3). Each year, the rate calculated shall be rounded to the nearest cent and shall be the rate in effect until the first day of April next year. Such rate shall be published each year by the Council of Petroleum Accountants Societies.

- (2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property. ; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished By Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Adjustments to the Joint Account resulting from the reconciliation of a physical inventory shall be made within six months following the taking of the inventory. Inventory adjustments shall be made by Operator to the Joint Account for overages and shortages, but, Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special inventories may be taken whenever there is any sale, change of interest, or change of Operator in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory. In cases involving a change of Operator, all Parties shall be governed by such inventory.

4. Expense of Conducting Inventories

- A. The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by the Parties.
- B. The expense of conducting special inventories shall be charged to the Parties requesting such inventories, except inventories required due to change of Operator shall be charged to the Joint Account.

Exhibit "D"

Attached to and made a part of that certain Operating Agreement dated May 14, 2010,
by and between Matador Production Company, as Operator, and
Roxanna Rocky Mountains, LLC, MRC Rockies Company,
and Alliance Capital Real Estate, Inc., as Non-Operators

INSURANCE

1. Operator shall procure and maintain, at all times while conducting operations under this Agreement, the following insurance coverages with limits not less than those specified below:

A. Workers' Compensation Employer's Liability	Statutory \$1,000,000 Each Accident
B. General Liability including bodily injury and property damage liability	\$1,000,000 Combined Single Limit
C. Auto Liability	\$1,000,000 Combined Single Limit
D. Excess or Umbrella Liability	\$10,000,000 Combined Single Limit
E. Cost of Well Control and Care, Custody and Control	\$10,000,000 Each Occurrence and \$500,000 CCC
F. Pollution Liability	\$10,000,000 Combined Single Limit

2. The insurance described in Section 1, above shall include Non-Operator as additional insured (except Workers' Compensation) and shall include a waiver by the insurer of all rights of subrogation in favor of Non-Operator. Such insurance shall be carried at the joint expense of the parties hereto and all premiums and other costs and expenses related thereto shall be charged to the Joint Account in accordance with the Accounting Procedure attached as Exhibit "C" to this Agreement, unless prior to spud a party hereto who desires to provide its own insurance or self-insurance provides Operator with a certificate of insurance evidencing such individual coverage in the same amounts as specified in Section 1, above.

3. Operator shall endeavor to have its contractors and subcontractors comply with applicable Workers' Compensation laws, rules and regulations and carry such insurance as Operator may deem necessary.

4. Operator shall not be liable to Non-Operator for loss suffered because of insufficiency of the insurance procured and maintained for the Joint Account nor shall Operator be liable to Non-Operator for any loss occurring by reason of Operator's inability to procure or maintain the insurance provided for herein. If, in Operator's opinion, at any time during the term of this Agreement, Operator is unable to procure or maintain said insurance on commercially reasonable terms, or Operator reduces the limits of insurance, Operator shall promptly so notify Non-Operator in writing.

5. In the event of loss not covered by the insurance provided for herein, such loss shall be charged to the Joint Account and borne by the parties in accordance with their respective percentage of participation as determined by this Agreement.

6. Any party hereto may individually and at its own expense procure such additional insurance as it desires; provided, however, such party shall provide Operator with a certificate of insurance evidencing such coverage before spud of the well and such coverage shall include a waiver by the insurer of all rights of subrogation in favor of all parties hereto.

EXHIBIT "E"
GAS BALANCING AGREEMENT ("AGREEMENT")
ATTACHED TO AND MADE PART OF THAT CERTAIN

OPERATING AGREEMENT DATED May 14, 2010 BY AND BETWEEN Matador Production Company, Roxanna Rocky Mountains, LLC, MRC Rockies Company, AND Alliance Capital Real Estate, Inc. ("OPERATING AGREEMENT") RELATING TO THE Contract AREA, Bear Lake, Rich and Lincoln COUNTIES/PARISH, STATE OF Idaho, Utah and Wyoming.

1. DEFINITIONS

The following definitions shall apply to this Agreement:

- 1.01 "Arm's Length Agreement" shall mean any gas sales agreement with an unaffiliated purchaser or any gas sales agreement with an affiliated purchaser where the sales price and delivery conditions under such agreement are representative of prices and delivery conditions existing under other similar agreements in the area between unaffiliated parties at the same time for natural gas of comparable quality and quantity.
- 1.02 "Balancing Area" shall mean (**select one**):
- each well subject to the Operating Agreement that produces Gas or is allocated a share of Gas production. If a single well is completed in two or more producing intervals, each producing interval from which the Gas production is not commingled in the wellbore shall be considered a separate well.
- all of the acreage and depths subject to the Operating Agreement.
-
- _____
- _____
- _____
- 1.03 "Full Share of Current Production" shall mean the Percentage Interest of each Party in the Gas actually produced from the Balancing Area during each month.
- 1.04 "Gas" shall mean all hydrocarbons produced or producible from the Balancing Area, whether from a well classified as an oil well or gas well by the regulatory agency having jurisdiction in such matters, which are or may be made available for sale or separate disposition by the Parties, excluding oil, condensate and other liquids recovered by field equipment operated for the joint account. "Gas" does not include gas used in joint operations, such as for fuel, recycling or reinjection, or which is vented or lost prior to its sale or delivery from the Balancing Area.
- 1.05 "Makeup Gas" shall mean any Gas taken by an Underproduced Party from the Balancing Area in excess of its Full Share of Current Production, whether pursuant to Section 3.3 or Section 4.1 hereof.
- 1.06 "Mcf" shall mean one thousand cubic feet. A cubic foot of Gas shall mean the volume of gas contained in one cubic foot of space at a standard pressure base and at a standard temperature base.
- 1.07 "MMBtu" shall mean one million British Thermal Units. A British Thermal Unit shall mean the quantity of heat required to raise one pound avoirdupois of pure water from 58.5 degrees Fahrenheit to 59.5 degrees Fahrenheit at a constant pressure of 14.73 pounds per square inch absolute. and/or its affiliate MRC Rockies Company
- 1.08 "Operator" shall mean the individual or entity designated under the terms of the Operating Agreement / or, in the event this Agreement is not employed in connection with an operating agreement, the individual or entity designated as the operator of the well(s) located in the Balancing Area.
- 1.09 "Overproduced Party" shall mean any Party having taken a greater quantity of Gas from the Balancing Area than the Percentage interest of such Party in the cumulative quantity of all Gas produced from the Balancing Area.
- 1.10 "Overproduction" shall mean the cumulative quantity of Gas taken by a Party in excess of its Percentage Interest in the cumulative quantity of all Gas produced from the Balancing Area.
- 1.11 "Party" shall mean those individuals or entities subject to this Agreement, and their respective heirs, successors, transferees and assigns.
- 1.12 "Percentage Interest" shall mean the percentage or decimal interest of each Party in the Gas produced from the Balancing Area pursuant to the Operating Agreement covering the Balancing Area.
- 1.13 "Royalty" shall mean payments on production of Gas from the Balancing Area to all owners of royalties, overriding royalties, production payments or similar interests.
- 1.14 "Underproduced Party" shall mean any Party having taken a lesser quantity of Gas from the Balancing Area than the Percentage Interest of such Party in the cumulative quantity of all Gas produced from the Balancing Area.
- 1.15 "Underproduction" shall mean the deficiency between the cumulative quantity of Gas taken by a Party and its Percentage Interest in the cumulative quantity of all Gas produced from the Balancing Area.
- 1.16 (**Optional**) "Winter Period" shall mean the month(s) of November and December in one calendar year and the month(s) of January, February and March in the succeeding calendar year.

2. BALANCING AREA

- 2.1 If this Agreement covers more than one Balancing Area, it shall be applied as if each Balancing Area were covered by separate but identical agreements. All balancing hereunder shall be on the basis of Gas taken from the Balancing Area measured in (**Alternative 1**) Mcfs or (**Alternative 2**) MMBtus.
- 2.2 In the event that all or part of the Gas deliverable from a Balancing Area is or becomes subject to one or more maximum lawful prices, any Gas not subject to price controls shall be considered as produced from a single Balancing Area and Gas subject to each maximum lawful price category shall be considered produced from a separate Balancing Area.

3. RIGHT OF PARTIES TO TAKE GAS

- 3.1 Each Party desiring to take Gas will notify the Operator, or cause the Operator to be notified, of the volumes nominated, the name of the transporting pipeline and the pipeline contract number (if available) and meter station relating to such delivery, sufficiently in advance for the Operator, acting with reasonable diligence, to meet all nomination and other requirements. Operator is authorized to deliver the volumes so nominated and confirmed (if confirmation is required) to the transporting pipeline in accordance with the terms of this Agreement.

- 3.2 Each Party shall make a reasonable, good faith effort to take its Full Share of Current Production each month, to the extent that such production is required to maintain leases in effect, to protect the producing capacity of a well or reservoir, to preserve correlative rights, or to maintain oil production.
- 3.3 When a Party fails for any reason to take its Full Share of Current Production (as such Share may be reduced by the right of the other Parties to make up for Underproduction as provided herein), the other Parties shall be entitled to take any Gas which such Party fails to take. To the extent practicable, such Gas shall be made available initially to each Underproduced Party in the proportion that its Percentage Interest in the Balancing Area bears to the total Percentage Interests of all Underproduced Parties desiring to take such Gas. If all such Gas is not taken by the Underproduced Parties, the portion not taken shall then be made available to the other Parties in the proportion that their respective Percentage Interests in the Balancing Area bear to the total Percentage Interests of such Parties.
- 3.4 All Gas taken by a Party in accordance with the provisions of this Agreement, regardless of whether such Party is underproduced or overproduced, shall be regarded as Gas taken for its own account with title thereto being in such taking Party.
- 3.5 Notwithstanding the provisions of Section 3.3 hereof, no Overproduced Party shall be entitled in any month to take any Gas in excess of three hundred percent (300%) of its Percentage Interest of the Balancing Area's then-current Maximum Monthly Availability; provided, however, that this limitation shall not apply to the extent that it would preclude production that is required to maintain leases in effect, to protect the producing capacity of a well or reservoir, to preserve correlative rights, or to maintain oil production. "Maximum Monthly Availability" shall mean the maximum average monthly rate of production at which Gas can be delivered from the Balancing Area, as determined by the Operator, considering the maximum efficient well rate for each well within the Balancing Area, the maximum allowable(s) set by the appropriate regulatory agency, mode of operation, production facility capabilities and pipeline pressures.
- 3.6 In the event that a Party fails to make arrangements to take its Full Share of Current Production required to be produced to maintain leases in effect, to protect the producing capacity of a well or reservoir, to preserve correlative rights, or to maintain oil production, the Operator may sell any part of such Party's Full Share of Current Production that such Party fails to take for the account of such Party and render to such Party, on a current basis, the full proceeds of the sale, less any reasonable marketing, compression, treating, gathering or transportation costs incurred directly in connection with the sale of such Full Share of Current Production. In making the sale contemplated herein, the Operator shall be obligated only to obtain such price and conditions for the sale as are reasonable under the circumstances and shall not be obligated to share any of its markets. Any such sale by Operator under the terms hereof shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one year. Notwithstanding the provisions of Article 3.4 hereof, Gas sold by Operator for a Party under the provisions hereof shall be deemed to be Gas taken for the account of such Party.

4. IN-KIND BALANCING

- 4.1 Effective the first day of any calendar month following at least thirty (30) days' prior written notice to the Operator, any Underproduced Party may begin taking, in addition to its Full Share of Current Production and any Makeup Gas taken pursuant to Section 3.3 of this Agreement, a share of current production determined by multiplying twenty-five percent (25%) of the Full Shares of Current Production of all Overproduced Parties by a fraction, the numerator of which is the Percentage Interest of such Underproduced Party and the denominator of which is the total of the Percentage Interests of all Underproduced Parties desiring to take Makeup Gas. In no event will an Overproduced Party be required to provide more than fifty percent (50%) of its Full Share of Current Production for Makeup Gas. The Operator will promptly notify all Overproduced Parties of the election of an Underproduced Party to begin taking Makeup Gas.
- 4.2 **(Optional—Seasonal Limitation on Makeup - Option 1)** Notwithstanding the provisions of Section 4.1, the average monthly amount of Makeup Gas taken by an Underproduced Party during the Winter Period pursuant to Section 4.1 shall not exceed the average monthly amount of Makeup Gas taken by such Underproduced Party during the _____ (____) months immediately preceding the Winter Period.
- 4.2 **(Optional—Seasonal Limitation on Makeup - Option 2)** Notwithstanding the provisions of Section 4.1, no Overproduced Party will be required to provide more than twenty-five percent (25%) of its Full Share of Current Production for Makeup Gas during the Winter Period.
- 4.3 **(Optional)** Notwithstanding any other provision of this Agreement, at such time and for so long as Operator, or (insofar as concerns production by the Operator) any Underproduced Party, determines in good faith that an Overproduced Party has produced all of its share of the ultimately recoverable reserves in the Balancing Area, such Overproduced Party may be required to make available for Makeup Gas, upon the demand of the Operator or any Underproduced Party, up to seventy-five percent (75%) of such Overproduced Party's Full Share of Current Production, except during the Winter Period as noted in Section 4.2 above.

5. STATEMENT OF GAS BALANCES

- 5.1 The Operator will maintain appropriate accounting on a monthly and cumulative basis of the volumes of Gas that each Party is entitled to receive and the volumes of Gas actually taken or sold for each Party's account. Within forty-five (45) days after the month of production, the Operator will furnish a statement for such month showing (1) each Party's Full Share of Current Production, (2) the total volume of Gas actually taken or sold for each Party's account, (3) the difference between the volume taken by each Party and that Party's Full Share of Current Production, (4) the Overproduction or Underproduction of each Party, and (5) other data as recommended by the provisions of the Council of Petroleum Accountants Societies Bulletin No.24, as amended or supplemented hereafter. Each Party taking Gas will promptly provide to the Operator any data required by the Operator for preparation of the statements required hereunder.
- 5.2 If any Party fails to provide the data required herein for four (4) consecutive production months, the Operator, or where the Operator has failed to provide data, another Party, may audit the production and Gas sales and transportation volumes of the non-reporting Party to provide the required data. Such audit shall be conducted only after reasonable notice and during normal business hours in the office of the Party whose records are being audited. All costs associated with such audit will be charged to the account of the Party failing to provide the required data.

6. PAYMENTS ON PRODUCTION

- 6.1 Each Party taking Gas shall pay or cause to be paid all production and severance taxes due on all volumes of Gas actually taken by such Party.
- 6.2 **(Alternative 1—Entitlements)** Each Party shall pay or cause to be paid all Royalty due with respect to Royalty owners to whom it is accountable as if such Party were taking its Full Share of Current Production, and only its Full Share of Current Production.

- 6.2.1 **(Optional—For use only with Section 6.2—Alternative 1—Entitlement)** Upon written request of a Party taking less than its Full Share of Current Production in a given month (“Current Underproducer”), any Party taking more than its Full Share of Current Production in such month (“Current Overproducer”) will pay to such Current Underproducer an amount each month equal to the Royalty percentage of the proceeds received by the Current Overproducer for that portion of the Current Underproducer’s Full Share of Current Production taken by the Current Overproducer; provided, however, that such payment will not exceed the Royalty percentage that is common to all Royalty burdens in the Balancing Area. Payments made pursuant to this Section 6.2.1 will be deemed payments to the Underproduced Party’s Royalty owners for purposes of Section 7.5.
- 6.2 **(Alternative 2—Sales)** Each Party shall pay or cause to be paid Royalty due with respect to Royalty owners to whom it is accountable based on the volume of Gas actually taken for its account.
- 6.3 In the event that any governmental authority requires that Royalty payments be made on any other basis than that provided for in this Section 6, each Party agrees to make such Royalty payments accordingly, commencing on the effective date required by such governmental authority, and the method provided for herein shall be thereby superseded.

7. CASH SETTLEMENTS

- 7.1 Upon the earlier of the plugging and abandonment of the last producing interval in the Balancing Area, the termination of the Operating Agreement or any pooling or unit agreement covering the Balancing Area, or at any time no Gas is taken from the Balancing Area for a period of twelve (12) consecutive months, any Party may give written notice calling for cash settlement of the Gas production imbalances among the Parties. Such notice shall be given to all Parties in the Balancing Area.
- 7.2 Within sixty (60) days after the notice calling for cash settlement under Section 7.1, the Operator will distribute to each Party a Final Gas Settlement Statement detailing the quantity of Overproduction owed by each Overproduced Party to each Underproduced Party and identifying the month to which such Overproduction is attributed, pursuant to the methodology set out in Section 7.4.
- 7.3 **(Alternative 1—Direct Party-to-Party Settlement)** Within sixty (60) days after receipt of the Final Gas Settlement Statement, each Overproduced Party will pay to each Underproduced Party entitled to settlement the appropriate cash settlement, accompanied by appropriate accounting detail. At the time of payment, the Overproduced Party will notify the Operator of the Gas imbalance settled by the Overproduced Party’s payment.
- 7.3 **(Alternative 2—Settlement Through Operator)** Within sixty (60) days after receipt of the Final Gas Settlement Statement, each Overproduced Party will send its cash settlement, accompanied by appropriate accounting detail, to the Operator. The Operator will distribute the monies so received, along with any settlement owed by the Operator as an Overproduced Party, to each Underproduced Party, to each Underproduced Party to whom settlement is due within ninety (90) days after issuance of the Final Gas Settlement Statement. In the event that any Overproduced Party fails to pay any settlement due hereunder, the Operator may turn over responsibility for the collection of such settlement to the Party to whom it is owed, and the Operator will have no further responsibility with regard to such settlement.
- 7.3.1 **(Optional—For use only with Section 7.3, Alternative 2—Settlement Through Operator)** Any Party shall have the right at any time upon thirty (30) days’ prior written notice to all other Parties to demand that any settlements due such Party for Overproduction be paid directly to such Party by the Overproduced Party, rather than being paid through the Operator. In the event that an Overproduced Party pays the Operator any sums due to an Underproduced Party at any time after thirty (30) days following the receipt of the notice provided for herein, the Overproduced Party will continue to be liable to such Underproduced Party for any sums so paid, until payment is actually received by the Underproduced Party.
- 7.4 **(Alternative 1—Historical Sales Basis)** The amount of the cash settlement will be based on the proceeds received by the Overproduced Party under an Arm’s Length Agreement for the Gas taken from time to time by the Overproduced Party in excess of the Overproduced Party’s Full Share of Current Production. Any Makeup Gas taken by the Underproduced Party prior to monetary settlement hereunder will be applied to offset Overproduction chronologically in the order of accrual.
- 7.4 **(Alternative 2—Most Recent Sales Basis)** The amount of the cash settlement will be based on the proceeds received by the Overproduced Party under an Arm’s Length Agreement for the volume of Gas that constituted Overproduction by the Overproduced Party from the Balancing Area. For the purpose of implementing the cash settlement provision of the Section 7, an Overproduced Party will not be considered to have produced any of an Underproduced Party’s share of Gas until the Overproduced Party has produced cumulatively all of its Percentage Interest share of the Gas ultimately produced from the Balancing Area.
- 7.5 The values used for calculating the cash settlement under Section 7.4 will include all proceeds received for the sale of the Gas by the Overproduced Party calculated at the Balancing Area, after deducting any production or severance taxes paid and any Royalty actually paid by the Overproduced Party to an Underproduced Party’s Royalty owner(s), to the extent said payments amounted to a discharge of said Underproduced Party’s Royalty obligation, as well as any reasonable marketing, compression, treating, gathering or transportation costs incurred directly in connection with the sale of the Overproduction.
- 7.5.1 **(Optional—For Valuation Under Percentage of Proceeds Contracts)** For Overproduction sold under a gas purchase contract providing for payment based on a percentage of the proceeds obtained by the purchaser upon resale of residue gas and liquid hydrocarbons extracted at a gas processing plant, the values used for calculating cash settlement will include proceeds received by the Overproduced Party for both the liquid hydrocarbons and the residue gas attributable to the Overproduction.
- 7.5.2 **(Optional—Valuation for Processed Gas—Option 1)** For Overproduction processed for the account of the Overproduced Party at a gas processing plant for the extraction of liquid hydrocarbons, the full quantity of the Overproduction will be valued for purposes of cash settlement at the prices received by the Overproduced Party for the sale of the residue gas attributable to the Overproduction without regard to proceeds attributable to liquid hydrocarbons which may have been extracted from the Overproduction.
- 7.5.2 **(Optional—Valuation for Processed Gas—Option 2)** For Overproduction processed for the account of the Overproduced Party at a gas processing plant for the extraction of liquid hydrocarbons, the values used for calculating cash settlement will include the proceeds received by the Overproduced Party for the sale of the liquid hydrocarbons extracted from the Overproduction, less the actual reasonable costs incurred by the Overproduced Party to process the Overproduction and to transport, fractionate and handle the liquid hydrocarbons extracted therefrom prior to sale.

- 7.6 To the extent the Overproduced Party did not sell all Overproduction under an Arm's Length Agreement, the cash settlement will be based on the weighted average price received by the Overproduced Party for any gas sold from the Balancing Area under Arm's Length Agreements during the months to which such Overproduction is attributed. In the event that no sales under Arm's Length Agreements were made during any such month, the cash settlement for such month will be based on the spot sales prices published for the applicable geographic area during such month in a mutually acceptable pricing bulletin.
- 7.7 Interest compounded at the rate of five percent (5%) per annum or the maximum lawful rate of interest applicable to the Balancing Area, whichever is less, will accrue for all amounts due under Section 7.1 beginning the first day following the date payment is due pursuant to Section 7.3. Such interest shall be borne by the Operator or any Overproduced Party in the proportion that their respective delays beyond the deadlines set out in Sections 7.2 and 7.3 contributed to the accrual of the interest.
- 7.8 In lieu of the cash settlement required by Section 7.3, an Overproduced Party may deliver to the Underproduced Party an offer to settle its Overproduction in-kind and at such rates, quantities, times and sources as may be agreed upon by the Underproduced Party. If the Parties are unable to agree upon the manner in which such in-kind settlement gas will be furnished within sixty (60) days after the Overproduced Party's offer to settle in kind, which period may be extended by agreement of said Parties, the Overproduced Party shall make a cash settlement as provided in Section 7.3. The making of an in-kind settlement offer under this Section 7.8 will not delay the accrual of interest on the cash settlement should the Parties fail to reach agreement on an in-kind settlement.
- 7.9 **(Optional—For Balancing Areas Subject to Federal Price Regulation)** That portion of any monies collected by an Overproduced Party for Overproduction which is subject to refund by orders of the Federal Energy Regulatory Commission or other governmental authority may be withheld by the Overproduced Party until such prices are fully approved by such governmental authority, unless the Underproduced Party furnishes a corporate undertaking, acceptable to the Overproduced Party, agreeing to hold the Overproduced Party harmless from financial loss due to refund orders by such governmental authority.
- 7.10 **(Optional—Interim Cash Balancing)** At any time during the term of this Agreement, any Overproduced Party may, in its sole discretion, make cash settlement(s) with the Underproduced Parties covering all or part of its outstanding Gas imbalance, provided that such settlements must be made with all Underproduced Parties proportionately based on the relative imbalances of the Underproduced Parties, and provided further that such settlements may not be made more often than once every twenty-four (24) months. Such settlements will be calculated in the same manner provided above for final cash settlements. The Overproduced Party will provide Operator a detailed accounting of any such cash settlement within thirty (30) days after the settlement is made.

8. TESTING

Notwithstanding any provision of this Agreement to the contrary, any Party shall have the right, from time to time, to produce and take up to one hundred percent (100%) of a well's entire Gas stream to meet the reasonable deliverability test(s) required by such Party's Gas purchaser, and the right to take any Makeup Gas shall be subordinate to the right of any Party to conduct such tests; provided, however, that such tests shall be conducted in accordance with prudent operating practices only after thirty (30) days prior written notice to the Operator and shall last no longer than seventy-two (72) hours.

9. OPERATING COSTS

Nothing in this Agreement shall change or affect any Party's obligation to pay its proportionate share of all costs and liabilities incurred in operations on or in connection with the Balancing Area, as its share thereof is set forth in the Operating Agreement, irrespective of whether any Party is at any time selling and using Gas or whether such sales or use are in proportion to its Percentage Interest in the Balancing Area.

10. LIQUIDS

The Parties shall share proportionately in and own all liquid hydrocarbons recovered with Gas by field equipment operated for the joint account in accordance with their Percentage Interests in the Balancing Area.

11. AUDIT RIGHTS

Notwithstanding any provision in this Agreement or any other agreement between the Parties hereto, and further notwithstanding any termination or cancellation of this Agreement, for a period of two (2) years from the end of the calendar year in which any information to be furnished under Section 5 or 7 hereof is supplied, any Party shall have the right to audit the records of any other Party regarding quantity, including but not limited to information regarding Btu-content. Any Underproduced Party shall have the right for a period of two (2) years from the end of the calendar year in which any cash settlement is received pursuant to Section 7 to audit the records of any Overproduced Party as to all matters concerning values, including but not limited to information regarding prices and disposition of Gas from the Balancing Area. Any such audit shall be conducted at the expense of the Party or Parties desiring such audit, and shall be conducted, after reasonable notice, during normal business hours in the office of the Party whose records are being audited. Each Party hereto agrees to maintain records as to the volumes and prices of Gas sold each month and the volumes of Gas used in its own operations, along with the Royalty paid on any such Gas used by a Party in its own operations. The audit rights provided for in this Section 11 shall be in addition to those provided for in Section 5.2 of this Agreement.

12. MISCELLANEOUS

- 12.1 As between the Parties, in the event of any conflict between the provisions of this Agreement and the provisions of any gas sales contract, or in the event of any conflict between the provisions of this Agreement and the provisions of the Operating Agreement, the provisions of this Agreement shall govern.
- 12.2 Each Party agrees to defend, indemnify and hold harmless all other Parties from and against any and all liability for any claims, which may be asserted by any third party which now or hereafter stands in a contractual relationship with such indemnifying Party and which arise out of the operation of this Agreement or any activities of such indemnifying Party under the provisions of this Agreement, and does further agree to save the other Parties harmless from all judgments or damages sustained and costs incurred in connection therewith.
- 12.3 Except as otherwise provided in this Agreement, Operator is authorized to administer the provisions of this Agreement, but shall have no liability to the other Parties for losses sustained or liability incurred which arise out of or in connection with the performance of Operator's duties hereunder, except such as may result from Operator's gross negligence or willful misconduct. Operator shall not be liable to any Underproduced Party for the failure of any Overproduced Party, (other than Operator) to pay any amounts owed pursuant to the terms hereof.
- 12.4 This Agreement shall remain in full force and effect for as long as the Operating Agreement shall remain in force and effect as to the Balancing Area, and thereafter until the Gas accounts between the Parties are settled in full, and shall inure to the benefit of and be binding upon the Parties hereto, and their respective heirs, successors, legal representatives

and assigns, if any. The Parties hereto agree to give notice of the existence of this Agreement to any successor in interest of any such Party and to provide that any such successor shall be bound by this Agreement, and shall further make any transfer of any interest subject to the Operating Agreement, or any part thereof, also subject to the terms of this Agreement.

- 12.5 Unless the context clearly indicates otherwise, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.
- 12.6 In the event that any "Optional" provision of this Agreement is not adopted by the Parties to this Agreement by a typed, printed or handwritten indication, such provision shall not form a part of this Agreement, and no inference shall be made concerning the intent of the Parties in such event. In the event that any "Alternative" provision of this Agreement is not so adopted by the Parties, Alternative 1 in each such instance shall be deemed to have been adopted by the Parties as a result of any such omission. In those cases where it is indicated that an Optional provision may be used only if a specific Alternative is selected: (i) an election to include said Optional provision shall not be effective unless the Alternative in question is selected; and (ii) the election to include said Optional provision must be expressly indicated hereon, it being understood that the selection of an Alternative either expressly or by default as provided herein shall not, in and of itself, constitute an election to include an associated Optional provision.
- 12.7 This Agreement shall bind the Parties in accordance with the provisions hereof, and nothing herein shall be construed or interpreted as creating any rights in any person or entity not a signatory hereto, or as being a stipulation in favor of any such person or entity.
- 12.8 If contemporaneously with this Agreement becoming effective, or thereafter, any Party requests that any other Party execute an appropriate memorandum or notice of this Agreement in order to give third parties notice of record of same and submits same for execution in recordable form, such memorandum or notice shall be duly executed by the Party to which such request is made and delivered promptly thereafter to the Party making the request. Upon receipt, the Party making the request shall cause the memorandum or notice to be duly recorded in the appropriate real property or other records affecting the Balancing Area.
- 12.9 In the event Internal Revenue Service regulations require a uniform method of computing taxable income by all Parties, each Party agrees to compute and report income to the Internal Revenue Service (**select one**) as if such Party were taking its Full Share of Current Production during each relevant tax period in accordance with such regulations, insofar as same relate to entitlement method tax computations; or based on the quantity of Gas taken for its account in accordance with such regulations, insofar as same relate to sales method tax computations.

13. ASSIGNMENT AND RIGHTS UPON ASSIGNMENT

- 13.1 Subject to the provisions of Sections 13.2 (if elected) and 13.3 hereof, and notwithstanding anything in this Agreement or in the Operating Agreement to the contrary, if any Party assigns (including any sale, exchange or other transfer) any of its working interest in the Balancing Area when such Party is an Underproduced or Overproduced Party, the assignment or other act of transfer shall, insofar as the Parties hereto are concerned, include all interest of the assigning or transferring Party in the Gas, all rights to receive or obligations to provide or take Makeup Gas and all rights to receive or obligations to make any monetary payment which may ultimately be due hereunder, as applicable. Operator and each of the other Parties hereto shall thereafter treat the assignment accordingly, and the assigning or transferring Party shall look solely to its assignee or other transferee for any interest in the Gas or monetary payment that such Party may have or to which it may be entitled, and shall cause its assignee or other transferee to assume its obligations hereunder.
- 13.2 (**Optional—Cash Settlement Upon Assignment**) Notwithstanding anything in this Agreement (including but not limited to the provisions of Section 13.1 hereof) or in the Operating Agreement to the contrary, and subject to the provisions of Section 13.3 hereof, in the event an Overproduced Party intends to sell, assign, exchange or otherwise transfer any of its interest in a Balancing Area, such Overproduced Party shall notify in writing the other working interest owners who are Parties hereto in such Balancing Area of such fact at least thirty (30) days prior to closing the transaction. Thereafter, any Underproduced Party may demand from such Overproduced Party in writing, within fifteen (15) days after receipt of the Overproduced Party's notice, a cash settlement of its Underproduction from the Balancing Area. The Operator shall be notified of any such demand and of any cash settlement pursuant to this Section 13, and the Overproduction and Underproduction of each Party shall be adjusted accordingly. Any cash settlement pursuant to this Section 13 shall be paid by the Overproduced Party on or before the earlier to occur (i) of sixty (60) days after receipt of the Underproduced Party's demand or (ii) at the closing of the transaction in which the Overproduced Party sells, assigns, exchanges or otherwise transfers its interest in a Balancing Area on the same basis as otherwise set forth in Sections 7.3 through 7.6 hereof, and shall bear interest at the rate set forth in Section 7.7 hereof, beginning sixty (60) days after the Overproduced Party's sale, assignment, exchange or transfer of its interest in the Balancing Area for any amounts not paid. Provided, however, if any Underproduced Party does not so demand such cash settlement of its Underproduction from the Balancing Area, such Underproduced Party shall look exclusively to the assignee or other successor in interest of the Overproduced Party giving notice hereunder for the satisfaction of such Underproduced Party's Underproduction in accordance with the provisions of Section 13.1 hereof.
- 13.3 The provisions of this Section 13 shall not be applicable in the event any Party mortgages its interest or disposes of its interest by merger, reorganization, consolidation or sale of substantially all of its assets to a subsidiary or parent company, or to any company in which any parent or subsidiary of such Party owns a majority of the stock of such company.

14. OTHER PROVISIONS

15. COUNTERPARTS

This Agreement may be executed in counterparts, each of which when taken with all other counterparts shall constitute a binding agreement between the Parties hereto; provided, however, that if a Party or Parties owning a Percentage Interest in the Balancing Area equal to or greater than a percent (%) therein fail(s) to execute this Agreement on or before , this Agreement shall not be binding upon any Party and shall be of no further force and effect.

IN WITNESS WHEREOF, this Agreement shall be effective as of the 14th day of May, 2010 .

ATTEST OR WITNESS:

OPERATOR

BY: MATADOR PRODUCTION COMPANY
Type or print name: Joseph Wm. Foran
Title Chairman, President & CEO
Date _____
Tax ID or S.S. No. 75-3131373

NON-OPERATORS

BY: ROXANNA ROCKY MOUNTAINS, LLC
Type or print name: Julia A. Garvin
Title President
Date _____
Tax ID or S.S. No. _____

BY: MRC ROCKIES COMPANY
Type or print name: Joseph Wm. Foran
Title Chairman, President & CEO
Date _____
Tax ID or S.S. No. 26-4001290

BY: ALLIANCE CAPITAL REAL ESTATE, INC.
Type or print name: _____
Title _____
Date _____
Tax ID or S.S. No. _____

ACKNOWLEDGMENTS

Note: The following forms of acknowledgment are the short forms approved by the Uniform Law on Notarial Acts. The validity and effect of these forms in any state will depend upon the statutes of that state.

Individual acknowledgment:

State of _____)
) ss.
County of _____)

This instrument was acknowledged before me on _____
by _____

(Seal, if any)

Title (and Rank) _____
My commission expires: _____

Acknowledgment in representative capacity:

State of Texas)
) ss.
County of Dallas)

This instrument was acknowledged before me on _____
by Joseph Wm. Foran as

Chairman, President & CEO of Matador Production Company.

(Seal, if any)

Title (and Rank) _____
My commission expires: _____

Acknowledgment in representative capacity:

State of Texas)
) ss.
County of _____)

This instrument was acknowledged before me on by Julia A. Garvin, as President of ROXANNA ROCKY MOUNTAINS, LLC.

(Seal, if any)

Title (and Rank) _____
My commission expires: _____

Acknowledgment in representative capacity:

State of TEXAS)
) ss.
County of DALLAS)

This instrument was acknowledged before me on by Joseph Wm. Foran as Chairman, President & CEO of MRC ROCKIES COMPANY

(Seal, if any)

Title (and Rank) _____
My commission expires: _____

Acknowledgment in representative capacity:

State of _____)
) ss.
County of _____)

This instrument was acknowledged before me on _____

_____ by _____ as _____ of ALLICANCE
CAPITAL REAL ESTATE, INC. _____.

(Seal, if any)

Title (and Rank) _____
My commission expires: _____

Exhibit "F"

Attached to and made a part of that certain Operating Agreement dated May 14, 2010,
by and between Matador Production Company, as Operator, and
Roxanna Rocky Mountains, LLC, MRC Rockies Company,
and Alliance Capital Real Estate, Inc., as Non-Operator

FORM OF MEMORANDUM OF JOINT OPERATING AGREEMENT

STATE OF _____)
)
COUNTY OF _____)

WHEREAS, MATADOR PRODUCTION COMPANY, as Operator, having a notice address of One Lincoln Centre, 5400 LBJ Freeway, Suite 1500, Dallas, TX 75240, and ROXANNA ROCKY MOUNTAINS, LLC, having a notice address of 952 Echo Lane, Suite 364, Houston, TX 77024, MRC ROCKIES COMPANY, having a notice address of One Lincoln Centre, 5400 LBJ Freeway, Suite 1500, Dallas, Texas 75240, and ALLIANCE CAPITAL REAL ESTATE, INC., having a notice address of c/o AllianceBernstein L.P., 1345 Avenue of the Americas, New York, NY 10105, as Non-Operators, have entered into that certain Operating Agreement dated as of May 14, 2010, covering oil and gas operations being conducted on those certain oil, gas and mineral leases described in Exhibit "A" (the "Contract Area" or the "Leases") attached hereto, as said exhibit may be amended from time to time; and

WHEREAS, Operator and Non-Operators desire to give third parties record notice of the existence of said Operating Agreement and of the rights and obligations of Operator and Non-Operator thereunder.

NOW, THEREFORE, for and in consideration of One Dollar (\$1.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Operator and Non-Operators hereby stipulate and agree as follows:

I.

The Operating Agreement is on an A.A.P.L. form 610-1982 Model Form Operating Agreement, as amended by the parties, plus attachments.

II.

Article VI.C. grants each party to the Operating Agreement the right to take in kind its proportionate share of all oil and gas produced from the Contract Area. Additionally, the parties have agreed to be bound by a Gas Balancing Agreement which is attached as Exhibit "E" to the Operating Agreement.

III.

Pursuant to Article VII.B., each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil or gas when extracted and its interest in all equipment, to secure payment of its share of expense under the Operating Agreement, together with interest thereon in accordance with the Operating Agreement. Upon default by Non-Operator in the payment of its share of expense, without prejudice to any other rights and remedies, Operator shall have the right to collect from the purchaser of production from the Contract Area the proceeds from the sale of such Non-Operator's share of oil or gas until the amount owed by Non-Operator, including interest, has been paid. Each purchaser of oil and gas shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien and security interest to the Non-Operator to secure payment of Operator's proportionate share of expense.

If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

IV.

This Memorandum shall constitute a Financing Statement covering oil and gas extracted from the Contract Area to the extent that such oil and gas is owned by a defaulting party under the Operating Agreement. This Financing Statement shall be filed in the real estate records of any county in which the Contract Area is situated and/or with the Secretary of State and shall be filed by Operator upon its own initiative or upon the request of any Non-Operator. Each of the undersigned parties shall be considered as both a debtor, to the extent that such party has failed to pay its share of expense, and as a secured party.

V.

Certain provisions of the Operating Agreement are governed and controlled by the surviving provisions of that certain unrecorded Participation Agreement dated May 14, 2010, by and between 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. (the "Participation Agreement"). Every sale, assignment, transfer or other disposition made by any party to the Operating Agreement and/or the Participation Agreement shall be made expressly subject to the Operating Agreement and the person acquiring such interest shall ratify in writing and agree to be bound by the terms of the Operating Agreement and the surviving provisions of the Participation Agreement and such assignment, transfer or other disposition shall be made without prejudice to the rights of the other parties.

VI.

Any party requiring additional information concerning the rights and obligations of the parties under the Operating Agreement may contact the Operator at the following address:

OPERATOR:

Matador Production Company
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, Texas 75240
Attn: David E. Lancaster
Executive Vice President

IN WITNESS WHEREOF, this Memorandum of Joint Operating Agreement is executed by the parties on the dates set forth in their respective acknowledgements hereto, but shall be effective as of May 14, 2010 (the "Effective Date").

WITNESSES:

MATADOR PRODUCTION COMPANY

Name:

By: _____

Joseph Wm. Foran
Chairman, President & CEO

Name:

Name:

By: _____
Julia A. Garvin
President

Name:

MRC ROCKIES COMPANY

Name:

By: _____
Joseph Wm. Foran
Chairman, President & CEO

Name:

ALLIANCE CAPITAL REAL ESTATE, INC.

Name:

By: _____

Name:

ACKNOWLEDGEMENTS

STATE OF TEXAS

§

COUNTY OF DALLAS

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This instrument was acknowledged before me on this ____ day of May, 2010, by Joseph Wm. Foran, Chairman, President & CEO of MATADOR PRODUCTION COMPANY, a Texas corporation, on behalf of said corporation.

Notary Public, State of Texas

STATE OF TEXAS

§

§

COUNTY OF _____

§

This instrument was acknowledged before me on this ____ day of May, 2010, by Julia A. Garvin, President of ROXANNA ROCKY MOUNTAINS, LLC, a Texas limited liability company, on behalf of said company.

Notary Public, State of Texas

STATE OF TEXAS

§

§

COUNTY OF DALLAS

§

This instrument was acknowledged before me on this ____ day of May, 2010, by Joseph Wm. Foran, Chairman, President & CEO of MRC ROCKIES COMPANY, a Texas corporation, on behalf of said corporation.

Notary Public, State of Texas

STATE OF NEW YORK

§

§

COUNTY OF _____

§

This instrument was acknowledged before me on this ____ day of May, 2010, by _____, the _____ of ALLIANCE CAPITAL REAL ESTATE, INC., a _____ corporation, on behalf of said corporation.

Notary Public, State of New York

EXHIBIT "A"

Attached to and made a part of that certain Memorandum of
Joint Operating Agreement dated May 14, 2010,
by and between Matador Production Company, as Operator, and
Roxanna Rocky Mountains, LLC, MRC Rockies Company,
and Alliance Capital Real Estate, Inc., as Non-Operators

LEASES

[See Schedule attached]

Exhibit G

ATTACHED AS EXHIBIT H TO AND MADE A PART OF THE PARTICIPATION AGREEMENT BY AND AMONG 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.

ATTACHED AS EXHIBIT "G" TO AND MADE A PART OF THE OPERATING AGREEMENT BY AND AMONG ROXANNA ROCKY MOUNTAINS, LLC, MRC ROCKIES COMPANY, MATADOR PRODUCTION COMPANY, AND ALLIANCE CAPITAL REAL ESTATE, INC.

TAX PARTNERSHIP AGREEMENT

WHEREAS, 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") (collectively, the "Parties") have entered into that certain Participation Agreement dated as of May 14, 2010 (the "Participation Agreement"), and Operator, Matador, Roxanna and Participant have entered into that certain Operating Agreement dated as of May 14, 2010 (the "Operating Agreement"). The Participation Agreement, the Operating Agreement and the Exhibits to the Participation Agreement and the Operating Agreement are herein collectively referred to as the "Base Agreements".

WHEREAS, the Parties acknowledge and agree that the arrangements and undertakings evidenced by the Base Agreements in conjunction with their resulting co-ownership of interests in the Subject Oil and Gas Assets, pursuant to the terms of such Base Agreements, create a partnership solely for purposes of federal income taxation and certain state income tax laws that incorporate or follow federal income tax principles (the "Tax Partnership");

WHEREAS, the Parties desire to set forth the terms and provisions under which the Tax Partnership will exist and be accounted for as between the Parties; and

WHEREAS, except as may be otherwise provided herein, terms defined and used in the Base Agreements have the same meaning when used herein.

NOW, THEREFORE, the Parties hereby enter into the following agreements relating to the Tax Partnership:

A

GENERAL PROVISIONS

1. Designation of Documents. This agreement is referred to in, and is attached as exhibits to, the Participation Agreement and the Operating Agreement and is hereinafter referred to as the "Tax Partnership Agreement." The Tax Partnership Agreement shall govern the ownership interests of the Parties with respect to only the Subject Oil and Gas Assets and shall be effective as of the date of the Participation Agreement.

2. Relationship of the Parties. The Parties intend and expect that the transactions contemplated by the Base Agreements 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 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 Subject Oil and Gas Assets, (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 Subject Oil and Gas Assets, notwithstanding that such items are realized, paid or incurred by the Parties individually.

3. Priority of Tax Partnership Agreement. The provisions of this Tax Partnership Agreement override any conflicting or inconsistent provisions in the Base Agreements.

B

TAX MATTERS

1. Definitions. For purposes of this Tax Partnership Agreement, the following terms have the meanings indicated:

“Adjusted Capital Account Deficit” means, with respect to any Party, the deficit balance, if any, in the Party’s Capital Account as of the end of the relevant Allocation Year, after giving effect to the following adjustments:

(i) Credit to the Capital Account any amounts which the Party is deemed obligated to restore pursuant to the penultimate sentences of Treasury Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

(ii) Debit to the Capital Account the items described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), and 1.704-1(b)(2)(ii)(d)(6).

The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Treasury Regulations Section 1.704-1(b)(2)(ii)(d) and will be interpreted consistently therewith.

“Allocation Year” means (i) the period commencing on the date of the Participation Agreement and ending on December 31, 2010, (ii) any subsequent period commencing on the first day of January and ending on the last day of December of the same year, or (iii) any portion of the period described in clauses (i) or (ii) for which the Tax Partnership is required to allocate items of Tax Partnership income, gain, loss or deduction pursuant to Section 4.

“Book Basis” means the Contribution Value of contributed property and the cost of other property acquired by the Tax Partnership, increased by any cost subsequently capitalized to such property and decreased by any depreciation, simulated depletion, or other amortization taken for Code Section 704(b) book purposes. Book Basis (i) that is attributable to oil and gas property included in the Subject Oil and Gas Assets treated as contributed to the Tax Partnership by Matador and Roxanna shall be allocated to the Parties in accordance with their Participating Interests and (ii) that is attributable to capitalized acquisition and development costs or Contribution Value of any other Subject Oil and Gas Asset shall be allocated to the Party that contributed the property or funded the costs.

“Book income” and “Book deductions” mean, for purposes of maintaining the Capital Accounts, the income and deductions respectively of the Tax Partnership for federal income tax purposes, subject to the following:

(a) Any income or deductions attributable to the Section 754 Election shall be disregarded.

(b) Simulated depletion, simulated gain or simulated loss with respect to the Subject Oil and Gas Assets shall be computed at the partnership level using the Book Basis of such property. The simulated depletion taken each year will be the simulated depletion allowable with respect to an oil and gas property for the Allocation Year pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(k)(2) applying the cost depletion method. With respect to any oil and gas property whose fair market value differs from its adjusted tax basis for federal income tax purposes at the beginning of an Allocation Year, simulated depletion will be that amount determined by applying the cost depletion method as if the fair market value was the adjusted basis upon which simulated cost depletion is computed under Treasury Regulations Section 1.704-1(b)(2)(iv)(k)(2).

(c) Book income shall include any receipt that is not a contribution, loan proceed, recovery of capital, or part of a nonrecognition exchange.

(d) Book deduction shall include any cost that for United States federal income tax purposes is immediately deductible (including items described in Section 705(a)(2)(B) of the Code) and the amortization, depreciation or cost recovery deductions with respect to a cost that is capitalizable as all or part of the Tax Basis of property (or as part of its Contribution Value, in the case of an existing asset that becomes subject to the Base Agreements).

(e) Upon the distribution of property that is not pursuant to a liquidation of the Tax Partnership, the difference between the fair market value and book basis of the distributed assets will be treated as book income (if such difference is positive) or book deductions (if such difference is negative).

(f) The deemed gain or loss provided for in Section 6.1 hereof will be included.

“Capital Account” has the meaning set forth in Section 2.2.

“Code” means the Internal Revenue Code of 1986, as amended.

“Contribution Value” means the fair market value of an asset at the time the asset becomes subject to this Tax Partnership Agreement. In the case of the Leases covering the Initial Prospect Area, the Parties agree that the Contribution Value of those Leases is equal to the excess (if any) of the amount paid by Participant pursuant to the first sentence of Section 1.2 of the Participation Agreement, over the amount (if any) paid by the Owners pursuant to the second sentence of Section 1.2 of the Participation Agreement. If Participant elects Option B, the Parties agree that the Contribution Value of the Leases to the extent they cover the Second Prospect Area is equal to the amount paid by Participant pursuant to the first sentence of Section 2.3 of the Participation Agreement.

“Curative Allocations” has the meaning set forth in Section 5.3(c).

“Distribution Value” means, with respect to any asset of the Tax Partnership at any relevant time for which Distribution Value is to be determined under this Tax Partnership Agreement, the fair market value of such asset at such time.

“IDC” means the intangible and development costs subject to the election to expense currently under Code Section 263(c) and Treasury Regulations Section 1.612-4.

“Option B” shall have the meaning set forth in the Participation Agreement.

“Participating Interests” means, with respect to particular Subject Oil and Gas Assets, the interests of the parties in such Subject Oil and Gas Assets as set forth in Exhibit A to the Operating Agreement, as amended from time to time.

“Recapture Income” means the portion of any gain recognized on the disposition of property which is classified as ordinary income under Code Sections 1245, 1254, or other Code sections, the amount of which is determined by deductions previously allowable with respect to such property.

“Regulatory Allocations” has the meaning set forth in Section 5.3(c).

“Section 754 Election” means an election under Code Section 754 (or corresponding provisions of future law) relating to the adjustment for tax purposes of the basis of the assets of the partnership as provided in Code Sections 734 and 743.

“Subject Oil and Gas Assets” shall mean the interests of the Parties in only the Initial Test Well and the Leases to the extent they cover the Initial Prospect Area and, if Participant elects Option B, the Second Test Well and the Leases to the extent they cover the Second Prospect Area, as those terms are defined in the Participation Agreement.

“Tax Basis” means as to any property the adjusted basis of such property as defined in Code Section 1011.

2. Tax Partnership.

2.1. Election With Respect to Subchapter K. Notwithstanding anything to the contrary in this Tax Partnership Agreement or the Base Agreements, each Party hereto agrees, with respect to all operations conducted hereunder (i) not to elect to be excluded from the application of Subchapter K of Chapter 1 of Subtitle A of the Code; and (ii) to join in the execution of such additional documents and elections as may be required by the Internal Revenue Service in order to effectuate the foregoing. In addition, if the income tax laws of any state in which the Parties conduct operations pursuant to the terms of this Tax Partnership Agreement or the Base Agreements contain provisions similar to those contained in Subchapter K of Chapter 1 of Subtitle A of the Code, each Party hereby agrees not to elect to exclude all or any part of the interests of the Parties from the application of said provisions.

2.2. Capital Accounts. A Capital Account (herein so called) shall be maintained for each Party in accordance with Treasury Regulations Section 1.704-1 (a) to which will be credited the amount of cash and the Contribution Value of any property made subject to the Base Agreements and this Tax Partnership Agreement by such Party and the Book income allocated to such Party, (b) to which will be charged Book deductions allocated to such Party and the amount of cash and Distribution Value of any property released to such Party under the Base Agreements.

2.3. Term. The Tax Partnership will be effective as of the date of the Participation Agreement and will continue in effect for as long as the Parties each continue to own interests in the Subject Oil and Gas Assets; provided that either Party may elect to terminate the Tax Partnership after the termination of the Base Agreements.

2.4. Sale of Interest. A sale or other disposition of the interests of all Parties in any portion of the Subject Oil and Gas Assets shall be treated as a sale by the Tax Partnership, and the proceeds and gain or loss on such disposition will be allocated as provided in Section 5. Unless otherwise agreed by the Parties, a sale of any portion of the Subject Oil and Gas Assets by less than all Parties will be treated by each Party as a sale of a portion of the selling Party’s interest in the Tax Partnership. Each Party agrees not to enter into a transaction that would cause its interest in some of the Subject Oil and Gas Assets to be owned by one entity and the rest by another.

3. Preparation and Filing of Partnership Tax Returns.

3.1. Duty to File Returns. Operator agrees to use its reasonable best efforts to prepare and file all United States federal, state and local tax returns required to be filed by the Tax Partnership and to make the appropriate elections on such returns. Operator shall charge the

Tax Partnership the cost of preparing all such tax returns. The Parties will bear and reimburse the Tax Partnership for such tax preparation costs up to \$50,000 per tax year in accordance with their respective Participating Interests. If Operator estimates that such tax preparation costs will exceed \$50,000 for any tax year ("Excess Tax Costs"), Operator shall notify Participant of the Excess Tax Costs and will not incur Excess Tax Costs without Participant's approval, which shall not be unreasonably withheld. If such Excess Tax Costs are approved, the Parties will bear and reimburse the Tax Partnership for such approved Excess Tax Costs in accordance with their respective Participating Interests.

3.2. Duty of Participant, Matador and Roxanna to Furnish Information. Each Party agrees to furnish to Operator not later than 60 days before the return due date (including extensions) such data and information relating to the operations conducted under the Base Agreements as may be reasonably requested by Operator for the proper preparation, filing, computation and maintenance, as the case may be, of (i) such returns, (ii) other required reports and notifications, and (iii) the Capital Accounts.

3.3. Duty of Operator to Furnish Information. Operator agrees to use its reasonable best efforts to furnish to Participant, Matador, and Roxanna tax information relating to the Subject Oil and Gas Assets as may be reasonably requested by Participant, Matador, and Roxanna, including information relating to the estimated income and expenses attributable to the Subject Oil and Gas Assets for a particular period. Operator shall deliver estimates of income and expense information at least 15 days prior to the due date for an estimated tax payment required under Code Section 6655 for a U.S. corporation whose taxable year ends December 31.

3.4. Right of Pre-Filing Review. Operator shall submit copies of all returns to Participant, Matador and Roxanna (including Form K-1 to the Tax Partnership's Form 1065) at least 15 days prior to the due date, including any extension thereof, to permit review and approval (not to be unreasonably withheld) prior to filing and shall timely furnish each Party with all partnership information which is relevant to the preparation of such Party's federal and state income tax returns.

3.5. Limitation of Liability. The Parties shall use their reasonable best efforts to comply with responsibilities outlined in this Section, and in doing so shall incur no liability to any other Party.

3.6. Elections. Operator is authorized, and hereby agrees, on behalf of the Tax Partnership,

(a) to elect to deduct all intangible drilling and development cost incurred in drilling both productive and non-productive oil and gas wells and the preparation of wells for production ("IDC") under the provisions of Code Section 263(c) and Treasury Regulations Section 1.612-4;

(b) to elect to amortize organization fees in accordance with Code Section 709(b);

(c) to compute the allowance for cost recovery in accordance with Code Section 168 utilizing the shortest life and the most accelerated rate permissible or, if

Code Section 168 is not applicable, to elect the depreciation method and useful life that results in the most rapid recovery of cost under Code Section 167 without in either case causing any Party's percentage depletion to be reduced;

(d) to elect December 31 as the Tax Partnership's taxable year;

(e) to elect the accrual method of accounting;

(f) to make, upon the request of a transferee of a Party's interest, a Section 754 Election; and

(g) to make any other election that is provided for under Code Section 703(b) or 704(b) and the related Treasury Regulations or is otherwise appropriate and has been unanimously approved by the Parties.

3.7. Tax Audits and Resolution. If the Tax Partnership does not qualify for the "small partnership exception" of Code Section 6231(a)(1)(B) or the Tax Partnership, with the consent of the Parties owning a majority of the Participating Interests, makes the election provided in Code Section 6231(a)(1)(B)(ii),

(a) Matador shall be designated as the "tax matters partner" for the Tax Partnership in accordance with Code Section 6231(a)(7) and applicable regulations;

(b) Matador shall promptly notify every other Party of the commencement of a partnership level audit relating to the Tax Partnership and shall not agree to extend the statute of limitations with respect to partnership items of the Tax Partnership without the consent of the Parties; and

(c) Matador shall not take any other action with respect to a partnership level audit item which would be binding on Participant or Roxanna in computing its tax liability without the consent of Participant or Roxanna.

(d) If Matador incurs any expenses for the preparation of, or the pursuit of, administrative or judicial proceedings on behalf of the Tax Partnership, then the Parties shall agree on a method for sharing such expenses. If the Parties cannot agree on a method for sharing such expenses, then the Tax Partnership will pay for such expenses.

(e) The Parties shall furnish Matador, within two weeks from the receipt of the request, the information (including information specified in Code Section 6230(e) on partner identification and Code Section 6050K for transfers of partnership interests) Matador may reasonably request to comply with the requirements on furnishing information to the Internal Revenue Service.

(f) Inconsistent Treatment of Partnership Items. If any Party intends to file a notice of inconsistent treatment under Code Section 6222(b), such Party shall, prior to the filing of such notice, notify the other Parties of the (actual or potential) inconsistency of the Party's intended treatment of a Tax Partnership item with the treatment of that item by the Tax Partnership.

(g) Request for Administrative Adjustment. No Party shall file pursuant to Code Section 6227 a request for an administrative adjustment of Partnership Tax items without first notifying the other Parties. If the other Parties agree with the requested adjustment, the tax matters partner of the Tax Partnership shall file the request on behalf of the Tax Partnership. If consent is not obtained within thirty (30) days from such notice, or within the period required to timely file the request, if shorter, any Party, including the tax matters partner, may file a request for administrative adjustment on its own.

(h) Judicial Proceedings. Any Party intending to file a petition under Code Section 6226, 6228, or any other Code Section with respect to any Tax Partnership item, or other tax matters involving the Tax Partnership, shall notify the other Parties prior to such filing of the nature of the contemplated proceeding. In the case where the tax matters partner of the Tax Partnership is the Party intending to file such petition, such notice shall be given within a reasonable time to allow the other Parties to participate in the choice of the forum for such petition. If the Parties do not agree on an appropriate forum, then the forum shall be chosen by the tax matters partner of the Tax Partnership. If a Party intends to seek review of any court decision rendered as a result of such proceeding, the Party shall notify the other Parties prior to seeking such review.

3.8 Inconsistent Treatment of Partnership Items. If any Party intends to treat a Tax Partnership item in a manner that is, actually or potentially, inconsistent with the treatment of that item by the Tax Partnership, such Party shall promptly notify the other Parties of such inconsistency (actual or potential) of the Party's intended treatment of a Tax Partnership item with the treatment of that item by the Tax Partnership.

4. Tax Allocations. Subject to Section 7 hereof, income, deductions, and basis shall be allocated for federal income tax purposes for any Allocation Year among the Parties as follows:

4.1. Production Income. Production from the Subject Oil and Gas Assets sold by the Parties or some other representative on behalf of the Parties shall be treated as if sold by the Tax Partnership and the proceeds of such sale were distributed by the Tax Partnership to the Parties. The income (net of Operating Expenses) from such sales shall be partnership income that is allocated among the Parties in the ratio in which the sale proceeds are distributable. In the event the Parties take their shares of production from a Subject Oil and Gas Asset in kind and make separate disposition thereof, the amount received from the sale of production and the amount of the fair market value of production taken in kind by the Parties shall be deemed to be identical; accordingly, such items may be omitted from the adjustments made to the Parties' Capital Accounts.

4.2. IDC and Other Expenses. Each IDC and other cost that is deductible as paid or incurred shall be allocated to the Party which contributed the funds to pay such cost.

4.3. Equipment Depreciation and Gains and Losses. Depreciation and cost recovery deductions on equipment and other depreciable property shall be allocated among the Parties in accordance with their respective contributions to the Tax Basis of such property.

4.4. Depletable Basis. Pursuant to Code Sections 703 and 613A(c)(7)(D), tax depletion and taxable gain or loss on the disposition of depletable properties shall be computed by each Party separately and not by the Tax Partnership. For such purpose, each Party's initial Tax Basis in each such property shall, subject to Section 4.8, be the amount it would have been if such property had not been contributed to the Tax Partnership and shall be increased by any costs charged to it which are capitalized as additional basis in such property.

4.5. Other Income and Deductions and Basis Allocations. Any other item of income not described above shall be allocated to the Party that received the related proceeds. Any other item of deduction or basis not described above shall be allocated to the Party that provided the funds to pay the cost giving rise to such item.

4.6. Recapture Income. Recapture Income as to a property shall be allocated to the Party to which the deductions giving rise to such Recapture Income were allocated (including in this Section 4.6 where applicable, deductions claimed by it outside the Tax Partnership).

4.7. Section 754 Election. Income, deductions and Tax Basis attributable to the Section 754 Election shall be allocated to the Parties entitled thereto under the Code.

4.8. Section 704(c). To the extent required by the Code Section 704(c) and the Treasury Regulations, any tax items of income, gain, loss and deduction relating to any of the Subject Oil and Gas Assets that are contributed to the Tax Partnership by the Parties will be allocated among the Parties in a manner which takes into account the variation between the adjusted Tax Basis of the Subject Oil and Gas Asset and the Contribution Value of the Subject Oil and Gas Assets using the traditional allocation method described in Treasury Regulations Section 1.704-3(b).

4.9. Regulatory and Curative Allocations. Notwithstanding anything to the contrary, for federal income tax purposes, the Tax Partnership shall allocate items of income, gain, loss and deduction among the Parties in the same manner as any such items are allocated under Section 5.3.

5. Book Allocations and Amount Realized Attributable to Sales Proceeds.

5.1. Book Allocations. Book income and Book deductions that correspond to taxable income and deductions shall be allocated in the same manner for Code Section 704(b) book purposes as they are for tax purposes. Code Section 704(b) simulated depletion and loss on the disposition of any of the Subject Oil and Gas Assets shall be allocated in the ratio and to the extent that Book Basis was allocated among the Parties. Book depletion shall equal the simulated depletion amount as computed in accordance paragraph (b) of the "Book income" and "Book deduction" definition. Other Book deductions shall be allocated among the Parties bearing the cost thereof. Subject to Section 5.2 hereof, other Book income shall be allocated to the Parties entitled to the receipts giving rise to such income.

5.2. Allocation of Amounts Realized Attributable to Sale of Subject Oil and Gas Assets. The amount realized from the sale or other disposition of any of the Subject Oil and Gas Assets described in the first sentence of Section 2.4 shall, to the extent of the Book Basis in

such asset at the time of sale, be allocated for Code Section 704(b) book purposes in the ratio that the Book Basis in such asset was allocated, and any simulated loss shall be reflected in the Parties' Capital Accounts in the same ratio. The simulated gain resulting from amounts realized in excess of Book Basis shall be allocated to cause each Party's Capital Account balance to be as nearly as possible equal to the sum of the amounts determined for each Subject Oil and Gas Asset and any other property of the Tax Partnership equal to the product of (i) the Party's Participating Interest in such asset and (ii) the Distribution Value of such asset immediately prior to the sale. The Capital Accounts of the Parties shall be charged consistently with this Section 5.2.

5.3. Regulatory and Curative Allocations. Prior to making any other Book allocations, the Tax Partnership shall allocate the following items to the Parties in the following order:

(a) Qualified Income Offset. In the event any Party unexpectedly receives any adjustments, allocations, or distributions described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6), items of income and gain for such Allocation Year shall be specially allocated to such Party in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, any Adjusted Capital Account Deficit of such Party as quickly as possible, provided that an allocation pursuant to this Section 5.3(a) shall be made if and only to the extent that such Party would have an Adjusted Capital Account Deficit after all other allocations have been tentatively made as if this Section 5.3(a) were not in this Tax Partnership Agreement.

(b) Limit on Loss Allocations. Notwithstanding anything to the contrary in this Tax Partnership Agreement, deductions and losses (or items thereof) shall not be allocated to a Party if such allocation would cause or increase a Party's Adjusted Capital Account Deficit and shall be reallocated to the other Parties, subject to the limitation provided in this Section 5.3(b).

(c) Curative Allocations. The allocations under this Section 5.3 other than this Section 5.3(c) (such allocations, the "Regulatory Allocations") are intended to comply with certain requirements of the Treasury Regulations. To the extent possible, all Regulatory Allocations shall be offset either with other Regulatory Allocations or with special allocations of other items of income, gain, loss or deduction pursuant to this Tax Partnership Agreement. Therefore, notwithstanding any other provision of this Tax Partnership Agreement to the contrary (other than the Regulatory Allocations), the Tax Partnership shall make such offsetting special allocations of income, gain, loss or deduction (such allocation, the "Curative Allocations") in whatever manner the Parties determine appropriate so that, after such offsetting allocations are made, each Party's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Party would have had if the Regulatory Allocations were not part of this Tax Partnership Agreement. For purposes of this Section 5.3(c), the Tax Partnership shall take into account future Regulatory Allocations that are likely to offset other Regulatory Allocations previously made.

6. Liquidation and Balancing Capital Accounts.

6.1. Accounting Adjustments. Upon termination of the Tax Partnership, the Subject Oil and Gas Assets and any other property of the Tax Partnership shall be valued at their Distribution Value and notwithstanding any provision to the contrary in this Tax Partnership Agreement, the assets of the Tax Partnership shall be deemed to have been sold for their Distribution Values, and the resulting Book income (including any simulated gain) and Book deductions (other than items of simulated loss, which shall be allocated in accordance with Section 5.2) shall be allocated among the Parties to the extent necessary to cause each Party's Capital Account balance to be as nearly as possible equal to the sum of the amounts determined for each Subject Oil and Gas Asset and any other property of the Tax Partnership equal to the product of (i) the Party's Participating Interest in such asset and (ii) the Distribution Value of such asset immediately prior to the sale. The Tax Partnership shall make such allocations as follows: first, items of simulated loss with respect to the Subject Oil and Gas Assets that are subject to depletion; second, items of simulated gain; third, other items of unrealized gain or loss; and fourth, other items of gross income, gain, loss or deduction.

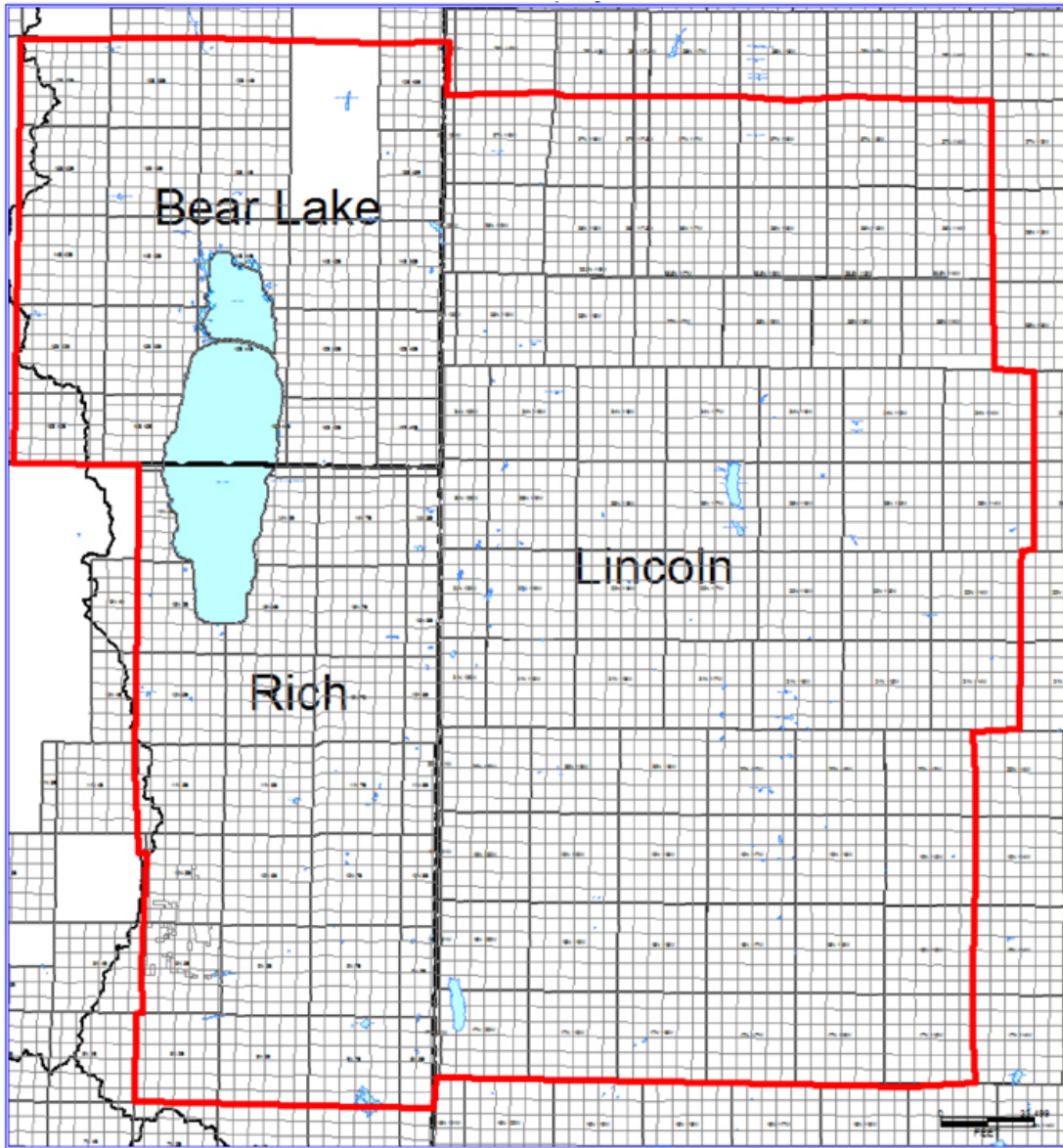
6.2. No Deficit Restoration Obligation. Notwithstanding anything to the contrary, upon a liquidation within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii) (g), if any Party has a deficit balance in their Capital Account (after giving effect to all contributions, distributions, allocations and other Capital Account adjustments for all years, including the year during which such liquidation occurs), such Party shall have no obligation to make any contribution so as to restore its Capital Account to zero, and the negative balance of such Party's Capital Account shall not be considered a debt owed by such Party to the other Parties, to the Tax Partnership, or to any other person for any purpose whatsoever.

6.2. Distribution to Balance Capital Accounts. After the adjustments required by Section 6.1 have been completed, the Parties shall determine the aggregate Distribution Value of the properties ("Deemed Distribution Properties") that would be distributed to each Party if each property and related equipment were distributed to the Parties in accordance with their relative Participating Interests in such property. If any Party's Capital Account balance is less than such Party's Distribution Value of the Deemed Distribution Properties, then (a) such Party may contribute cash to the Tax Partnership in an amount sufficient to cause such Party's Capital Account balance to be equal to such Party's Distribution Value of the Deemed Distribution Properties, and/or (b) if all Parties agree, any cash or an undivided interest in certain select properties shall be distributed to any Party whose Capital Account balance exceeds such Party's Distribution Value of the Deemed Distribution Properties as is necessary to cause, following such distribution, all remaining Capital Account balances for each Party to be equal to each such Party's Distribution Value of the Deemed Distribution Properties (as adjusted for such distribution). Following such distribution, the Tax Partnership shall liquidate and distribute the properties of the Tax Partnership to the Parties in accordance with their relative Participating Interests in each Deemed Distribution Property.

6.3. Evaluation Procedure. If the Parties are unable to agree upon the fair market value of any of the Subject Oil and Gas Assets, the Parties shall engage a mutually-agreeable, independent oil and gas appraisal firm to prepare an evaluation of the fair market value of such property, the cost of which evaluation shall be an operating cost of the property.

Exhibit G

Attached to and made a part of that certain Participation Agreement dated May 14, 2010, by and among 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.



Area of Mutual Interest (AMI)
Lincoln County, Wyoming; Rich County, Utah; Bear Lake County, Idaho

Exhibit H

ATTACHED AS EXHIBIT H TO AND MADE A PART OF THE PARTICIPATION AGREEMENT BY AND AMONG 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.

ATTACHED AS EXHIBIT "G" TO AND MADE A PART OF THE OPERATING AGREEMENT BY AND AMONG ROXANNA ROCKY MOUNTAINS, LLC, MRC ROCKIES COMPANY, MATADOR PRODUCTION COMPANY, AND ALLIANCE CAPITAL REAL ESTATE, INC.

TAX PARTNERSHIP AGREEMENT

WHEREAS, 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") (collectively, the "Parties") have entered into that certain Participation Agreement dated as of May 14, 2010 (the "Participation Agreement"), and Operator, Matador, Roxanna and Participant have entered into that certain Operating Agreement dated as of May 14, 2010 (the "Operating Agreement"). The Participation Agreement, the Operating Agreement and the Exhibits to the Participation Agreement and the Operating Agreement are herein collectively referred to as the "Base Agreements".

WHEREAS, the Parties acknowledge and agree that the arrangements and undertakings evidenced by the Base Agreements in conjunction with their resulting co-ownership of interests in the Subject Oil and Gas Assets, pursuant to the terms of such Base Agreements, create a partnership solely for purposes of federal income taxation and certain state income tax laws that incorporate or follow federal income tax principles (the "Tax Partnership");

WHEREAS, the Parties desire to set forth the terms and provisions under which the Tax Partnership will exist and be accounted for as between the Parties; and

WHEREAS, except as may be otherwise provided herein, terms defined and used in the Base Agreements have the same meaning when used herein.

NOW, THEREFORE, the Parties hereby enter into the following agreements relating to the Tax Partnership:

A

GENERAL PROVISIONS

1. Designation of Documents. This agreement is referred to in, and is attached as exhibits to, the Participation Agreement and the Operating Agreement and is hereinafter referred to as the "Tax Partnership Agreement." The Tax Partnership Agreement shall govern the ownership interests of the Parties with respect to only the Subject Oil and Gas Assets and shall be effective as of the date of the Participation Agreement.

2. Relationship of the Parties. The Parties intend and expect that the transactions contemplated by the Base Agreements 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 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 Subject Oil and Gas Assets, (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 Subject Oil and Gas Assets, notwithstanding that such items are realized, paid or incurred by the Parties individually.

3. Priority of Tax Partnership Agreement. The provisions of this Tax Partnership Agreement override any conflicting or inconsistent provisions in the Base Agreements.

B

TAX MATTERS

1. Definitions. For purposes of this Tax Partnership Agreement, the following terms have the meanings indicated:

“Adjusted Capital Account Deficit” means, with respect to any Party, the deficit balance, if any, in the Party’s Capital Account as of the end of the relevant Allocation Year, after giving effect to the following adjustments:

(i) Credit to the Capital Account any amounts which the Party is deemed obligated to restore pursuant to the penultimate sentences of Treasury Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

(ii) Debit to the Capital Account the items described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), and 1.704-1(b)(2)(ii)(d)(6).

The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Treasury Regulations Section 1.704-1(b)(2)(ii)(d) and will be interpreted consistently therewith.

“Allocation Year” means (i) the period commencing on the date of the Participation Agreement and ending on December 31, 2010, (ii) any subsequent period commencing on the first day of January and ending on the last day of December of the same year, or (iii) any portion of the period described in clauses (i) or (ii) for which the Tax Partnership is required to allocate items of Tax Partnership income, gain, loss or deduction pursuant to Section 4.

“Book Basis” means the Contribution Value of contributed property and the cost of other property acquired by the Tax Partnership, increased by any cost subsequently capitalized to such property and decreased by any depreciation, simulated depletion, or other amortization taken for Code Section 704(b) book purposes. Book Basis (i) that is attributable to oil and gas property included in the Subject Oil and Gas Assets treated as contributed to the Tax Partnership by Matador and Roxanna shall be allocated to the Parties in accordance with their Participating Interests and (ii) that is attributable to capitalized acquisition and development costs or Contribution Value of any other Subject Oil and Gas Asset shall be allocated to the Party that contributed the property or funded the costs.

“Book income” and “Book deductions” mean, for purposes of maintaining the Capital Accounts, the income and deductions respectively of the Tax Partnership for federal income tax purposes, subject to the following:

(a) Any income or deductions attributable to the Section 754 Election shall be disregarded.

(b) Simulated depletion, simulated gain or simulated loss with respect to the Subject Oil and Gas Assets shall be computed at the partnership level using the Book Basis of such property. The simulated depletion taken each year will be the simulated depletion allowable with respect to an oil and gas property for the Allocation Year pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(k)(2) applying the cost depletion method. With respect to any oil and gas property whose fair market value differs from its adjusted tax basis for federal income tax purposes at the beginning of an Allocation Year, simulated depletion will be that amount determined by applying the cost depletion method as if the fair market value was the adjusted basis upon which simulated cost depletion is computed under Treasury Regulations Section 1.704-1(b)(2)(iv)(k)(2).

(c) Book income shall include any receipt that is not a contribution, loan proceed, recovery of capital, or part of a nonrecognition exchange.

(d) Book deduction shall include any cost that for United States federal income tax purposes is immediately deductible (including items described in Section 705(a)(2)(B) of the Code) and the amortization, depreciation or cost recovery deductions with respect to a cost that is capitalizable as all or part of the Tax Basis of property (or as part of its Contribution Value, in the case of an existing asset that becomes subject to the Base Agreements).

(e) Upon the distribution of property that is not pursuant to a liquidation of the Tax Partnership, the difference between the fair market value and book basis of the distributed assets will be treated as book income (if such difference is positive) or book deductions (if such difference is negative).

(f) The deemed gain or loss provided for in Section 6.1 hereof will be included.

“Capital Account” has the meaning set forth in Section 2.2.

“Code” means the Internal Revenue Code of 1986, as amended.

“Contribution Value” means the fair market value of an asset at the time the asset becomes subject to this Tax Partnership Agreement. In the case of the Leases covering the Initial Prospect Area, the Parties agree that the Contribution Value of those Leases is equal to the excess (if any) of the amount paid by Participant pursuant to the first sentence of Section 1.2 of the Participation Agreement, over the amount (if any) paid by the Owners pursuant to the second sentence of Section 1.2 of the Participation Agreement. If Participant elects Option B, the Parties agree that the Contribution Value of the Leases to the extent they cover the Second Prospect Area is equal to the amount paid by Participant pursuant to the first sentence of Section 2.3 of the Participation Agreement.

“Curative Allocations” has the meaning set forth in Section 5.3(c).

“Distribution Value” means, with respect to any asset of the Tax Partnership at any relevant time for which Distribution Value is to be determined under this Tax Partnership Agreement, the fair market value of such asset at such time.

“IDC” means the intangible and development costs subject to the election to expense currently under Code Section 263(c) and Treasury Regulations Section 1.612-4.

“Option B” shall have the meaning set forth in the Participation Agreement.

“Participating Interests” means, with respect to particular Subject Oil and Gas Assets, the interests of the parties in such Subject Oil and Gas Assets as set forth in Exhibit A to the Operating Agreement, as amended from time to time.

“Recapture Income” means the portion of any gain recognized on the disposition of property which is classified as ordinary income under Code Sections 1245, 1254, or other Code sections, the amount of which is determined by deductions previously allowable with respect to such property.

“Regulatory Allocations” has the meaning set forth in Section 5.3(c).

“Section 754 Election” means an election under Code Section 754 (or corresponding provisions of future law) relating to the adjustment for tax purposes of the basis of the assets of the partnership as provided in Code Sections 734 and 743.

“Subject Oil and Gas Assets” shall mean the interests of the Parties in only the Initial Test Well and the Leases to the extent they cover the Initial Prospect Area and, if Participant elects Option B, the Second Test Well and the Leases to the extent they cover the Second Prospect Area, as those terms are defined in the Participation Agreement.

“Tax Basis” means as to any property the adjusted basis of such property as defined in Code Section 1011.

2. Tax Partnership.

2.1. Election With Respect to Subchapter K. Notwithstanding anything to the contrary in this Tax Partnership Agreement or the Base Agreements, each Party hereto agrees, with respect to all operations conducted hereunder (i) not to elect to be excluded from the application of Subchapter K of Chapter 1 of Subtitle A of the Code; and (ii) to join in the execution of such additional documents and elections as may be required by the Internal Revenue Service in order to effectuate the foregoing. In addition, if the income tax laws of any state in which the Parties conduct operations pursuant to the terms of this Tax Partnership Agreement or the Base Agreements contain provisions similar to those contained in Subchapter K of Chapter 1 of Subtitle A of the Code, each Party hereby agrees not to elect to exclude all or any part of the interests of the Parties from the application of said provisions.

2.2. Capital Accounts. A Capital Account (herein so called) shall be maintained for each Party in accordance with Treasury Regulations Section 1.704-1 (a) to which will be credited the amount of cash and the Contribution Value of any property made subject to the Base Agreements and this Tax Partnership Agreement by such Party and the Book income allocated to such Party, (b) to which will be charged Book deductions allocated to such Party and the amount of cash and Distribution Value of any property released to such Party under the Base Agreements.

2.3. Term. The Tax Partnership will be effective as of the date of the Participation Agreement and will continue in effect for as long as the Parties each continue to own interests in the Subject Oil and Gas Assets; provided that either Party may elect to terminate the Tax Partnership after the termination of the Base Agreements.

2.4. Sale of Interest. A sale or other disposition of the interests of all Parties in any portion of the Subject Oil and Gas Assets shall be treated as a sale by the Tax Partnership, and the proceeds and gain or loss on such disposition will be allocated as provided in Section 5. Unless otherwise agreed by the Parties, a sale of any portion of the Subject Oil and Gas Assets by less than all Parties will be treated by each Party as a sale of a portion of the selling Party’s interest in the Tax Partnership. Each Party agrees not to enter into a transaction that would cause its interest in some of the Subject Oil and Gas Assets to be owned by one entity and the rest by another.

3. Preparation and Filing of Partnership Tax Returns.

3.1. Duty to File Returns. Operator agrees to use its reasonable best efforts to prepare and file all United States federal, state and local tax returns required to be filed by the Tax Partnership and to make the appropriate elections on such returns. Operator shall charge the

Tax Partnership the cost of preparing all such tax returns. The Parties will bear and reimburse the Tax Partnership for such tax preparation costs up to \$50,000 per tax year in accordance with their respective Participating Interests. If Operator estimates that such tax preparation costs will exceed \$50,000 for any tax year ("Excess Tax Costs"), Operator shall notify Participant of the Excess Tax Costs and will not incur Excess Tax Costs without Participant's approval, which shall not be unreasonably withheld. If such Excess Tax Costs are approved, the Parties will bear and reimburse the Tax Partnership for such approved Excess Tax Costs in accordance with their respective Participating Interests.

3.2. Duty of Participant, Matador and Roxanna to Furnish Information. Each Party agrees to furnish to Operator not later than 60 days before the return due date (including extensions) such data and information relating to the operations conducted under the Base Agreements as may be reasonably requested by Operator for the proper preparation, filing, computation and maintenance, as the case may be, of (i) such returns, (ii) other required reports and notifications, and (iii) the Capital Accounts.

3.3. Duty of Operator to Furnish Information. Operator agrees to use its reasonable best efforts to furnish to Participant, Matador, and Roxanna tax information relating to the Subject Oil and Gas Assets as may be reasonably requested by Participant, Matador, and Roxanna, including information relating to the estimated income and expenses attributable to the Subject Oil and Gas Assets for a particular period. Operator shall deliver estimates of income and expense information at least 15 days prior to the due date for an estimated tax payment required under Code Section 6655 for a U.S. corporation whose taxable year ends December 31.

3.4. Right of Pre-Filing Review. Operator shall submit copies of all returns to Participant, Matador and Roxanna (including Form K-1 to the Tax Partnership's Form 1065) at least 15 days prior to the due date, including any extension thereof, to permit review and approval (not to be unreasonably withheld) prior to filing and shall timely furnish each Party with all partnership information which is relevant to the preparation of such Party's federal and state income tax returns.

3.5. Limitation of Liability. The Parties shall use their reasonable best efforts to comply with responsibilities outlined in this Section, and in doing so shall incur no liability to any other Party.

3.6. Elections. Operator is authorized, and hereby agrees, on behalf of the Tax Partnership,

(a) to elect to deduct all intangible drilling and development cost incurred in drilling both productive and non-productive oil and gas wells and the preparation of wells for production ("IDC") under the provisions of Code Section 263(c) and Treasury Regulations Section 1.612-4;

(b) to elect to amortize organization fees in accordance with Code Section 709(b);

(c) to compute the allowance for cost recovery in accordance with Code Section 168 utilizing the shortest life and the most accelerated rate permissible or, if

Code Section 168 is not applicable, to elect the depreciation method and useful life that results in the most rapid recovery of cost under Code Section 167 without in either case causing any Party's percentage depletion to be reduced;

(d) to elect December 31 as the Tax Partnership's taxable year;

(e) to elect the accrual method of accounting;

(f) to make, upon the request of a transferee of a Party's interest, a Section 754 Election; and

(g) to make any other election that is provided for under Code Section 703(b) or 704(b) and the related Treasury Regulations or is otherwise appropriate and has been unanimously approved by the Parties.

3.7. Tax Audits and Resolution. If the Tax Partnership does not qualify for the "small partnership exception" of Code Section 6231(a)(1)(B) or the Tax Partnership, with the consent of the Parties owning a majority of the Participating Interests, makes the election provided in Code Section 6231(a)(1)(B)(ii),

(a) Matador shall be designated as the "tax matters partner" for the Tax Partnership in accordance with Code Section 6231(a)(7) and applicable regulations;

(b) Matador shall promptly notify every other Party of the commencement of a partnership level audit relating to the Tax Partnership and shall not agree to extend the statute of limitations with respect to partnership items of the Tax Partnership without the consent of the Parties; and

(c) Matador shall not take any other action with respect to a partnership level audit item which would be binding on Participant or Roxanna in computing its tax liability without the consent of Participant or Roxanna.

(d) If Matador incurs any expenses for the preparation of, or the pursuit of, administrative or judicial proceedings on behalf of the Tax Partnership, then the Parties shall agree on a method for sharing such expenses. If the Parties cannot agree on a method for sharing such expenses, then the Tax Partnership will pay for such expenses.

(e) The Parties shall furnish Matador, within two weeks from the receipt of the request, the information (including information specified in Code Section 6230(e) on partner identification and Code Section 6050K for transfers of partnership interests) Matador may reasonably request to comply with the requirements on furnishing information to the Internal Revenue Service.

(f) Inconsistent Treatment of Partnership Items. If any Party intends to file a notice of inconsistent treatment under Code Section 6222(b), such Party shall, prior to the filing of such notice, notify the other Parties of the (actual or potential) inconsistency of the Party's intended treatment of a Tax Partnership item with the treatment of that item by the Tax Partnership.

(g) Request for Administrative Adjustment. No Party shall file pursuant to Code Section 6227 a request for an administrative adjustment of Partnership Tax items without first notifying the other Parties. If the other Parties agree with the requested adjustment, the tax matters partner of the Tax Partnership shall file the request on behalf of the Tax Partnership. If consent is not obtained within thirty (30) days from such notice, or within the period required to timely file the request, if shorter, any Party, including the tax matters partner, may file a request for administrative adjustment on its own.

(h) Judicial Proceedings. Any Party intending to file a petition under Code Section 6226, 6228, or any other Code Section with respect to any Tax Partnership item, or other tax matters involving the Tax Partnership, shall notify the other Parties prior to such filing of the nature of the contemplated proceeding. In the case where the tax matters partner of the Tax Partnership is the Party intending to file such petition, such notice shall be given within a reasonable time to allow the other Parties to participate in the choice of the forum for such petition. If the Parties do not agree on an appropriate forum, then the forum shall be chosen by the tax matters partner of the Tax Partnership. If a Party intends to seek review of any court decision rendered as a result of such proceeding, the Party shall notify the other Parties prior to seeking such review.

3.8 Inconsistent Treatment of Partnership Items. If any Party intends to treat a Tax Partnership item in a manner that is, actually or potentially, inconsistent with the treatment of that item by the Tax Partnership, such Party shall promptly notify the other Parties of such inconsistency (actual or potential) of the Party's intended treatment of a Tax Partnership item with the treatment of that item by the Tax Partnership.

4. Tax Allocations. Subject to Section 7 hereof, income, deductions, and basis shall be allocated for federal income tax purposes for any Allocation Year among the Parties as follows:

4.1. Production Income. Production from the Subject Oil and Gas Assets sold by the Parties or some other representative on behalf of the Parties shall be treated as if sold by the Tax Partnership and the proceeds of such sale were distributed by the Tax Partnership to the Parties. The income (net of Operating Expenses) from such sales shall be partnership income that is allocated among the Parties in the ratio in which the sale proceeds are distributable. In the event the Parties take their shares of production from a Subject Oil and Gas Asset in kind and make separate disposition thereof, the amount received from the sale of production and the amount of the fair market value of production taken in kind by the Parties shall be deemed to be identical; accordingly, such items may be omitted from the adjustments made to the Parties' Capital Accounts.

4.2. IDC and Other Expenses. Each IDC and other cost that is deductible as paid or incurred shall be allocated to the Party which contributed the funds to pay such cost.

4.3. Equipment Depreciation and Gains and Losses. Depreciation and cost recovery deductions on equipment and other depreciable property shall be allocated among the Parties in accordance with their respective contributions to the Tax Basis of such property.

4.4. Depletable Basis. Pursuant to Code Sections 703 and 613A(c)(7)(D), tax depletion and taxable gain or loss on the disposition of depletable properties shall be computed by each Party separately and not by the Tax Partnership. For such purpose, each Party's initial Tax Basis in each such property shall, subject to Section 4.8, be the amount it would have been if such property had not been contributed to the Tax Partnership and shall be increased by any costs charged to it which are capitalized as additional basis in such property.

4.5. Other Income and Deductions and Basis Allocations. Any other item of income not described above shall be allocated to the Party that received the related proceeds. Any other item of deduction or basis not described above shall be allocated to the Party that provided the funds to pay the cost giving rise to such item.

4.6. Recapture Income. Recapture Income as to a property shall be allocated to the Party to which the deductions giving rise to such Recapture Income were allocated (including in this Section 4.6 where applicable, deductions claimed by it outside the Tax Partnership).

4.7. Section 754 Election. Income, deductions and Tax Basis attributable to the Section 754 Election shall be allocated to the Parties entitled thereto under the Code.

4.8. Section 704(c). To the extent required by the Code Section 704(c) and the Treasury Regulations, any tax items of income, gain, loss and deduction relating to any of the Subject Oil and Gas Assets that are contributed to the Tax Partnership by the Parties will be allocated among the Parties in a manner which takes into account the variation between the adjusted Tax Basis of the Subject Oil and Gas Asset and the Contribution Value of the Subject Oil and Gas Assets using the traditional allocation method described in Treasury Regulations Section 1.704-3(b).

4.9. Regulatory and Curative Allocations. Notwithstanding anything to the contrary, for federal income tax purposes, the Tax Partnership shall allocate items of income, gain, loss and deduction among the Parties in the same manner as any such items are allocated under Section 5.3.

5. Book Allocations and Amount Realized Attributable to Sales Proceeds.

5.1. Book Allocations. Book income and Book deductions that correspond to taxable income and deductions shall be allocated in the same manner for Code Section 704(b) book purposes as they are for tax purposes. Code Section 704(b) simulated depletion and loss on the disposition of any of the Subject Oil and Gas Assets shall be allocated in the ratio and to the extent that Book Basis was allocated among the Parties. Book depletion shall equal the simulated depletion amount as computed in accordance paragraph (b) of the "Book income" and "Book deduction" definition. Other Book deductions shall be allocated among the Parties bearing the cost thereof. Subject to Section 5.2 hereof, other Book income shall be allocated to the Parties entitled to the receipts giving rise to such income.

5.2. Allocation of Amounts Realized Attributable to Sale of Subject Oil and Gas Assets. The amount realized from the sale or other disposition of any of the Subject Oil and Gas Assets described in the first sentence of Section 2.4 shall, to the extent of the Book Basis in

such asset at the time of sale, be allocated for Code Section 704(b) book purposes in the ratio that the Book Basis in such asset was allocated, and any simulated loss shall be reflected in the Parties' Capital Accounts in the same ratio. The simulated gain resulting from amounts realized in excess of Book Basis shall be allocated to cause each Party's Capital Account balance to be as nearly as possible equal to the sum of the amounts determined for each Subject Oil and Gas Asset and any other property of the Tax Partnership equal to the product of (i) the Party's Participating Interest in such asset and (ii) the Distribution Value of such asset immediately prior to the sale. The Capital Accounts of the Parties shall be charged consistently with this Section 5.2.

5.3. Regulatory and Curative Allocations. Prior to making any other Book allocations, the Tax Partnership shall allocate the following items to the Parties in the following order:

(a) Qualified Income Offset. In the event any Party unexpectedly receives any adjustments, allocations, or distributions described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6), items of income and gain for such Allocation Year shall be specially allocated to such Party in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, any Adjusted Capital Account Deficit of such Party as quickly as possible, provided that an allocation pursuant to this Section 5.3(a) shall be made if and only to the extent that such Party would have an Adjusted Capital Account Deficit after all other allocations have been tentatively made as if this Section 5.3(a) were not in this Tax Partnership Agreement.

(b) Limit on Loss Allocations. Notwithstanding anything to the contrary in this Tax Partnership Agreement, deductions and losses (or items thereof) shall not be allocated to a Party if such allocation would cause or increase a Party's Adjusted Capital Account Deficit and shall be reallocated to the other Parties, subject to the limitation provided in this Section 5.3(b).

(c) Curative Allocations. The allocations under this Section 5.3 other than this Section 5.3(c) (such allocations, the "Regulatory Allocations") are intended to comply with certain requirements of the Treasury Regulations. To the extent possible, all Regulatory Allocations shall be offset either with other Regulatory Allocations or with special allocations of other items of income, gain, loss or deduction pursuant to this Tax Partnership Agreement. Therefore, notwithstanding any other provision of this Tax Partnership Agreement to the contrary (other than the Regulatory Allocations), the Tax Partnership shall make such offsetting special allocations of income, gain, loss or deduction (such allocation, the "Curative Allocations") in whatever manner the Parties determine appropriate so that, after such offsetting allocations are made, each Party's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Party would have had if the Regulatory Allocations were not part of this Tax Partnership Agreement. For purposes of this Section 5.3(c), the Tax Partnership shall take into account future Regulatory Allocations that are likely to offset other Regulatory Allocations previously made.

6. Liquidation and Balancing Capital Accounts.

6.1. Accounting Adjustments. Upon termination of the Tax Partnership, the Subject Oil and Gas Assets and any other property of the Tax Partnership shall be valued at their Distribution Value and notwithstanding any provision to the contrary in this Tax Partnership Agreement, the assets of the Tax Partnership shall be deemed to have been sold for their Distribution Values, and the resulting Book income (including any simulated gain) and Book deductions (other than items of simulated loss, which shall be allocated in accordance with Section 5.2) shall be allocated among the Parties to the extent necessary to cause each Party's Capital Account balance to be as nearly as possible equal to the sum of the amounts determined for each Subject Oil and Gas Asset and any other property of the Tax Partnership equal to the product of (i) the Party's Participating Interest in such asset and (ii) the Distribution Value of such asset immediately prior to the sale. The Tax Partnership shall make such allocations as follows: first, items of simulated loss with respect to the Subject Oil and Gas Assets that are subject to depletion; second, items of simulated gain; third, other items of unrealized gain or loss; and fourth, other items of gross income, gain, loss or deduction.

6.2. No Deficit Restoration Obligation. Notwithstanding anything to the contrary, upon a liquidation within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii) (g), if any Party has a deficit balance in their Capital Account (after giving effect to all contributions, distributions, allocations and other Capital Account adjustments for all years, including the year during which such liquidation occurs), such Party shall have no obligation to make any contribution so as to restore its Capital Account to zero, and the negative balance of such Party's Capital Account shall not be considered a debt owed by such Party to the other Parties, to the Tax Partnership, or to any other person for any purpose whatsoever.

6.2. Distribution to Balance Capital Accounts. After the adjustments required by Section 6.1 have been completed, the Parties shall determine the aggregate Distribution Value of the properties ("Deemed Distribution Properties") that would be distributed to each Party if each property and related equipment were distributed to the Parties in accordance with their relative Participating Interests in such property. If any Party's Capital Account balance is less than such Party's Distribution Value of the Deemed Distribution Properties, then (a) such Party may contribute cash to the Tax Partnership in an amount sufficient to cause such Party's Capital Account balance to be equal to such Party's Distribution Value of the Deemed Distribution Properties, and/or (b) if all Parties agree, any cash or an undivided interest in certain select properties shall be distributed to any Party whose Capital Account balance exceeds such Party's Distribution Value of the Deemed Distribution Properties as is necessary to cause, following such distribution, all remaining Capital Account balances for each Party to be equal to each such Party's Distribution Value of the Deemed Distribution Properties (as adjusted for such distribution). Following such distribution, the Tax Partnership shall liquidate and distribute the properties of the Tax Partnership to the Parties in accordance with their relative Participating Interests in each Deemed Distribution Property.

6.3. Evaluation Procedure. If the Parties are unable to agree upon the fair market value of any of the Subject Oil and Gas Assets, the Parties shall engage a mutually-agreeable, independent oil and gas appraisal firm to prepare an evaluation of the fair market value of such property, the cost of which evaluation shall be an operating cost of the property.

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 "A"

Attached and made a part of that certain Assignment, Bill of Sale and Conveyance (the "Assignment") as entered into by and between Winn Exploration Co., Inc.; Pinion Exploration, LLP; McDay Oil & Gas, Inc.; and McDay Energy Corporation, collectively Assignor, and Matador Resources Company, Assignee, dated effective December 1, 2010.

Property Description:

That certain Oil, Gas and Mineral Lease by and between Leta J. Glasscock, a widow; Gretchen Glasscock, a femme sole; and Colette Glasscock Blakey, whose husband is William Blakey; and Margaret M. Glasscock; and Stanley W. Glasscock, as Lessor, and Winn Exploration Co., Inc., as Lessee, dated May 19, 1970 and being duly recorded in the official records of Zavala County Texas in Volume 5, Page 467 on July 9, 1970 and covering the following lands, to wit:

8,891.50 acres of land more or less, being all of the I.&G.N.R.R.Co. Survey No. 1, Block 13, Abstract No. 395 (640.0 acres); all of the I.&G.N.R.R.Co. Survey No. 2, Block 13, Abstract No. 396 (640.0 acres); all of the I.&G.N.R.R.Co. Survey No. 3, Block 13, Abstract No. 397 (640.0 acres); all of the I.&G.N.R.R.Co. Survey No. 41, Block 3, Abstract No. 350 (498.31 acres); all of the I.&G.N.R.R.Co. Survey No. 42, Block 3, Abstract No. 351 (251.52 acres); all of the I.&G.N.R.R.Co. Survey No. 44, Block 3, Abstract No. 353 (625.60 acres); all of the I.&G.N.R.R.Co. Survey No. 45, Block 3, Abstract No. 354 (623.45 acres); all of the I.&G.N.R.R.Co. Survey No. 46, Block 3, Abstract No. 355 (640.0 acres); all of the I.&G.N.R.R.Co. Survey No. 51, Block 3, Abstract No. 360 (640.0 acres); all of the I.&G.N.R.R.Co. Survey No. 52, Block 3, Abstract No. 361 (640.0 acres); all of the I.&G.N.R.R.Co. Survey No. 53, Block 3, Abstract No. 362 (640.0 acres); all of the I.&G.N.R.R.Co. Survey No. 54, Block 3, Abstract No. 363 (640.0 acres); all of the I.&G.N.R.R.Co. Survey No. 55, Block 3, Abstract No. 364 (640.0 acres); all of the I.&G.N.R.R.Co. Survey No. 56, Block 3, Abstract No. 365 (640.0 acres); the East 435.82 acres of the M.H. Barron Survey No. 200, Abstract No. 872; and all of the B.J. Moore Survey No. 199-1/2, Abstract No. 1354 (56.80 acres), all in Zavala County, Texas.

EXHIBIT "B"

Attached and made a part of that certain Assignment, Bill of Sale and Conveyance (the "Assignment") as entered into by and between Winn Exploration Co., Inc.; Pinion Exploration, LLP; McDay Oil & Gas, Inc.; and McDay Energy Corporation, collectively Assignor, and Matador Resources Company, Assignee, dated effective December 1, 2010.

Wellbore Description:

Well Name	API Number	Latitude	Longitude
Leta Glasscock No. 25	42-507-32323-000	28° 41' 52.060" N	99° 31' 48.241" W
Leta Glasscock No. 19	42-507-32294-000	28° 41' 45.308" N	99° 30' 8.660" W
Leta Glasscock No. 10	42-507-32057-000	28° 42' 14.990" N	99° 29' 32.314" W
Leta Glasscock No. 18	42-507-32293-000	28° 41' 42.521" N	99° 29' 24.159" W
Leta Glasscock No. 24	42-507-32321-000	28° 42' 24.504" N	99° 31' 6.700" W
Leta Glasscock No. 27	42-507-32336-000	28° 43' 8.340" N	99° 30' 57.819" W
Leta Glasscock No. 26	42-507-32337-000	28° 42' 30.895" N	99° 31' 49.664" W
Leta Glasscock No. 23	42-507-32322-000	28° 42' 27.567" N	99° 30' 18.699" W
Leta Glasscock No. 29	42-507-32348-000	28° 43' 14.583" N	99° 30' 25.680" W
Leta Glasscock No. 13	42-507-32275-000	28° 43' 9.223" N	99° 29' 2.948" W
Leta Glasscock No. 15	42-507-32284-000	28° 42' 40.102" N	99° 29' 1.678" W
Leta Glasscock No. 16	42-507-32291-000	28° 43' 42.470" N	99° 28' 55.959" W
Leta Glasscock No. 37	42-507-32396-000	28° 43' 51.072" N	99° 28' 35.608" W
Leta Glasscock No. 36	42-507-32375-000	28° 43' 48.293" N	99° 28' 20.596" W
Leta Glasscock No. 7	42-507-31967-000	28° 43' 50.192" N	99° 28' 15.914" W
Leta Glasscock No. 12	42-507-32271-000	28° 42' 30.174" N	99° 29' 26.692" W
Leta Glasscock No. 28	42-507-32335-000	28° 42' 34.660" N	99° 29' 43.834" W
L J Glasscock No. 3	42-507-30129-000	28° 41' 31.286" N	99° 29' 36.637" W
Winn-Leta Glasscock No. 1	42-507-30065-000	28° 41' 32.403" N	99° 30' 15.356" W
Winn-Leta Glasscock No. 2	42-507-30071-010	28° 41' 32.966" N	99° 31' 2.505" W
Leta Glasscock No. 2	42-507-30071-000	28° 41' 44.178" N	99° 30' 56.024" W
Leta Glasscock No. 30	42-507-32349-000	28° 43' 38.428" N	99° 29' 56.229" W
Leta Glasscock No. 21	42-507-32304-000	28° 42' 42.563" N	99° 28' 3.597" W
Leta Glasscock No. 31	42-507-32463-000	28° 42' 34.878" N	99° 27' 44.630" W
Leta Glasscock No. 14	42-507-32282-000	28° 41' 51.299" N	99° 27' 42.657" W
Leta Glasscock No. 17	42-507-32292-000	28° 41' 45.276" N	99° 28' 32.018" W
Leta Glasscock No. 4	42-507-31952-000	28° 43' 13.697" N	99° 27' 49.791" W
Leta Glasscock No. 32	42-507-32365-000	28° 43' 12.052" N	99° 27' 25.887" W
Leta Glasscock No. 33	42-507-32367-000	28° 43' 50.327" N	99° 27' 37.875" W
Leta Glasscock No. 35	42-507-32374-000	28° 44' 24.729" N	99° 28' 17.029" W
Leta Glasscock No. 34	42-507-32373-000	28° 44' 24.962" N	99° 27' 38.027" W
Leta Glasscock No. 20	42-507-32295-000		

EXHIBIT "C"

Attached and made a part of that certain Assignment, Bill of Sale and Conveyance (the "Assignment") as entered into by and between Winn Exploration Co., Inc.; Pinion Exploration, LLP; McDay Oil & Gas, Inc.; and McDay Energy Corporation, collectively Assignor, and Matador Resources Company, Assignee, dated effective December 1, 2010.

Water Well and Salt Water Disposal Well Description:

<u>Well Name</u>	<u>API Number</u>	<u>Latitude</u>	<u>Longitude</u>
Glasscock SWD No. 1D	42-507-32430-000	28° 42' 50.918" N	99° 28' 16.424" W
Glasscock Equipment Yard Water Well	N/A	28° 42' 44.018" N	99° 29' 34.198" W

EXHIBIT "D"

Attached and made a part of that certain Assignment, Bill of Sale and Conveyance (the "Assignment") as entered into by and between Winn Exploration Co., Inc.; Pinion Exploration, LLP; McDay Oil & Gas, Inc.; and McDay Energy Corporation, collectively Assignor, and Matador Resources Company, Assignee, dated effective December 1, 2010.

<u>Lease Name</u>	<u>Well Number</u>	<u>Number of Items</u>	<u>Item General</u>	<u>Item Specific</u>	<u>Size</u>
Winn—Leta Glasscock	1	1	Controller	Plunger Controller	
Winn—Leta Glasscock	1	1	Gas Meter		
Winn—Leta Glasscock	1	1	Separator	Vertical	16" x 7'
Winn—Leta Glasscock	1	1	Separator	Vertical	16" x 5' x 1440 psi
Winn—Leta Glasscock	1	1	Tank	Steel	210 bbl
Winn—Leta Glasscock	1		Tubing		
Winn—Leta Glasscock	2	1	Gas Meter		
Winn—Leta Glasscock	2		Tubing		
Glasscock	3		Tubing		
Glasscock	4	1	Engine	Gas	46
Glasscock	4	1	Pumping Unit	Conventional	57D
Glasscock	4		Rods		
Glasscock	4		Tubing		
Glasscock	7	1	Elect Motor		10 hp
Glasscock	7	1	Pumping Unit	Conventional	57 - Non API?
Glasscock	7		Rods		
Glasscock	7		Tubing		
Glasscock	10	1	Pumping Unit	Mark II	M320D-256-120
Glasscock	10		Rods		
Glasscock	10		Tubing		
Glasscock	12	1	Elect Motor		15-20 hp
Glasscock	12	1	Pumping Unit	Conventional	TD-33 w/ 160D gearbox
Glasscock	12		Rods		
Glasscock	12		Rods		
Glasscock	12		Tubing		
Glasscock	13		Tubing		
Glasscock	14		Rods		
Glasscock	14		T-base		
Glasscock	14		Tubing		
Glasscock	15		Rods		
Glasscock	15		Tubing		
Glasscock	16	1	Pumping Unit	Conventional	DB320-298-100
Glasscock	16		Rods		
Glasscock	16		Tubing		
Glasscock	17	1	Pumping Unit	Conventional	320D-305-100
Glasscock	17		Rods		
Glasscock	17		Tubing		
Glasscock	18		Rods		
Glasscock	18		Tubing		
Glasscock	19		Tubing		
Glasscock	20		Tubing		
Glasscock	21	1	Separator	Vertical	16" x 5'
Glasscock	21	1	Separator	Vertical	20" x 10' x 1000 psi
Glasscock	23		Elect Motor		
Glasscock	23	1	Pumping Unit	Conventional	228D-246-86
Glasscock	23		Rods		
Glasscock	23		Tubing		
Glasscock	24	1	T-base		
Glasscock	24		Tubing		

Lease Name	Well Number	Number of Items	Item General	Item Specific	Size
Glasscock	25	1	Pumping Unit	Conventional	320
Glasscock	25		Rods		
Glasscock	25		Tubing		
Glasscock	26	1	Elect Motor		30 hp
Glasscock	26	1	Pumping Unit	Conventional	160D-200-74
Glasscock	26		Rods		
Glasscock	26		Tubing		
Glasscock	27	1	Pumping Unit	Conventional	160D-200-74
Glasscock	27		Rods		
Glasscock	27	1	T-base		
Glasscock	27		Tubing		
Glasscock	28		Tubing		
Glasscock	29		Rods		
Glasscock	29		Tubing		
Glasscock	31		Tubing		
Glasscock	32		Tubing		
Glasscock	33	1	Pumping Unit	Conventional	320
Glasscock	33		Rods		
Glasscock	33		Tubing		
Glasscock	34	1	Pumping Unit	Conventional	456
Glasscock	34		Rods		
Glasscock	34	1	Separator	Vertical	30" x 10' x 125 psi
Glasscock	34	1	Separator	Vertical	36" x 10'
Glasscock	34		Tubing		
Glasscock	35	1	Heater	Horizontal	6' x 20'
Glasscock	35	1	Pumping Unit		
Glasscock	35		Tubing		
Glasscock	37	1	Heater	Horizontal	6' x 20'
Glasscock	37	1	Pumping Unit	Conventional	228D-200-74
Glasscock	37		Rods		
Glasscock	37		Tubing		
Glasscock	Amine Plant	1	Amine Absorber	Tower	16" x 46' x 1365 psi
Glasscock	Amine Plant	1	Dehy	Tower	10.75" x 37'9" x 200 psi
Glasscock	Amine Plant	1	Dehy	Reboiler	24" x 8' w/ 36" x 8' surge tk
Glasscock	Amine Plant	1	Separator	Vertical	4' x 12' x 125 psi
Glasscock	Amine Plant	1	Separator	Vertical	16" x 10'
Glasscock	Amine Plant	1	Separator	Vertical	20" x 10' x 1000 psi
Glasscock	SWD 1		Tubing		
Glasscock	TB 3	1	Heater	Vertical	6' x 20'
Glasscock	TB 3	1	Heater	Horizontal	6' x 20'
Glasscock	TB 3	2	Tank	Steel	400 bbl
Glasscock	TB 3	1	Tank	Fiberglass	210 bbl
Glasscock	TB 3	1	Tank	Fiberglass	75 bbl
Glasscock	TB 4	1	Flare Stack		
Glasscock	TB 4	1	Gas Meter		
Glasscock	TB 4	1	Gunbarrel	Steel	10' x 20'
Glasscock	TB 4	1	Heater	Vertical	6' x 20'
Glasscock	TB 4	1	Separator	Vertical	20" x 7'6" x 1440 psi
Glasscock	TB 4	1	Separator	Vertical	30" x 10'

Lease Name	Well Number	Number of Items	Item General	Item Specific	Size
Glasscock	TB 4	2	Tank	Steel	400 bbl
Glasscock	TB 4	1	Tank	Fiberglass	300 bbl
Glasscock	TB 4	1	Tank	Fiberglass	75 bbl
Glasscock	TB 4	1	Xfer Pump		
Glasscock	TB 5	1	Heater	Vertical	6' x 20'
Glasscock	TB 5	1	Heater	Horizontal	6' x 20'
Glasscock	TB 5	1	Meter Run		3"
Glasscock	TB 5	7	Tank	Steel	400 bbl
Glasscock	TB 5	2	Tank	Fiberglass	210 bbl
Glasscock	TB 5	1	Tank	Fiberglass	75 bbl
Glasscock	TB 5	1	Xfer Pump		
Glasscock	TB 6	1	Flare Stack		
Glasscock	TB 6	1	Heater	Horizontal	6' x 20' x 75 psi
Glasscock	TB 6	1	Separator	Vertical	30" x 10' x 125 psi
Glasscock	TB 6	6	Tank	Steel	400 bbl
Glasscock	TB 6	1	Tank	Steel	210 bbl
Glasscock	TB 6	1	Tank	Fiberglass	200 bbl
Glasscock	TB 6	1	Tank	Fiberglass	100 bbl
Glasscock	TB 6	1	Tank	Fiberglass	210 bbl
Glasscock	TB 6	1	Triplex Pump		
Glasscock	TB 7	2	Tank	Steel	210 bbl
Glasscock	TB 7	1	Tank	Fiberglass	100 bbl

EXHIBIT "E"

Attached and made a part of that certain Assignment, Bill of Sale and Conveyance (the "Assignment") as entered into by and between Winn Exploration Co., Inc.; Pinion Exploration, LLP; McDay Oil & Gas, Inc.; and McDay Energy Corporation, collectively Assignor, and Matador Resources Company, Assignee, dated effective December 1, 2010.

[PERMITTED ENCUMBRANCES AS RELATED TO SECTIONS 3G & 3M ONLY]

Leta Glasscock No. 12 ¹	42-507-32271-000	28° 42' 30.174" N	99° 29' 26.692" W
Leta Glasscock No. 28 ²	42-507-32335-000	28° 42' 34.660" N	99° 29' 43.834" W
Leta Glasscock No. 21 ³	42-507-32304-000	28° 42' 42.563" N	99° 28' 3.597" W
Leta Glasscock No. 23 ⁴	42-507-32322-000	28° 42' 27.567" N	99° 30' 18.699" W
Leta Glasscock No. 24 ⁵	42-507-32321-000	28° 42' 24.504" N	99° 31' 6.700" W
Leta Glasscock No. 20 ⁶	42-507-32295-000		
Leta Glasscock No. 11 ⁷	42-507-		
Leta Glasscock No. 13 ⁶	42-507-32275-000	28° 43' 9.223" N	99° 29' 2.948" W
Leta Glasscock No. 15 ⁶	42-507-32284-000	28° 42' 40.102" N	99° 29' 1.678" W
Leta Glasscock No. 17 ⁶	42-507-32292-000	28° 41' 45.276" N	99° 28' 32.018" W
Leta Glasscock No. 18 ⁶	42-507-32293-000	28° 41' 42.521" N	99° 29' 24.159" W
Leta Glasscock No. 22 ⁷	42-507-		
Leta Glasscock No. 29 ⁶	42-507-32348-000	28° 43' 14.583" N	99° 30' 25.680" W
Leta Glasscock No. 30 ⁶	42-507-32349-000	28° 43' 38.428" N	99° 29' 56.229" W
Leta Glasscock No. 31 ⁶	42-507-32463-000	28° 42' 34.878" N	99° 27' 44.630" W
Leta Glasscock No. 32 ⁶	42-507-32365-000	28° 43' 12.052" N	99° 27' 25.887" W
Leta Glasscock No. 35 ⁶	42-507-32374-000	28° 44' 24.729" N	99° 28' 17.029" W
Leta Glasscock No. 36 ⁶	42-507-32375-000	28° 43' 48.293" N	99° 28' 20.596" W
Leta Glasscock No. 33 ⁸	42-507-32367-000	28° 43' 50.327" N	99° 27' 37.875" W
Leta Glasscock No. 34 ⁸	42-507-32373-000	28° 44' 24.962" N	99° 27' 38.027" W

¹ Leta Glasscock #12 is completed in the San Miguel not the Austin Chalk as represented in the completion documents on file with the Railroad Commission. Assignee agrees to assume filing compliance on this well.

² Leta Glasscock #28 is completed in the San Miguel not the Austin Chalk as represented in the completion documents on file with the Railroad Commission. Assignee agrees to assume filing compliance on this well.

³ Leta Glasscock #21 has been partially plugged and witnessed by the Texas RRC.

⁴ Leta Glasscock #23 has sucker rods in the open hole. There is no order to plug the well and Assignor has not had any requests to plug the well from the surface owner. Assignor makes no representations or warranties whatsoever in relation to this well.

⁵ Leta Glasscock #24 has parted tubing and some remains in the hole. There is no order to plug the well and Assignor has not had any requests to plug the well from the surface owner. Assignor makes no representations or warranties whatsoever in relation to this well.

⁶ McDay has never worked on these wells and knows nothing of their condition and makes no representations or warranties whatsoever in relation to these wells.

⁷ Well was P&A'd by Winn Exploration Co., Inc.

⁸ Shut-in due to lack of market due to H2S. McDay makes no representations or warranties whatsoever in relation to these wells.

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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Exhibits

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Exhibit "A-1"	List of DeWitt Lease Net Revenue Interests, Net Acres and Allocated Values
Exhibit "B"	Description of Karnes, Gonzales and Wilson Leases
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
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Addenda

Addendum to Address Post-Closing Issues

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)(Z) 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 Payment**"), 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 A

Attached to and made a part of that certain Purchase, Sale and Participation Agreement, dated May 2011
by and among Orca ICI Development, JV, and Orca Assets GP, LLC and Matador Resources Company

<u>ORCA LEASE NO.</u>	<u>LESSOR</u>	<u>LESSEE</u>	<u>LEGAL DESCRIPTION</u>	<u>RECORDING DATA</u>	<u>COUNTY</u>
D123L-0001	Hilmar Cowey, Jr.	Orca Assets, G.P., LLC	229.85 acres, more or less, in the Indianola Railroad Company Survey No. 9, A-249, and the Indianola Railroad Company Survey No. 11, A-270, DeWitt County, Texas, more fully described in deed dated January 31, 2007, from P & R Properties, a Texas general partnership composed of Paul Duffy and Richard Gohmert, to Hilmer Cowey, Jr., recorded in Volume 215, Page 154, Official Public Records of DeWitt County, Texas	5/19/2010, 312/863	DeWitt
D123L-0002	Randy Joseph Cowey, and wife, Michelle Noreen Cowey	Orca Assets, G.P., LLC	75.0 acres, more or less, in the Indianola Railroad Company Survey No. 9, A-249, in DeWitt County, Texas, more fully described in deed dated March 12, 2007, from P & R Properties to Randy Joseph Coewy et ux, recorded in Volume 219, Page 22, Official Public Records of DeWitt County, Texas.	5/19/2010 , 312/865	DeWitt
D123L-0003	Wayne C. Blank	Orca Assets, G.P., LLC	Being 125.00 acres of land, more or less, out of the Thomas R. Miller Survey, Abstract No. 37, Dewitt County, Texas, being the same tract of land described in that certain Warranty Deed with Vendor's Lien dated July 30, 1990, from Eugene Finney, III and wife Sharon Finney to Wayne C. Blank and wife, Annie D. Blank, recorded in Volume 346, pages 52 to 54 of the Deed Records of Dewitt County, Texas.	6/10/2010, 313/718	DeWitt
D123L-0004	Robert L. Wheeler, and wife, Dorothy J. Wheeler	Orca Assets, G.P., LLC	59.957 acres of land, more or less, out of the Thomar R. Miller Survey, Abstract No. 37, Dewitt County, Texas, and being divided into 4 tracts of land, and being more fully described in that certain Gift Deed dated July 24, 2009, from Robert L. Wheeler and wife, Dorothy J. Wheeler to Robert Dwayne Wheeler, Richard Leroy Wheeler, Karen J. Marquez and James Dean Wheeler, recorded in Volume 291, Pages 700 to 707 of the Official Public Records of Dewitt County, Texas.	6/10/2010 , 313/720	DeWitt
D123L-0005	William Avry. Carnes, III	Orca Assets, G.P., LLC	Tract 1: 118.64 acres of land, more or less, out of the Thomas R. Miller Survey, Abstract No. 37, Dewitt County, Texas, and being the same tract of land described in that certain Warranty Deed dated April 30, 1991, from American National Bank to W.A. Carnes, Jr., recorded in Volume 350, Page 585 of the Deed Records of Dewitt County, Texas. Tract 2: 80.00 acres of land, more or less, out of the Thomas R. Miller Survey, Abstract No. 37, Dewitt County, Texas, and being the same tract of and described in that certain Warranty Deed dated April 7, 2000, from Harry Veselka and wife, Mattie A. Veselka to Ineta C. Skinner, a single woman, recorded in Volume 72, Page 478 of the Official Public Records of Dewitt County, Texas.	6/10/2010 , 313/722	DeWitt
D123L-0006	Eugene L. Finney III	Orca Assets, G.P., LLC	150.86 acres of land, more or less, out of the T.R. Miller League, A-37 & N. McNutt League, A-327, being all of the land (as described by metes and bounds therein), being a part of the original 474.6 acre tract of land, as described in Partition Deed dated June 17, 1985 and executed by Eugene Finney, Jr. and William Royce Finney, recorded in Volume 316, Page 133 of the Deed Records of Dewitt County, Texas, SAVE AND EXCEPT: Tract 1: 125.00 acres of land, more or less, out of the T.R. Miller League, A-37, being all of that land (as described by metes and bounds therein), being described in that certain Deed dated July 30, 1990 and executed by Eugene Finney, III and wife,	6/9/2010 , 313/764	DeWitt

Sharon Finney to Wayne C. Blank and wife, Annie D. Blank, recorded in Volume 346, Page 52 of the Deed Records of DeWitt County, Texas; **Tract 2:** 118.64 acres of land, more or less, out of the T.R. Miller League, A-37, being all of that land (as described by metes and bounds therein), being described in that certain Gift Deed dated May 14, 1999 and executed by Alma Carnes, a widow to William Avry Carnes, III, recorded in Volume 56, Page 525 of the Official Records of DeWitt County, Texas; **Tract 3: 80.00** acres of land, more or less, out of the T.R. Miller League, A-37, being all of that land (as described by metes and bounds therein), being described in that certain Warranty Deed dated April 7, 2000 and executed by Harry and Mattie Veselka to Inneta C. Skinner, recorded in Volume 72, Page 478 of the Official Records of DeWitt County, Texas.

Exhibit A

Attached to and made a part of that certain Purchase, Sale and Participation Agreement, dated May 2011 by and among Orca ICI Development, JV, and Orca Assets GP, LLC and Matador Resources Company

<u>ORCA LEASE NO.</u>	<u>LESSOR</u>	<u>LESSEE</u>	<u>LEGAL DESCRIPTION</u>	<u>RECORDING DATA</u>	<u>COUNTY</u>
D123L-0007	Paul Summers, Jr. and wife, Nancy Gayle Summers	Orca Assets, G.P., LLC	All of that certain tract or parcel of land containing 95.88 acres of land, more or less, out of the Elihu Moss League, A-40 and also a part of that tract described as 95.46 acres allotted to Joe T. Warzecha in Partition Deed dated Novemeber 27, 1943, recorded in Volume 118, Page 34 of the Deed Records of DeWitt County, Texas; said 95.88 acre tract of land being more particularly described by metes and bounds (FIRST TRACT) on Exhibit "A" of that certain Deed dated May 10, 2000, from Valeria Kozielski et al, to L. Paul Summers, Jr. and wife, Nancy Gayle Summers, found of record in Volume 75, Page 528 of the Official Public Records of DeWitt County, Texas. All of that Certain Tract or parcel of land containing 0.19 of an acre of land, more or less, out of the Elihu Moss League, A-40, and also a part of that tract described as 95.46 acres allotted to Joe T. Warzecha in Partition Deed dated Novemeber 27, 1943, recorded in Volume 118, Page 34 of the Deed Records of DeWitt County, Texas; said 0.19 acre tract of land being more particularly described by metes and bounds (SECOND TRACT) on Exhibit "A" of that certain Deed dated May 10, 2000, from Valeria Kozielski et al, to L. Paul Summers, Jr. and wife, nancy Gayle Summers, found of record in Volume 75, Page 528 of the Official Public records of DeWitt County, Texas. All that certain parcel or tract of land, containing 34.664 acres of land, more or less, located in DeWitt County, Texas, and being a part of the Elihu Moss Survey, A-40, and a part of an 82 acre tract of land conveyed by Raymond Wild to James M. Howard by deed dated May 27, 1965, recorded in Volume 163, Page 78 of the Deed Records of DeWitt County, Texas, and being the same property conveyed by James M. Howard to Veterans' Land Board by deed dated May 12, 1976, recorded in Volume 233, Page 54 of the Deed Records of DeWitt County, Texas; said 34.664 acre tract of land (TRACT ONE) being more particularly described by metes and bounds in that certain Deed dated August 3, 1999, executed by Donald Allen Rikard and wife, Maxine F. Rikard, to Paul Summers, Jr., and found of record in Volume 59, page 981 of the Official Public Records of DeWitt County, Texas. All that certain parcel or tract of land, containing 34.664 acres of land, more or less, located in DeWitt County, Texas, and being a part of the Elihu Moss Survey, A-40, and a part of an 82 acre tract of land conveyed by Raymond Wild to James M. Howard by deed dated May 27, 1965, recorded in Volume 163, Page 78 of the Deed Records of DeWitt County, Texas, and being the same property conveyed by James M. Howard to Veterans' Land Board by deed dated May 12, 1976, recorded in Volume 233, Page 57 of the Deed Records of DeWitt County, Texas; said 34.664 acre tract of land (TRACT TWO) being more particularly described by metes and bounds in that certain Deed dated August 3, 1999, executed by Donald Allen Rikard and	6/7/2010 , 314/660	DeWitt

D123L-0008-001	Edward L. Keseling	Orca Assets, G.P., LLC	wife, Maxine F. Rikard, to Paul Summers, Jr., and found of record in Volume 59, page 981 of the Official Public Records of DeWitt County, Texas.	6/29/2010 , 316/360	DeWitt
			<p>549.73 acres, more or less, a part of the Elihu Moss Survey, A-40, DeWitt County, Texas and being described in Four (4) Tracts as follows: FIRST TRACT: 485.968 acres, more of less, a part of the Elihu Moss Survey, A-40, DeWitt County, Texas and being that same land as described as First Tract in a Deed dated March 16, 1993 from Artie Henke and wife to Farm Credit Bank of Texas and recorded in Volume 362, Page 689 of the Deed Records of DeWitt County, Texas.</p> <p>SECOND TRACT: 26.762 acres , more or less, a part of the Elihu Moss Survey, A-40 DeWitt County, Texas and being that same land as described as the Second Tract in deed dated March 16,1993 from Artie Henke and wife, to Farm Credit Bank of Texas and recorded in Volume 362, Page 689 of the Deed Records of DeWitt County, Texas. THIRD TRACT: 18.50 acres, more or less, a part of the Elihu Moss Survey, A-40, DeWitt County, Texas and being that same land as described as the THIRD TRACT in Deed dated March 16, 1993 from Artie Henke and wife, to Farm Credit Bank of Texas and recorded in Volume 362, Page 689 of the Deed Records of DeWitt County, Texas. FOURTH TRACT: 18.50 acres, more or less, a part of the Elihu Moss Survey, A-40, DeWitt County, Texas and being that same land as described as FOURTH TRACT in Deed dated March 16, 1993 from Artie Henke and wife, to Farm Credit Bank of Texas and recorded in Volume 362, Page 689 of the Deed Records of DeWitt County, Texas.</p>		
D123L-0008-002	Artie Henke	Orca Assets, G.P., LLC	<p>549.73 acres, more or less, a part of the Elihu Moss Survey, A-40, DeWitt County, Texas and being described in Four (4) Tracts as follows: FIRST TRACT: 485.968 acres, more or less, a part of the Elihu Moss Survey, A-40, DeWitt County, Texas and being that same land as described as FIRST TRACT in a Deed dated March 16, 1993 from Artie Henke and wife to Farm Credit Bank of Texas and recorded in Volume 362, Page 689 of the Deed Records of DeWitt County, Texas. SECOND TRACT: 26.762 acres, more or less, a part of the Elihu Moss Survey, A-40, DeWitt County, Texas and being that same land as described as the SECOND TRACT in deed dated March 16, 1993 from Artie Henke and wife, to Farm Credit Bank of Texas and recorded in Volume 362, Page 689 of the Deed Records of DeWitt County, Texas. THIRD TRACT: 18.50 acres, more or less, a part of the Elihu Moss Survey, A-40, DeWitt County, Texas and being that same land as described as the THIRD TRACT in Deed dated March 16,1993 from Artie Henke and wife, to Farm Credit Bank of Texas and recorded in Volume 362, Page 689 of the Deed Records of DeWitt County, Texas. FOURTH TRACT: 18.50 acres, more or less, a part of the Elihu Moss Survey, A-40, DeWitt County, Texas and being that same land as described as FOURTH TRACT in Deed dated March 16, 1993 from Artie Henke and wife, to Farm Credit Bank of Texas</p>	7/5/2010 , 318/142	DeWitt

and recorded in Volume 362, Page 689
of the Deed Records of DeWitt
County, Texas.

Page 2

Exhibit A

Attached to and made a part of that certain Purchase, Sale and Participation Agreement, dated May 2011
by and among Orca ICI Development, JV, and Orca Assets GP, LLC and Matador Resources Company

<u>ORCA LEASE NO.</u>	<u>LESSOR</u>	<u>LESSEE</u>	<u>LEGAL DESCRIPTION</u>	<u>RECORDING DATA</u>	<u>COUNTY</u>
D123L-0009	Love Partnership Interests, LP, by and through Love Enterprises L.L.C., by General Partner, Kenneth A. Love, Manager	Orca Assets, G.P., LLC	Tract 1: 94.1 acres of land, more or less, out of the Francisco Gonzales League Abstract 194, DeWitt County, Texas, being the same tract of land described in that certain Gift Deed dated May 5, 1993 from Ewald Metting and Erma Metting to Elroyee Metting, recorded in Volume 127, Page 373 Deed Records, DeWitt County, Texas. Tract 2: 253.42 acres of land, more or less, out of the Francisco Gonzales Survey, A-233, Gonzales County, Texas and the Francisco Gonzales Survey, A-194, DeWitt County, Texas, being the same tract of land described in that certain Warranty Deed dated December 20, 1977 from Hedwig Stanchos, to Velma Spellman, et al, recorded in Volume 250, Page 78 of the Deed Records of DeWitt County, Texas.	7/15/2010 , 318/401	DeWitt
D123L-0010	Susan Cooper Trustee of the Susan Cooper Weaver-DeWitt Trust; Robert Clayton Weaver – DeWitt Trust; Benjamin Cole Weaver- DeWitt Trust, Kathryn Avery Weaver-DeWitt Trust; Charles Ryan Weaver- DeWitt Trust; and Jackson Harrison Weaver-DeWitt Trust	Orca Assets, G.P., LLC	885.3 acres of land, more or less, being the same 885.3 acres of land, more or less, described in that certain Quit Claim Deed, between Frances H. Lewton aka Frances Hildebrand Lewton and The Edwin T. Lewton and Frances H. Lewton Revocable Living Trust, dated May 5, 1994, recorded in Volume 369, Page 20, of the Deed Records of DeWitt County, Texas, and being the land described in those certain Gift Mineral Deeds referenced as Instrument Number 71441 and 71442 of the Official Records of DeWitt County.	10/1/2010 , 325/308	DeWitt
D123L-0011	Everett Roy Brown	Orca Assets, G.P., LLC	3.153 acres out of the A 14.161 acre tract as described in Partition Deed to Patsy Brown recorded in Volume 173, Page 326, Deed Records, also being the same property as conveyed by Otward Brown, Sr. to Everett Roy Brown, described in Volume 361, Page 258, Deed Records, DeWitt County, Texas.	8/17/2010 , 327/175	DeWitt
D123-0013	Curtis R. Wild and Melba Ray Attaway	Orca Assets, G.P., LLC	Tract 1: 4.20 acres, more or less, out of the E. Moss Survey, A-40, DeWitt County, Texas, being all of that certain tract three described in a Right-of-Way Deed dated November 24, 1951 executed by Adolph Wild in favor of The State of Texas and recorded in Volume 132, Page 51 of the Deed Records of DeWitt County, Texas. Tract 2: 0.12 acres, more or less, out of the E. Moss Survey, A-40, DeWitt County, Texas, being all of that certain tract described in a Right-of-Way Deed dated July 16, 1958 executed by Adolph Wild in favor of The State of Texas and recorded in Volume 142, Page 327 of the Deed Records of DeWitt County, Texas.	11/5/2010 , Inst. No. 72793	DeWitt

EXHIBIT A-1

Attached to and made a part of that certain Purchase, Sale and Participation Agreement, dated May , 2011
by and among Orca ICI Development, JV and Orca Assets GP, LLC and Matador Resources Company

<u>ORCA LEASE NO.</u>	<u>LESSOR</u>	<u>LESSEE</u>	<u>GROSS ACRES</u>	<u>NET ACRES</u>	<u>NRI - 8/8ths</u>	<u>ALLOCATED VALUE</u>
D123L-0001	Hilmar Cowey, Jr.	Orca Assets, G.P., LLC	229.8500	229.8500	0.750000000	\$ 747,833.75
D123L-0002	Randy Joseph Cowey, and wife, Michelle Noreen Cowey	Orca Assets, G.P., LLC	75.0000	75.0000	0.750000000	\$ 244,017.98
D123L-0003	Wayne C. Blank	Orca Assets, G.P., LLC	125.0000	125.0000	0.750000000	\$ 406,696.63
D123L-0004	Robert L. Wheeler, and wife, Dorothy J. Wheeler	Orca Assets, G.P., LLC	59.9570	59.9570	0.750000000	\$ 195,077.73
D123L-0005	William Avry. Carnes, III	Orca Assets, G.P., LLC	198.6400	198.6400	0.750000000	\$ 646,289.74
D123L-0006	Eugene L. Finney, III	Orca Assets, G.P., LLC	150.8600	150.8600	0.750000000	\$ 490,834.02
D123L-0007	Paul Summers, Jr., and wife, Nancy Gayle Summers	Orca Assets, G.P., LLC	165.3980	165.3980	0.750000000	\$ 538,134.47
D123L-0008-001	Edward L. Keseling	Orca Assets, G.P., LLC	549.7300	169.3140	0.750000000	\$ 550,875.46
D123L-0008-002	Artie Henke	Orca Assets, G.P., LLC	<549.7300>	380.4160	0.750000000	\$ 1,237,711.23
D123L-0009	Love Partnership Interests, LP, by and through Love Enterprises L.L.C., by General Partner, Kenneth A. Love, Manager	Orca Assets, G.P., LLC	347.5200	347.5200	0.750000000	\$ 1,130,681.69
D123L-0010	Susan Cooper Trustee of the Susan Cooper Weaver-DeWitt Trust; Robert Clayton Weaver -DeWitt Trust; Benjamin Cole Weaver-DeWitt Trust, Kathryn Avery Weaver-DeWitt Trust; Charles Ryan Weaver-DeWitt Trust; and Jackson Harrison Weaver-DeWitt Trust	Orca Assets, G.P., LLC	885.3000	885.3000	0.750000000	\$ 2,164,602.12
D123L-0011	Everett Roy Brown	Orca Assets, G.P., LLC	3.1530	3.1530	0.750000000	\$ 10,261.77
D123L-0013	Curtis R. Wild and Melba Ray Attaway	Orca Assets, G.P., LLC	4.3200	4.3200	0.750000000	\$ 14,055.44

Exhibit B

Attached to and made a part of that certain Purchase, Sale and Participation Agreement, dated May , 2011
by and among Orca ICI Development, JV and Orca Assets, GP, LLC and Matador Resources Company

<u>ORCA LEASE NO.</u>	<u>LESSOR</u>	<u>LESSEE</u>	<u>LEGAL DESCRIPTION</u>	<u>RECORDING DATA</u>	<u>COUNTY</u>
G177L-0001	Dan R. Hennig Living Trust	Orca Assets, G.P., LLC	200.726 acres, more or less out of the James Roney One-quarter League, A-58, Gonzales County, Texas being all of the land described by metes and bounds in Exhibit "A" attached to and made a part of that certain General Warranty Deed dated August 1, 2002 executed by Brett L. Sarver and wife, Tracy K. Sarver in favor of the Dan R. Hennig and wife, Sandra A. Hennig recorded in Volume 870, page 921 of the Official Records of Gonzales County, Texas.	9/21/2010, 1030 /841	Gonzales
G177L-0002-1	Nickel Ranch, L.P.	Orca Assets, G.P., LLC	169.78 acres, more or less, out of the Allen B Williams League, A-79, in Gonzales County, Texas comprised of the following two tracts: Tract 1: 149.78 acres of land, more or less, described in Warranty Deed from Frank D. Adams and wife Mary E. Adams to Christian T. Swinbank and wife, Catherine M. Swinbank, dated October 31, 2006, recorded in the Official Public Records, Volume 953, page 320, Gonzalez County, Texas, save and except that 7.76 acre portion thereof, more or less that lies within those 20 acres, more or less, described in Mineral Deed dated November 23, 1923 executed by H. W. Paul and wife, Honora Paul, in favor of J. A. Brunkenhoefer, John Cinadr, J. J. Maresh and August W. Janszen and recorded in Volume 131, Page 85 of the Deed Records of Gonzalez County, Texas. Tract 2: 7.76 acres, more or less, being that portion of that certain 20 acres, more or less, described in Mineral Deed dated November 23, 1923 executed by H. W. Paul and wife, Honora Paul, in favor of J. A. Brunkenhoefer, John Cinadr, J. J. Maresh and August W. Janszen and recorded in volume 131, Page 85 of the Deed Records of Gonzalez County, Texas that lies within those 169.78 acres, more or less, described in Warranty from Frank D. Adams and wife, Mary E. Adams to Christian T. Swinbank and wife, Catherine M. Swinbank dated October 31, 2006, recorded in the Official Public Records, Volume 953, page 320, Gonzalez County, Texas.	9/27/10, 1031/426	Gonzales
G177L-0003-1	Robert Greenwell & Michelle Greenwell	Orca Assets, G.P., LLC	40.156 acres, more or less, out of the Allen B. Williams League, A-79, in Gonzales County, Texas comprised of the following two tracts: 38.252 acres, more or less, being all of that certain 40 acres, more or less, described in Warranty Deed from Earl D. Maurer and wife, Elva M. Maurer to Robert E. Greenwell and wife, Michelle Greenwell dated November 29, 1976 recorded in the Official Public Records, Volume 427, page 565, Gonzales County, Texas, save and except that 1.748 acre portion thereof, more or less, that lies within those 20 acres more or less, described in Mineral Deed Dated November 23, 1923 executed by H. W. Paul and Wife, Honora Paul, in favor J. A. Brunkenhoefer, John Cinadr, J. J. Maresh and August W. Janszen and recorded in Volume 131, Page 85 of the Deed Records of Gonzales County, Texas. 1.748 acres, more or less, being that portion of that certain 20 acres, more or less, described in Mineral Deed dated November 23, 1923 executed by H. W. Paul and wife, Honora Paul, in favor of J. A. Brunkenhoefer, John Cinadr, J. J. Maresh and August W. Janszen and recorded in volume 131, Page 85 of the Deed Records of Gonzales County, Texas that lies within those 40.156 acres, more or less, , described in Warranty Deed from Earl D. Maurer and wife, Elva M. Maurer to Robert E. Greenwell and wife, Michelle Greenwell dated November 29, 1976 recorded in the Official Public Records, Volume 427, page 565, Gonzales County, Texas.	9/24/10 , 1031/80	Gonzales
G177L-0004-1	Eric Abbt and Melinda M. Menchaca	Orca Assets, G.P., LLC	40 acres more or less, out of the Allen B. Williams League, A-79, in Gonzales County, Texas comprised of the following two tracts: 29.49 acres of land, more or less, ,being all of that certain 40 acres, more or less, described in Warranty Deed from Ronald Krotofil and wife, Linda Krotofil to Joel Eric Abbt and Melinda M. Menchaca dated May 20, 2008 and recorded in Volume 982, page 490 of the Official Public Records of Gonzales County, Texas, save and except that 10.51-acre portion thereof, more or less, that lies within those 20 acres more or less, described in Mineral Deed dated November 23, 1923 executed by H. W. Paul and wife, Honora Paul, in favor of J. A. Brunkenhoefer, John Cinadr, J. J. Maresh and August W. Janszen and recorded in Volume 131, Page 85 of the Deed Records of Gonzales County, Texas. 10.51 acres, more or less, being that portion of that certain 20 acres, more or less, described in Mineral Deed dated November 23, 1923 executed by H. W. Paul and wife, Honora Paul, in favor of J. A. Brunkenhoefer, John Cinadr, J. J. Maresh and August W. Janszen and recorded in volume 131, Page 85 of the Deed Records of Gonzales County, Texas that lies within those 40 acres, more or less, described in Warranty Deed from Ronald Krotofil and wife, Linda	9/27/1010, 1031/429	Gonzales

Exhibit B

Attached to and made a part of that certain Purchase, Sale and Participation Agreement, dated May , 2011
by and among Orca ICI Development, JV and Orca Assets, GP, LLC and Matador Resources Company

G177L-0005	Alois and Annie Marburger	Orca Assets, G.P., LLC	<p>Tract 1: 23.011 acres, more or less, out of the I.D. Bradley Survey, A-99, Gonzales County, Texas, being all of that certain tract as described in a Warranty Deed Dated August 16, 1985 executed by John M. & Josephine R. Delany in favor of Alois & Annie D. Marburger and recorded in Volume 576, Page 9 of the Deed Records of Gonzales County, Texas. Tract 2: 39.865 acres, more or less, out of the I.D. Bradley Survey, A-99, Gonzales County, Texas, being all of that certain tract as described in a Warranty Deed dated July 11, 1988 executed by James C. Kendig in favor of Alois & Annie D. Marburger and recorded in Volume 619, Page 390 of the Deed Records of Gonzales County, Texas. Tract 3: 20.000 acres, more or less, out of the I.D. Bradley Survey, A-99, Gonzales County, Texas, being all of that certain tract as described in a Deed dated August 12, 1992 executed by Veterans Land Board of the State of Texas in favor of Alois Marburger and recorded in Volume 712, page 366 of the Deed Records of Gonzales County, Texas.</p>	11/4/2010, 1034/995	Gonzales
K255L-0001	Gertrude Pawelek, George Pawelek, Lorraine Pruski, Vivian Behrends, Helen Moczygemba and Barbara Kotara	Orca Assets, G.P., LLC	<p>280.25 acres of land, more or less, situated in the Bartlett Hickman Survey No. 136, Abstract 35, Karnes County, Texas, and being described in three tracts as follows: Tract 1 - Being 70.25 acres, more or less, out of the Bartlett Hickman Survey in Karnes County, Texas, and being a part of Subdivision No. 24 containing 140.5 acres out of the Cora Butler Subdivision of 3970.7 acres of land as per map or plat of said subdivision duly recorded in Volume 1, page 16, Plat Records of Karnes County, Texas, said 70.25 acres being the South or Southeast portion of said 140.5 acres of land, and being the same 70.25 acre tract described in Warranty Deed dated January 15, 1941 from Louis W. Dzuik and Elizabeth Dzuik to Gertrude Pawelek, recorded in Volume 122, Page 121 of the Deed Records of Karnes County, Texas. Tract 2- Being 140.00 acres of land, more or less, out of the Bartlett Hickman Survey, Abstract No. 35, Karnes County, Texas, and being Lot No. 17 of the Cora Butler Ranch Subdivision of 3970.7 acres as per map of same of record in the Deed Records of Karnes County, Texas, and being that same tract of land conveyed by Miss Cora Butler to Peter Opiela by Deed dated September 29, 1928, recorded in Volume 84, Page 19, Deed Records, Karnes County, Texas, and being also described in Deed dated October 9, 1936 from Peter Opiela et al to Prosper Pawelek, recorded in Volume 111, Page 53 of the Deed Records of Karnes County, Texas. Tract 3 - Being 70.00 acres of land, more or less, out of the Bartlett Hickman survey Abstract No. 35, Karnes County, Texas, and being the Northwest 70 acres of Block No. 16 of the Cora Butler Subdivision of 3970.7 acres as of record in Volume 1, Page 15, Map Records of Karnes County, Texas, and being that same tract of land described in Deed dated March 3, 1973 from George A. Pawelek and Louise Pawelek to Prosper Pawelek and wife, Gertrude Pawelek, recorded in Volume 419, Page 541 of the Deed Records of Karnes County, Texas.</p>	6/2/2010, 927/758	Karnes
K255L-0002-0001	John Danysh	Orca Assets, G.P., LLC	<p>140 acres of land, more or less, being a portion of the Bartlett Hickman Survey No. 136, Abstract 35, Karnes County, Texas, and being Tract No. 12 of the Subdivision of the Cora Butler land and being that same tract conveyed to Peter Danysh by Miss Cora Butler by Deed dated April 19, 1940, recorded in Volume 120, Page 90 of the Deed Records of Karnes County, Texas.</p>	6/2/2010 , 929/487	Karnes

Exhibit B

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by and among Orca ICI Development, JV and Orca Assets, GP, LLC and Matador Resources Company

K255L-0003	The Jerome J. Dziuk and Rosalie M. Dziuk Revocable Living Trust and Rosalie Dziuk, individually, Evelyn Ruth Warnken, Elsie Jane Olenick, Larry James Dziuk, Jerome Joseph Dziuk, Jr.	Orca Assets, G.P., LLC	All that certain 140.24 acres of land out of the Bartlett Hickman Survey, A-35, Karnes County, Texas; being the land conveyed to Jerome J. Dziuk by Partition Deed of record in Volume 489, Page 340, Deed Records of Karnes County, Texas, and further being Tract 19 of the subdivision of the Cara Butler land according to plat of record in Volume 1, page 16, Map Records of Karnes County, Texas and being more particularly described as follows: BEGINNING at a set /12 inch rebar on the northeast right-of-way line of County Road No. 193 for the West Corner of the Gertrude Pawelek land described in Volume 804, Page 657, Karnes County Official Records and the south corner of this tract. THENCE: North 40° 22' 28" West, with said county road right-of-way line, 2004.20 feet to set a 1/2 inch rebar for the west corner of this tract and south corner of the Clyde Day land described in Volume 568, Page 569, Deed Records of Karnes County, Texas. THENCE: North 49° 48' 40" East, with the common line of the Day land and of this tract, generally along fence, 3046.40 feet to a found steel pin for a common corner on the southwest line of Dee Ann Patterson Trust land described in Volume 731, Page 81, Karnes County Official Records. THENCE: 40° 16' 45" East, with the common line of the Patterson land of this tract, generally along fence, 2008.43 feet to a set 1/2 inch rebar for the east corner of this tract and north corner of the aforementioned Gertrude Pawelek land. THENCE: South 49° 53' 27" West, with the common line of the Pawelek Land and of this tract generally along fence, 3043.08 feet to the POINT OF BEGINNING containing 140.24 acres of land.	6/2/2010, 931/98	Karnes
K255L-0004	Jefferson Bank, Trustee of the Dee Ann Patterson Trust	Orca Assets, G.P., LLC	Two hundred eighty (280.0) acres of land, more or less, situated in Karnes County, Texas, described in two parcels as follows: First Parcel: All that certain tract or parcel of land situated in Karnes County, Texas and being a part of the Bartlett Hickman League and Labor of land, Survey No. 136, Abstract No. 35, situated in the Western part of Karnes County, Texas, and being more particularly described as Tract No. 10, containing 140 acres of land, of the Subdivision of the Cora Butler Ranch, as per plat and map of same recorded in Volume 1, Page 16, of the Plat Records of Karnes County, Texas, to which reference is hereby made; Being the same land conveyed by Ludwik Danysh, Sr. and Maria L. Danysh to Benedykt Danysh and Mary A. Danysh by Deed dated December 13, 1927 and recorded in Volume 82, Pages 325, et seq. of the Deed Records of Karnes County, Texas. Second Parcel: all that certain Parcel of land, being out of the Bartlett Hickman Survey No. 136, Abstract No. 35, and being all of Tract No. 11, containing 140 acres of the Cora Butler Subdivision as the same appears of record in Volume 1, Page 16, Plat records of Karnes County, Texas; and being the same land conveyed by Ed Jandrusch, et al, to Ben J. Danysh by Deed dated November 2, 1943, and recorded in Volume 141, Pages 564, et seq. of the Deed Records of Karnes County, Texas.	9/15/10, 941/351	Karnes
K255L-0005-0001	Minnie Lee Culpepper	Orca Assets, G.P., LLC	Being 168.60 surface acres of land, more or less, a part of the George C. Arnst Survey A-19, Karnes County, Texas, and being a part of the same 186.0 acres, more or less, described in that certain Warranty Deed dated October 5, 1942, from the Federal Land Bank of Houston, to J.C. Culpepper, recorded in Volume 129, page 257, of the Deed Records of Karnes County, Texas, Save and Except 17.40 acres, more or less, out of said George C. Arnst Survey, Abstract 19, and being the same land as described in that certain Warranty Deed dated May 5, 1978, from J.C. Culpepper et ux, to Continental Oil Company, recorded in Volume 476, Page 210, of the Deed Records of Karnes County, Texas.	7/12/2010, 935/538	Karnes
K255L-0005-0002	Doyle C. Culpepper	Orca Assets, G.P., LLC	Being 168.60 surface acres of land, more or less, a part of the George C. Arnst Survey A-19, Karnes County, Texas, and being a part of the same 186.0 acres, more or less, described in that certain Warranty Deed dated October 5, 1942, from the Federal Land Bank of Houston, to J.C. Culpepper, recorded in Volume 129, page 257, of the Deed Records of Karnes County, Texas, Save and Except 17.40 acres, more or less, out of said George C. Arnst Survey, Abstract 19, and being the same land as described in that certain Warranty Deed dated May 5, 1978, from J.C. Culpepper et ux, to	7/12/2010, 935/536	Karnes

Exhibit B

Attached to and made a part of that certain Purchase, Sale and Participation Agreement, dated May , 2011
by and among Orca ICI Development, JV and Orca Assets, GP, LLC and Matador Resources Company

K255L-0005-0003	Virgil W. Culpepper	Orca Assets, G.P., LLC	Being 168.60 surface acres of land, more or less, a part of the George C. Arnst Survey A-19, Karnes County, Texas, and being a part of the same 186.0 acres, more or less, described in that certain Warranty Deed dated October 5, 1942, from the Federal Land Bank of Houston, to J.C. Culpepper, recorded in Volume 129, page 257, of the Deed Records of Karnes County, Texas, Save and Except 17.40 acres, more or less, out of said George C. Arnst Survey, Abstract 19, and being the same land as described in that certain Warranty Deed dated May 5, 1978, from J.C. Culpepper et ux, to Continental Oil Company, recorded in Volume 476, Page 210, of the Deed Records of Karnes County, Texas.	7/12/2010, 935/534	Karnes
K255L-0006	Monroe Sickenius and Florence S. Baumann	Orca Assets, G.P., LLC	All of Lessors' Ownership, if any, in the following described Surveys, located in Karnes County, Texas, to wit: William S. Hendricks Survey No. 120, A-152, The William G. Preusch Survey, A-238, The William S. Hendricks Survey no. 119, A-153, and The George C. Arnst Survey, A-19, Including, but not limited to the following described lands: Tract 1: 100 acres, more or less, out of the William S. Hendricks Survey No. 120, A-152, the William G. Preusch Survey, A-238 and the William S. Hendricks Survey no. 119, A-153, being all of the land described by metes and bounds in Warranty Deed dated April 10,1980, executed by Victor F. Sickenius and wife, Therese Sickenius in favor of Conoco, Inc., and recorded in Volume 500, Page 122 of the Deed Records of Karnes County, Texas. Tract 2: 400 acres, more or less, out of the George C. Arnst Survey, A-19, the William S. Hendricks Survey, A-152 and the William S. Hendricks Survey, A-153, being all of the land described by metes and bounds in Warranty Deed dated April 10, 1980, executed by Florence Baumann, Kimberli Renee Pruski and Beverli Elaine Helmke in favor of Conoco, Inc. dated April 10, 1980, recorded in Volume 500, Page 541 of the Deed Records of Karnes County, Texas.	7/15/2010, 935/523	Karnes
K255L-0007	Red Crest Trust, JPMORGAN CHASE BANK, N.A., Trustee and JPMORGAN CHASE BANK, N.A.	Orca Assets, G.P., LLC	458.1 acres of land, more or less, out of the John J. Pickett Survey, A-227, Karnes County, Texas, more particularly described in three tracts as follows: 1. 200.1 acres, more or less, being all of the land described in Deed from William I. Mayfield to J.W. Moravitz, dated March 16,1901 and recorded in Volume Y, Page 621 of the Deed Records of Karnes County, Texas, 2. 100 acres, more or less, being all of the land described in Deed dated September 25, 1920 executed by Lucy Pilarczyk and husband, Peter Pilarczyk, in favor of Edward Janysek and recorded in Volume 61, Page 558 of the Deed Records of Karnes County, Texas and 3. 158 acres, more or less, being all of the land described in Deed dated July 19, 1920 executed by Felix Richter and Wife, Anges Richter, in favor of Peter Kortz, and wife, Anna Kortz and recorded in Volume 61, Page 291 of the Deed Records of Karnes County, Texas.	10/5/2010, 945/426	Karnes
W493L-0001	Kenneth C. Andrews	Orca Assets, G.P., LLC	Being 45.9 acres more or less, the same property described in a deed from Grantor, John T. Dworaczyk and wife, Koleta Dworaczyk to Grantee, Hunter C. Andres and wife, Lillian M. Andres, deed recorded in Volume 326, Page 137 and property referenced in, Volume B67, Page 252, Volume 62, Page 503, Volume 41, Page 174, Volume F, Page 354, Volume 62, Page 504, Volume 171, Page 182, Volume 181, Page 456, Volume 244, Page 426, recorded in the Deed Records of Wilson County, Texas.	7/16/2010 , 1564/1	Wilson
W493L-0002	Fabian Jendrusch, and wife, Cecilia C. Jendrusch, Thomas J. Jendrusch, Edmund Jendrusch III, Ronald F. Jendrusch, Nancy J. Raynor, Janice Sue Rotter, Stephen Jendrusch	Orca Assets, G.P., LLC	Being 86.4 acres, more or less, situated in Wilson County, Texas, a part of Luis Manchaca, A-18, being the same land described by metes and bounds in a Deed dated November 3, 1945 from C.B. Pawelek and wife, Sallie M. Pawelek to Ed Jendrusch, and recorded in Volume 230, Page 358 of the Deed Records of Wilson County, Texas.	7/16/2010 , 1564/5	Wilson
W493L-0003-0001	Alice P. Jendrusch, Ronald F. Jendrusch, Nancy J. Raynor, Janice Sue Rotter, Kathleen J. Felux, Stephen Jendrusch	Orca Assets, G.P., LLC	118.1 acres, more or less, situated in Wilson County, Texas, part of Luis Manchaca A-18 being contained in two tracts, one 115 acre tract and one 3.1 acre tract, both tracts being described by metes and bounds in a Deed dated January 23, 1946 from Walter R. Voges and wife, Stella Voges to Ed Jendrusch, and recorded in Volume 231, Page 66 of the Deed Records of Wilson County.	7/16/2010 , 1564/63	Wilson
	Judith Ann Mosheim Clancy	Orca Assets, G.P., LLC	118.1 acres, more or less, situated in Wilson County, Texas, part of Luis Manchaca A-18 being contained in two tracts, one 115 acre tract and one 3.1 acre tract, both tracts being described by metes and bounds in a Deed	8/15/2010 , 1585/642	Wilson

dated January 23, 1946 from Walter R. Voges and wife,
Stella Voges to Ed Jendrusch, and recorded in Volume
231, Page 66 of the Deed Records of Wilson County.

Exhibit B

Attached to and made a part of that certain Purchase, Sale and Participation Agreement, dated May , 2011
by and among Orca ICI Development, JV and Orca Assets, GP, LLC and Matador Resources Company

	Donna Gail Mosheim Jones	Orca Assets, G.P., LLC	118.1 acres, more or less, situated in Wilson County, Texas, part of Luis Manchaca A-18 being contained in two tracts, one 115 acre tract and one 3.1 acre tract, both tracts being described by metes and bounds in a Deed dated January 23, 1946 from Walter R. Voges and wife, Stella Voges to Ed Jendrusch, and recorded in Volume 231, Page 66 of the Deed Records of Wilson County.	8/15/2010, 1579/228	Wilson
	David Hugh Mosheim	Orca Assets, G.P., LLC	118.1 acres, more or less, situated in Wilson County, Texas, part of Luis Manchaca A-18 being contained in two tracts, one 115 acre tract and one 3.1 acre tract, both tracts being described by metes and bounds in a Deed dated January 23, 1946 from Walter R. Voges and wife, Stella Voges to Ed Jendrusch, and recorded in Volume 231, Page 66 of the Deed Records of Wilson County.	8/15/2010 , 1579/228	Wilson
	Michael Warner Mosheim	Orca Assets, G.P., LLC	118.1 acres, more or less, situated in Wilson County, Texas, part of Luis Manchaca A-18 being contained in two tracts, one 115 acre tract and one 3.1 acre tract, both tracts being described by metes and bounds in a Deed dated January 23, 1946 from Walter R. Voges and wife, Stella Voges to Ed Jendrusch, and recorded in Volume 231, Page 66 of the Deed Records of Wilson County.	8/15/2010 , 1579/228	Wilson
	William Max Mosheim	Orca Assets, G.P., LLC	118.1 acres, more or less, situated in Wilson County, Texas, part of Luis Manchaca A-18 being contained in two tracts, one 115 acre tract and one 3.1 acre tract, both tracts being described by metes and bounds in a Deed dated January 23, 1946 from Walter R. Voges and wife, Stella Voges to Ed Jendrusch, and recorded in Volume 231, Page 66 of the Deed Records of Wilson County.	8/15/2010 , 1579/228	Wilson
	Jacqueline Kay Mosheim Yeater	Orca Assets, G.P., LLC	118.1 acres, more or less, situated in Wilson County, Texas, part of Luis Manchaca A-18 being contained in two tracts, one 115 acre tract and one 3.1 acre tract, both tracts being described by metes and bounds in a Deed dated January 23, 1946 from Walter R. Voges and wife, Stella Voges to Ed Jendrusch, and recorded in Volume 231, Page 66 of the Deed Records of Wilson County.	8/15/2010 , 1579/228	Wilson
W493L-0003-0002	Patricia M. Mosheim, executrix of the estate of Emil L. Mosheim and trustee under the Patricia M. Mosheim separate trust under the Patricia M. Mosheim and Emil L. Mosheim revocable declaration of trust dated January 23,1997, as amended	Orca Assets, G.P., LLC	118.1 acres, more or less, situated in Wilson County, Texas, part of Luis Manchaca A-18 being contained in two tracts, one 115 acre tract and one 3.1 acre tract, both tracts being described by metes and bounds in a Deed dated January 23, 1946 from Walter R. Voges and wife, Stella Voges to Ed Jendrusch, and recorded in Volume 231, Page 66 of the Deed Records of Wilson County.	8/15/2010 , 1585/727	Wilson
W493L-0003-0004B	Emma May Sheppard, Patricia Kathleen DeLany, Annette Louise DeLany, Diana Lynn DeLany, Ruben Eugene DeLany, Heath Edward DeLany, Linda Marie Klasek Martinez	Orca Assets, G.P., LLC	118.1 acres, more or less, situated in Wilson County, Texas, part of Luis Manchaca A-18 being contained in two tracts, one 115 acre tract and one 3.1 acre tract, both tracts being described by metes and bounds in a Deed dated January 23, 1946 from Walter R. Voges and wife, Stella Voges to Ed Jendrusch, and recorded in Volume 231, Page 66 of the Deed Records of Wilson County.	2/25/2011 , 1598/17	Wilson
W493L-0004	Leroy D. Jendrusch , Arlene F. Jendrusch Jurgajtis, Jerry J. Jendrusch, Gerald C. Jendrusch	Orca Assets, G.P., LLC	250 acres, more or less, part of Luis Manchaca, A-18, in Wilson County, Texas, being the same land described by metes and bounds in that certain Warranty Deed dated May 19, 1907, from Henry Bauer, William Steinmeyer, Walter Breustedt, J. B. Dibrell and Emil Mosheim to Anton Jendrusch, and recorded in Volume 53, Page 610 of the Deed Records of Wilson County, Texas.	7/16/2010 , 1564/18	Wilson
W493L-0005	Fabian Jendrusch, and wife, Cecilia A. Jendrusch, Thomas J. Jendrusch, Edmund Jendrusch III, Alice P. Jendrusch, Ronald F. Jendrusch, Nancy J. Raynor, Janice Sue Rotter, Kathleen J. Felux, Stephen Jendrusch	Orca Assets, G.P., LLC	1.8 acres, more or less, situated in Wilson County, Texas, a part of Luis Menchaca, A-18, being the same land described as Tract b.) in a Deed dated January 9, 1967 from Alice P. Jendrusch to Raymond E. Phipps and wife, Mary Belle Phipps, recorded in Volume 398, Page 152 of the Deed Records of Wilson County, Texas.	7/16/2010 , 1564/72	Wilson
W493L-0006	Red Crest Trust, JPMORGAN CHASE BANK, N. A., Trustee, JPMORGAN CHASE BANK, N.A.	Orca Assets, G.P., LLC	99.2 acres, more or less, situated in Wilson County, Texas, a part of the Luis Manchaca, A-18, being the same land described in that certain Mineral Deed dated February 4, 1930, from Peter Kozielski and wife, Julia Kozielski, recorded in Volume 166, page 36 of the Deed records of Wilson County, Texas. And being the same land conveyed to Peter Kozielski by R.J. Woellert and Wm. Eckel in a deed dated December 12, 1927 recorded in Volume 144, page 214, of the Deed records of Wilson County. And being the same land conveyed to R.J. Woellert and William Eckel by Peter Kozielski in a deed dated September 1, 1925 recorded in Volume 136, page 490 of the Deed records of Wilson County, Texas. And being the same	7/26/2010 , 1566/20	Wilson

land conveyed in a to Peter Kozielski by Henry Bauer, et al., in
a deed dated January 29, 1907 recorded in Volume 53, page 432
of the Deed records of Wilson County, Texas.

Exhibit B

Attached to and made a part of that certain Purchase, Sale and Participation Agreement, dated May , 2011
by and among Orca ICI Development, JV and Orca Assets, GP, LLC and Matador Resources Company

W493L-0007	Efrem J. Sprencel and wife, Jeanie M. Sprencel	Orca Assets, G.P., LLC	1.02 acres, more or less, a part of the Luis Manchaca Grant, A-18, Wilson County, Texas and being the same 1.02 acres described in that certain deed dated December 7, 1984 from Tom Sprencel and wife , Monica Sprencel to Efrem J. Sprencel and wife, Jeanie M. Sprencel recorded in Volume 632, Page 92, Deed records, Wilson County, Texas, and being a portion of that certain 94 tract described in Probate dated February 20, 1953, from the estate of Stanik Sprencel, deceased, Thomas D. Sprencel, Executor, of record in Volume A-5 page 158, Probate records, Wilson County, Texas.	7/28/2010 , 1573/581	Wilson
W493L-0008	Efrem J. Sprencel, dealing herein with his sole and separate property	Orca Assets, G.P., LLC	107.7186 acres, more or less, out of the Luis Menchaca Grant, A-18, in Wilson County, Texas and being described in TRACT ONE and TRACT TWO as follows: TRACT ONE: 107.6727 acres, more or less, out of the Luis Menchaca Grant, A-18, in Wilson County, Texas and being described as follows: 110.2727 acres, more or less, and being the residue of that certain 111.3386 acre tract described in that certain deed dated October 4, 1988 from Monica Sprencel, individually and as Independent Executrix of the Estate of Tom D. Sprencel to Efrem J. Sprencel, recorded in Volume 708, Page 456, of the Deed Records of Wilson County, Texas, SAVE AND EXCEPT the following two tracts: First Tract: 2.0 acres, more or less, described in that certain deed dated October 19, 1988 from Efrem Sprencel to Annie Niedenberger, recorded in Volume 769, Page, 402, Deed Records, Wilson County, Texas; Second Tract 0.60 acres, more or less, described in that certain deed dated December 18, 2001, from Efrem Sprencel to Douglas Niedenberger and wife, Carrie Ramirez Niedenberger, recorded in Volume 1092, page 780, Deed Records, Wilson County, Texas. Leaving a total of 107.6727 acres, more or less. TRACT TWO: 0.0459 acre, more or less, out of the Luis Menchaca Grant, A-18, in Wilson County, Texas and being the land described in that certain deed dated April 7, 1952 from Stanik Sprencel to Southwestern Bell Telephone Company and recorded in Volume 273, Page 219 of the Deed Records of Wilson County, Texas.	7/28/2010 , 1573/576	Wilson
W493L-0009	Anton L. Lyssy and wife, Maxine Lyssy, Antoinette Kalala and husband, William M. Kalala, Duane Lyssy, Paula Lyssy, Wendy L. Volner, a single woman dealing herein with her sole property	Orca Assets, G.P., LLC	97.88 acres of land, more or less, out of the Luis Menchaca Survey, Abstract 18, in Wilson County, Texas, being all that certain 100 acres, more or less described in a deed executed by Nick Lyssy and Irene Lyssy in favor of Anton Lyssy, Antoinette Kalala, Duane Lyssy and Wendy L. Volner dated August the 5th, 1988, recorded in Volume 704, Page 660 of the Deed Records of Wilson County, Texas, save and except that 2.12 acres, more or less, thereof conveyed in Gift Deed executed by Anton Lyssy, Antoinette Kalala, Duane Lyssy and Wendy L. Volner in favor of Sheldon Lyssy dated March 22, 1996 and recorded in Volume 904, Pages 20, of the Official Public Records of Wilson County, Texas.	8/26/2010, 1570/520	Wilson
W493L-0010	Sheldon Lyssy and wife, Cheryl Lyssy	Orca Assets, G.P., LLC	2.12 acres of land, more or less, out of the Luis Menchaca Grant, Abstract 18, in Wilson County, Texas, being all of the tract described in Gift Deed executed by Anton Lyssy, Antoinette Kalala, Duane Lyssy and Wendy L. Volner in favor of Sheldon Lyssy dated March 22, 1996 and recorded in Volume 904, Pages 20, of the Official Public Records of Wilson County, Texas.	8/26/10, 1570/516	Wilson
W493L-0011	Red Crest Trust, JPMORGAN CHASE BANK, N. A., Trustee, JPMORGAN CHASE BANK, N.A.	Orca Assets, G.P., LLC	250.0 acres of land, more or less, out of the Luis Menchaca Grant, A-18, in Wilson County, Texas, being all of the land described in Deed dated March 20, 1902 from Henry Bauer, J.B. Dibrell, and Emil Mosheim to Robert B. Pruski and recorded in volume 49, page 163 of the Deed Records of Wilson County, Texas.	9/1/2010 , 1572/778	Wilson
W493L-0012	Elizabeth A. Repka, as her sole and separate property	Orca Assets, G.P., LLC	Being 217.0 acres of land, more or less, located in the L. Manchaca Survey, Abstract 18 and being the same land described in that certain Special Warranty Deed dated October 25, 1989 from Frank J. Repka to the Frank J. Repka and Elizabeth A. Repka Trust, recorded in Volume 731, Page 498 of the Deed Records, Wilson County, Texas and also in that certain Special Warranty Deed dated January 22, 1996 from Frank J. Repka and Elizabeth A. Repka Trust to Elizabeth A. Repka, recorded in Volume 899,	9/21/2010 , 1572/780	Wilson

W493L-0013-0001	Clementine De Nova, as her sole and separate property	Orca Assets, G.P., LLC	Page 560 of the Deed Records, Wilson County, Texas. 160.5 acres, more or less, part of Luis Manchaca, A-18, in Wilson County, Texas, being the same land described by metes and bounds in that certain Deed Dated March 8, 1978, from Elizabeth M. Stortz to Frances M Stortz and Clementine Stortz De Nova, recorded in Volume 509, Page 512 of the Deed Records of Wilson County, Texas.	9/17/10 , 1573/588	Wilson
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Exhibit B

Attached to and made a part of that certain Purchase, Sale and Participation Agreement, dated May , 2011 by and among Orca ICI Development, JV and Orca Assets, GP, LLC and Matador Resources Company

W493L-0013-0002	Mary Frances Stortz, as her sole and separate property	Orca Assets, G.P., LLC	160.5 acres, more or less, part of Luis Manchaca, A-18, in Wilson County, Texas, being the same land Described by metes and bounds in that certain Deed Dated March 8, 1978, from Elizabeth M. Stortz to France M. Stortz and Clementine Stortz De Nova, recorded in Volume 509, Page 512 of the Deed Records of Wilson County, Texas.	9/20/10 , 1573/805	Wilson
W493L-0013-0003	Michael W. Stortz, as his sole and separate property	Orca Assets, G.P., LLC	160.5 acres, more or less, part of Luis Manchaca, A-18, in Wilson County, Texas, being the same land Described by metes and bounds in that certain Deed Dated March 8, 1978, from Elizabeth M. Stortz to France M. Stortz and Clementine Stortz De Nova, recorded in Volume 509, Page 512 of the Deed Records of Wilson County, Texas.	9/20/10 , 1573/585	Wilson
W493L-0013-0004	John F. Stortz, as his sole and separate property	Orca Assets, G.P., LLC	160.5 acres, more or less, part of Luis Manchaca, A-18, in Wilson County, Texas, being the same land Described by metes and bounds in that certain Deed Dated March 8, 1978, from Elizabeth M. Stortz to France M. Stortz and Clementine Stortz De Nova, recorded in Volume 509, Page 512 of the Deed Records of Wilson County, Texas.	9/20/10 , 1573/802	Wilson

Exhibit B-1

Attached to and made a part of that certain Purchase, Sale and Participation Agreement, dated May , 2011
by and among Orca ICI Development, JV and Orca Assets GP, LLC and Matador Resources Company

<u>Orca Lease No.</u>	<u>LESSOR</u>	<u>LESSEE</u>	<u>GROSS ACRES</u>	<u>NET ACRES</u>	<u>NRI - 8/8ths</u>	<u>ALLOCATED VALUE</u>
G177L-0001	Dan R. Hennig Living Trust	Orca Assets, G.P., LLC	200.726000	200.726000	0.750000000	\$ 1,306,153.39
G177L-0002-1	Nickel Ranch, L.P.	Orca Assets, G.P., LLC	169.780000	169.780000	0.775000000	\$ 1,104,783.25
G177L-0003-1	Robert Greenwell & Michelle Greenwell	Orca Assets, G.P., LLC	40.156000	40.156000	0.775000000	\$ 261,300.96
G177L-0004-1	Eric Abbt and Melinda M. Menchaca	Orca Assets, G.P., LLC	40.000000	39.343000	0.775000000	\$ 256,010.65
G177L-0005	Alois and Annie Marburger	Orca Assets, G.P., LLC	82.876000	82.876000	0.775000000	\$ 539,286.23
K255L-0001	Gertrude Pawelek, George Pawelek, Lorraine Pruski, Vivian Behrends, Helen Moczygemba and Barbara Kotara	Orca Assets, G.P., LLC	280.250000	280.250000	0.750000000	\$ 1,823,627.67
K255L-0002-0001	John Danysh	Orca Assets, G.P., LLC	140.000000	140.000000	0.750000000	\$ 911,000.44
K255L-0003	The Jerome J. Dziuk and Rosalie M. Dziuk Revocable Living Trust and Rosalie Dziuk, individually, Evelyn Ruth Warnken, Elsie Jane Olenick, Larry James Dziuk, Jerome Joseph Dziuk, Jr.	Orca Assets, G.P., LLC	140.240000	140.240000	0.750000000	\$ 912,562.16
K255L-0004	Jefferson Bank, Trustee of the Dee Ann Patterson Trust	Orca Assets, G.P., LLC	280.000000	280.000000	0.750000000	\$ 1,822,000.88
K255L-0005-0001	Minnie Lee Culpepper	Orca Assets, G.P., LLC	168.600000	84.300000	0.750000000	\$ 548,552.41
K255L-0005-0002	Doyle C. Culpepper	Orca Assets, G.P., LLC	<168.600000>	42.150000	0.750000000	\$ 274,276.20
K255L-0005-0003	Virgil W. Culpepper	Orca Assets, G.P., LLC	<168.600000>	42.150000	0.750000000	\$ 274,276.20
K255L-0006	Monroe Sickenius and Florence S. Baumann	Orca Assets, G.P., LLC	500.000000	500.000000	0.750000000	\$ 3,253,573.00
K255L-0007	Red Crest Trust, JPMORGAN CHASE BANK, N.A., Trustee and JPMORGAN CHASE BANK, N.A.	Orca Assets, G.P., LLC	458.100000	458.100000	0.750000000	\$ 2,980,923.58
W493L-0001	Kenneth C. Andrews	Orca Assets, G.P., LLC	45.900000	45.900000	0.750000000	\$ 298,678.00
W493L-0002	Fabian Jendrusch, and wife, Cecilia C. Jendrusch, Thomas J. Jendrusch, Edmund Jendrusch III, Ronald F. Jendrusch, Nancy J. Raynor, Janice Sue Rotter, Stephen Jendrusch	Orca Assets, G.P., LLC	86.400000	86.400000	0.750000000	\$ 562,217.41
W493L-0003-0001	Alice P. Jendrusch, Ronald F. Jendrusch, Nancy J. Raynor, Janice Sue Rotter, Kathleen J. Felux, Stephen Jendrusch	Orca Assets, G.P., LLC	118.100000	59.050000	0.750000000	\$ 384,246.97
W493L-0003-0002	Judith Ann Mosheim Clancy	Orca Assets, G.P., LLC	<118.100000>	2.460377	0.750000000	\$ 16,010.03
W493L-0003-0002	Donna Gail Mosheim Jones	Orca Assets, G.P., LLC	<118.100000>	2.460377	0.750000000	\$ 16,010.03
W493L-0003-0002	David Hugh Mosheim	Orca Assets, G.P., LLC	<118.100000>	2.460377	0.750000000	\$ 16,010.03
W493L-0003-0002	Michael Warner Mosheim	Orca Assets, G.P., LLC	<118.100000>	2.460377	0.750000000	\$ 16,010.03
W493L-0003-0002	William Max Mosheim	Orca Assets, G.P., LLC	<118.100000>	2.460377	0.750000000	\$ 16,010.03
W493L-0003-0002	Jacqueline Kay Mosheim Yeater	Orca Assets, G.P., LLC	<118.100000>	2.460377	0.750000000	\$ 16,010.03
W493L-0003-0002	Patricia M. Mosheim, executrix of the estate of Emil L. Mosheim and trustee under the Patricia M. Mosheim separate trust under the Patricia M. Mosheim and Emil L. Mosheim revocable declaration of trust dated January 23, 1997, as amended	Orca Assets, G.P., LLC	<118.100000>	14.762500	0.750000000	\$ 96,061.74
W493L-0003-0004B	Emma May Sheppard, Patricia Kathleen DeLany, Annette Louise DeLany, Diana Lynn DeLany, Ruben Eugene DeLany, Heath Edward DeLany, Linda Marie Klasek Martinez	Orca Assets, G.P., LLC	<118.100000>	28.468000	0.750000000	\$ 185,245.43
W493L-0004	Leroy D. Jendrusch, Arlene F. Jendrusch Jurgajtis, Jerry J. Jendrusch, Gerald C. Jendrusch	Orca Assets, G.P., LLC	250.000000	250.000000	0.750000000	\$ 1,626,786.50
W493L-0005	Fabian Jendrusch, and wife, Cecilia A. Jendrusch, Thomas J. Jendrusch, Edmund Jendrusch III, Alice P. Jendrusch, Ronald F. Jendrusch, Nancy J. Raynor, Janice Sue Rotter, Kathleen J. Felux, Stephen Jendrusch	Orca Assets, G.P., LLC	1.800000	1.800000	0.750000000	\$ 11,712.86

Exhibit B-1

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<u>Orca Lease No.</u>	<u>LESSOR</u>	<u>LESSEE</u>	<u>GROSS ACRES</u>	<u>NET ACRES</u>	<u>NRI -8/8ths</u>	<u>ALLOCATED VALUE</u>
W493L-0006	Red Crest Trust, JPMORGAN CHASE BANK, N. A., Trustee, JPMORGAN CHASE BANK, N.A.	Orca Assets, G.P., LLC	99.200000	99.200000	0.750000000	\$ 645,508.88
W493L-0007	Efrem J. Sprencel and wife, Jeanie M. Sprencel	Orca Assets, G.P., LLC	1.020000	1.020000	0.750000000	\$ 6,637.29
W493L-0008	Efrem J. Sprencel, dealing herein with his sole and separate property	Orca Assets, G.P., LLC	107.670000	107.670000	0.750000000	\$ 700,624.41
W493L-0009	Anton L. Lyssy and wife, Maxine Lyssy, Antoinette Kalala and husband, William M. Kalala, Duane Lyssy, Paula Lyssy, Wendy L. Volner, a single woman dealing herein with her sole property	Orca Assets, G.P., LLC	97.880000	97.880000	0.750000000	\$ 636,919.45
W493L-0010	Sheldon Lyssy and wife, Cheryl Lyssy	Orca Assets, G.P., LLC	2.120000	2.120000	0.750000000	\$ 13,795.15
W493L-0011	Red Crest Trust, JPMORGAN CHASE BANK, N. A., Trustee, JPMORGAN CHASE BANK, N.A.	Orca Assets, G.P., LLC	250.000000	250.000000	0.750000000	\$ 1,626,786.50
W493L-0012	Elizabeth A. Repka, as her sole and separate property	Orca Assets, G.P., LLC	217.000000	217.000000	0.750000000	\$ 1,412,050.68
W493L-0013-0001	Clementine De Nova, as her sole and separate property	Orca Assets, G.P., LLC	160.500000	120.375000	0.750000000	\$ 783,297.70
W493L-0013-0002	Mary Frances Stortz, as her sole and separate property	Orca Assets, G.P., LLC	<160.500000>	13.375000	0.750000000	\$ 87,033.08
W493L-0013-0003	Michael W. Stortz, as his sole and separate property	Orca Assets, G.P., LLC	<160.500000>	13.375000	0.750000000	\$ 87,033.08
W493L-0013-0004	John F. Stortz, as his sole and separate property	Orca Assets, G.P., LLC	<160.500000>	13.375000	0.750000000	\$ 87,033.08

EXHIBIT "C"

**Attached to and made a part of that certain
Purchase, Sale and Participation Agreement, dated May 16th, 2011
by and among Orca ICI Development, JV and Matador Resources Company**

1. All joint venture and area of mutual interest agreements of which any terms remain executory and affect any Property:

Partnership Agreement dated May 19, 2010 between Orca Assets GP, LLC and Inner Channel Investments, Inc., for Orca ICI Development joint venture

2. 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:

None

3. All governmental approvals and third party contractual consents required in order to consummate the transactions contemplated by this Agreement:

Consent from the lessors under the Leases listed below:

<u>Lse.#</u>	<u>LESSOR</u>	<u>LESSEE</u>	<u>GROSS</u>	<u>NET</u>	<u>COUNTY</u>	<u>EFF. DATE</u>	<u>LSE DATE</u>	<u>EXP.</u>
D123L-0003	Wayne C. Blank	Orca Assets, G.P., LLC	125.000	125.000000	DeWitt	6/10/2010	6/10/2010	6/10/2013
D123L-0004	Robert L Wheeler, and wife, Dorothy J. Wheeler	Orca Assets, G.P., LLC	59.957	59.957000	DeWitt	6/10/2010	6/10/2010	6/10/2013
D123L-0005	William Avry. Carnes, III	Orca Assets, G.P., LLC	198.640	198.640000	DeWitt	6/10/2010	6/10/2010	6/10/2013
D123L-0010	Susan Cooper Trustee of the Susan Cooper Weaver-DeWitt Trust; Robert Clayton Weaver -DeWitt Trust; Benjamin Cole Weaver-DeWitt Trust, Kathryn Avery Weaver-DeWitt Trust; Charles Ryan Weaver-DeWitt Trust; and Jackson Harrison Weaver-DeWitt Trust	Orca Assets, G.P., LLC	885.300	663.975000	DeWitt	10/1/2010	10/1/2013	10/1/2013
	Susan Cooper Weaver, Trustee of the Robert Clayton Weaver-DeWitt Trust	Orca Assets, G.P., LLC	885.300	44.625000	DeWitt	10/1/2010	10/1/2013	10/1/2013
	Susan Cooper Weaver, Trustee of the Benjamin Cole Weaver-DeWitt Trust	Orca Assets, G.P., LLC	885.300	44.625000	DeWitt	10/1/2010	10/1/2013	10/1/2013
	Susan Cooper Weaver, Trustee of the Kathryn Avery Weaver-DeWitt Trust	Orca Assets, G.P., LLC	885.300	44.625000	DeWitt	10/1/2010	10/1/2013	10/1/2013
	Susan Cooper Weaver, Trustee of the Charles Ryan Weaver-DeWitt Trust	Orca Assets, G.P., LLC	885.300	44.625000	DeWitt	10/1/2010	10/1/2013	10/1/2013
	Susan Cooper Weaver, Trustee of the Jack Harrison Weaver-DeWitt Trust	Orca Assets, G.P., LLC	885.300	44.625000	DeWitt	10/1/2010	10/1/2013	10/1/2013

D123L-0011	Everett Roy Brown	Orca Assets, G.P., LLC	3.153	3.153000	DeWitt	8/17/2010	8/17/2010	8/17/2013
D123L-0013	Curtis R. Wild and Melba Ray Attaway	Orca Assets, G.P., LLC	4.320	4.320000	DeWitt	11/5/2010	11/5/2010	11/5/2013
K255L-0001	Gertrude Pawelek, George Pawelek, Lorraine Pruski, Vivian Behrends, Helen Mocygemba and Barbara Kotara	Orca Assets, G.P., LLC						
	John Danysz	Orca Assets, G.P., LLC	280.250	280.250000	Kames	6/2/2010	6/2/2010	6/2/2013
K255L-0002-0001			140.000000	93.333380	Kames	6/10/2010	6/2/2010	6/2/2013
K255L-0003	The Jerome J. Dziuk and Rosalie M. Dziuk Revocable Living Trust and Rosalie Dziuk, individually, Evelyn Ruth Warnken, Elsie Jane Olenick, Larry James Dziuk, Jerome Joseph Dziuk, Jr.	Orca Assets, G.P., LLC	140.240	140.240000	Kames	6/2/2010	6/2/2010	6/2/2013
K255L-0004	Jefferson Bank, Trustee of the Dee Ann Patterson Trust	Orca Assets, G.P., LLC	280.000000	280.000000	Kames	9/15/2010	9/15/2010	9/15/2013
K255L-0006	Monroe Sickenius and Florence S. Baumann	Orca Assets, G.P., LLC	500.000	500.000000	Kames	7/15/2010	7/15/2010	7/15/2013
K255L-0007	Red Crest Trust, JPMorgan Chase Bank, N. A., Trustee	Orca Assets, G.P., LLC	458.100000	458.100000	Kames	10/5/2010	10/5/2010	10/5/2013
W493L-0006	Red Crest Trust, JPMORGAN CHASE BANK, N.A., Trustee, JPMORGAN CHASE BANK, N.A.	Orca Assets, G.P., LLC	99.200000	99.200000	Wilson	7/26/2010	7/26/2010	7/26/2010
W493L-0011	Red Crest Trust, JPMORGAN CHASE BANK, N.A., Trustee, JPMORGAN CHASE BANK, N.A.	Orca Assets, G.P., LLC	250.500000	250.500000	Wilson	9/1/2010	9/1/2010	9/1/2013

4. 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:

None

Exhibit D

A.A.P.L. FORM 610-1982

MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

_____, 2011,
year

OPERATOR Matador Production Company

CONTRACT AREA _____

COUNTY OF _____ STATE OF Texas

COPYRIGHT 1982—ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM
LANDMEN, 4100 FOSSIL CREEK BLVD., FORT
WORTH, TEXAS, 76137-2791, APPROVED
FORM. A.A.P.L. NO. 610—1982 REVISED

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OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between **Matador Production Company**, hereinafter designated and referred to as “Operator”, and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein as “Non-Operator”, and collectively as “Non-Operators”.

WITNESSETH:

WHEREAS, the parties to this agreement are owners of oil and gas leases and/or oil and gas interests in the land identified in Exhibit “A”, and the parties hereto have reached an agreement to explore and develop these leases and/or oil and gas interests for the production of oil and gas to the extent and as hereinafter provided,

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.

DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them:

A. The term “oil and gas” shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

B. The terms “oil and gas lease”, “lease” and “leasehold” shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

C. The term “oil and gas interests” shall mean unleased fee and mineral interests in tracts of land lying within the Contract Area which are owned by parties to this agreement.

D. The term “Contract Area” shall mean all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit “A”.

E. The term “drilling unit” shall mean the area fixed for the drilling of one well by order or rule of any local, state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in vicinity of the Contract Area or as fixed by express agreement of the Drilling Parties.

F. The term “drillsite” shall mean the oil and gas lease or interest on which a proposed well is to be located.

G. The terms “Drilling Party” and “Consenting Party” shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

H. The terms “Non-Drilling Party” and “Non-Consenting Party” shall mean a party who elects not to participate in a proposed operation.

I. The term “PSPA” shall mean that certain Purchase, Sale and Participation Agreement dated _____, 2011, by and between Orca ICI Development, JV and Orca Assets G.P., L.L.C. (together “**Orca**”), as Seller, and Matador Resources Company (“**Matador**”), as Buyer

Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

ARTICLE II.

EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

- A. Exhibit “A”, shall include the following information:
- (1) Identification of lands subject to this agreement,
 - (2) Restrictions, if any, as to depths, formations, or substances,
 - (3) Percentages or fractional interests of parties to this agreement,
 - (4) Oil and gas leases and/or oil and gas interests subject to this agreement,
 - (5) Addresses of parties for notice purposes.
- B. Exhibit “B”, Form of Lease.
- C. Exhibit “C”, Accounting Procedure.
- D. Exhibit “D”, Insurance.
- E. Exhibit “E”, Gas Balancing Agreement.
- F. Exhibit “F”, Non-Discrimination and Certification of Non-Segregated Facilities.
- H. Exhibit “H”, Well Data Reporting Requirements. (Include)
- I. Exhibit “I”, Memorandum of Operating Agreement and Financing Statement

If any provision of any exhibit, except Exhibits “E”, is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

**ARTICLE III.
INTERESTS OF PARTIES**

B. Interests of Parties in Costs and Production:

Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and materials acquired in operations on the Contract Area shall be owned, by the parties as their interests are set forth in Exhibit "A". In the same manner, the parties shall also own all production of oil and gas from the Contract Area subject to the payment of royalties, overriding royalty interest and other burdens out of production which shall be borne as provided under the terms of the PSPA.

Nothing contained in this Article III.B. shall be deemed an assignment or cross-assignment of interests covered hereby.

C. Excess Royalties, Overriding Royalties and Other Payments:

Unless changed by other provisions, if the interest of any party in any lease covered hereby is subject to any royalty, overriding royalty, production payment or other burden on production in excess of the amount stipulated in Article III.B., such party so burdened shall assume and alone bear all such excess obligations and shall indemnify and hold the other parties hereto harmless from any and all claims and demands for payment asserted by owners of such excess burden.

D. Subsequently Created Interests:

Subsequently created interests are governed by Article XV.U.

**ARTICLE IV.
TITLES**

A. Title Examination:

Title examination shall be made on the lands within the Contract Area. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable leases. At the time a well is proposed, each party contributing leases and/or oil and gas interests to the drillsite, or to be included in such drilling unit, shall furnish to Operator all abstracts (including federal lease status reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of the title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each party hereto. The cost incurred by Operator in this title program shall be borne as follows:

Option No. 1: Costs incurred by Operator in procuring abstracts and title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be a part of the administrative overhead as provided in Exhibit "C", and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.

**ARTICLE IV
continued**

ARTICLE IV
continued

Option No. 2: Costs incurred by Operator in procuring abstracts and fees paid outside attorneys / for title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions /) and fees paid to outside landmen shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A". Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Operator shall be responsible for securing curative matter and pooling amendments or agreements required in connection with leases . Operator shall be responsible for the preparation and recording of pooling designations or declarations as well as the conduct of hearings before governmental agencies for the securing of spacing or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing. Costs incurred by Operator in securing curative matter, spacing or Pooling orders, and Pooling amendments or agreements, including fees paid to outside attorneys and landmen, shall be borne by the Drilling Parties.

No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by Operator, or at Operator's election, all of the parties who are to participate in the drilling of the well.

B. Loss of Title:

3. Other Losses: All losses of title incurred, , shall be joint losses and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Contract Area.

**ARTICLE V.
OPERATOR**

A. Designation and Responsibilities of Operator:

Matador Production Company shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct.

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator and its affiliate Matador Resources Company terminates its legal existence, no longer owns an interest hereunder in the Contract Area, or is no longer capable of serving as Operator, Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any affiliate, subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. The successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A"; provided, however, if an Operator which has been removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of the Operator that was removed.

3. Number of Votes Required. When there is only one Non-Operator, the vote of two (2) or more parties shall not be required under Article V.B.1 or V.B.2, and the vote of a majority in interest shall prevail.

C. Employees:

The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed shall be determined by Operator, and all such employees shall be the employees of Operator, Matador Resources Company, or an affiliate of Matador Resources Company. All work performed or materials supplied by affiliates of Operator shall be performed or supplied at competitive rates and in accordance with customs and standards prevailing in the industry. Operator shall notify Non-Operators in advance of the use of any such affiliates.

D. Drilling Contracts:

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

**ARTICLE VI.
DRILLING AND DEVELOPMENT**

A. Initial Well:

The initial Well shall mean each "Earning Well" as defined in the PSPA.

ARTICLE VI
continued

B. Subsequent Operations:

1. **Proposed Operations:** Should any party hereto desire to drill any well on the Contract Area other than the well provided for in Article VI.A., or to rework, deepen, sidetrack, recomplate, or plug back a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then capable of producing in paying quantities, the party desiring to drill, rework, sidetrack, recomplate, deepen or plug back such a well shall give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and an AFE for the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days after receipt of the notice within which to notify the party wishing to do the work whether they elect to participate in the cost of the proposed operation. If a drilling rig is on location, notice of a proposal to rework, plug back, sidetrack, recomplate, or drill deeper may be given by telephone and the response period shall be limited to forty-eight (48) hours, inclusive of Saturday, Sunday, and legal holidays. Failure of a party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any notice or response given by telephone shall be promptly confirmed in writing. Whenever used in this Article VI.B, the term "rework" shall be deemed to include "complete".

If all parties elect to participate in such a proposed operation, Operator shall, within ninety (90) days after expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be), actually commence the proposed operation and complete it with due diligence at the risk and expense of all parties hereto; provided, however, said commencement date may be extended upon written notice of same by Operator to the other parties, for a period of up to thirty (30) additional days if, in the sole opinion of Operator, such additional time is reasonably necessary to obtain permits from governmental authorities, surface rights (including rights-of-way) or appropriate drilling equipment, or to complete title examination or curative matter required for title approval or acceptance. Notwithstanding the force majeure provisions of Article XI, if the actual operation has not been commenced within the time provided (including any extension thereof as specifically permitted herein) and if any party hereto still desires to conduct said operation, written notice proposing same must be resubmitted to the other parties in accordance with the provisions hereof as if no prior proposal had been made.

2. **Operations by Less than All Parties:** If any party receiving such notice as provided in Article VI.B.1. or VII.D.1. (Option No. 2) elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this Article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, no later than ninety (90) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be) actually commence the proposed operation and complete it with due diligence. Provided, however, such commencement may be extended upon written notice of same by Operator to the other parties for a period of up to thirty (30) additional days if, in the sole opinion of Operator, such additional time is reasonably necessary to obtain permits from governmental authorities, surface rights (including rights-of-way) or appropriate drilling equipment, or to complete title examination or curative matter required for title approval or acceptance. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (a) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

Nothing contained herein shall prohibit Operator or the participating parties from actually commencing the proposed Operation before the expiration of the notice period nor shall the timing of such commencement affect in any way the validity of a Party's election or deemed election.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise the Consenting Parties of the total interest of the parties approving such operation and its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (inclusive of Saturday, Sunday and legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit participation to such party's interest as shown on Exhibit "A" or (b) carry its proportionate part of Non-Consenting Parties' interests, and failure to advise the proposing party shall be deemed an election under (a). In the event a drilling rig is on location, the time permitted for such a response shall not exceed a total of forty-eight (48) hours (inclusive of Saturday, Sunday and legal holidays). The proposing party, at its election, may withdraw such proposal if there is insufficient participation and shall promptly notify all parties of such decision and pay all costs incurred as a result of such proposal and the withdrawal thereof.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well and restore the surface location at their sole cost, risk and expense. If any well drilled, reworked, sidetracked, recompleted, deepened or plugged back under the provisions of this Article results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk,

ARTICLE VI
continued

and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening, sidetracking, recompleting, completing or plugging back of any such well by Consenting

Parties in accordance with the provisions of this Article, (but in the case of a drilling proposal, only if the well is actually drilled to at least the objective depth stated in the notice) each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well and share of production therefrom until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold, (after deducting production taxes, excise taxes, ad valorem, royalty, overriding royalty and other interests not excepted by Article III.D. payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

(a) 300% of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 300% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to such Non-Consenting Party had it participated in the well from the beginning of the operations; and

(b) 300 % of that portion of the costs and expenses of drilling, reworking, deepening, sidetracking, plugging back, testing and completing, after deducting any cash contributions received under Article VIII.C., and 300 % of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

An election not to participate in the drilling, or the sidetracking, or the deepening of a well shall be deemed an election not to participate in any reworking or plugging back operation proposed in such a well, or portion thereof, to which the initial Non-Consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment account. Any such reworking or plugging back operation conducted during the recoupment period shall be deemed part of the cost of operation of said well and there shall be added to the sums to be recouped by the Consenting Parties three hundred percent (300%) of that portion of the costs of the reworking or plugging back operation which would have been chargeable to such Non-Consenting Party had it participated therein. If such a reworking or plugging back operation is proposed during such recoupment period, the provisions of this Article VI.B. shall be applicable as between said Consenting Parties in said well.

During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all ad valorem, production, severance, excise, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production not excepted by Article III.D.

In the case of any reworking, sidetracking, completing, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, Free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, sidetracking, completing, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value, less cost of salvage— and if an owner is a Non-Consenting Party, less such owner's proportionate share of the cost of plugging and abandoning the well, which proportionate share shall be the same as such owner's proportionate share in the most recent operations on the well in which such owner participated.

Within sixty (60) days after the completion of any operation under this Article, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, sidetracking, reworking, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the party conducting the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of oil and gas produced during any month, Consenting Parties shall use industry accepted methods such as, but not limited to, metering or periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased in determining when the interest of such Non-Consenting Party shall revert to it as above provided; and if there is a credit balance, it shall be paid to such Non-Consenting Party.

ARTICLE VI
continued

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it on the first day of the month following the month of payout, and, from and after such reversion, such Non-Consenting Party shall own the same interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party, all parties to this Agreement, would have been entitled to had it participated in the drilling, completing, sidetracking, reworking, deepening completing or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the Accounting Procedure attached hereto.

Notwithstanding the provisions of this Article VI.B.2., it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Contract Area is producing, or is capable of producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this Article shall have no application whatsoever to the drilling of the initial well described in Article VI.A. except (a) as to Article VII.D.1. (Option No. 2), if selected, or (b) as to the reworking, completing, deepening, recompleting, and plugging back of such initial well after it has been drilled to the depth specified in Article VI.A. if it shall thereafter prove to be a dry hole or, if initially completed for production, ceases to be capable of producing in paying quantities.

3. **Stand-By Time:** When a well which has been drilled or deepened has reached its authorized depth and all tests have been completed, and the results thereof furnished to the parties, stand-by costs incurred pending response to a party's notice proposing a reworking, deepening, plugging back or completing operation in such a well shall be charged and borne as part of the drilling or deepening operation just completed. Stand-by costs subsequent to all parties responding, or expiration of the response time permitted, whichever first occurs, and prior to agreement as to the participating interests of all Consenting Parties pursuant to the terms of the second grammatical paragraph of Article VI.B.2., shall be charged to and borne as part of the proposed operation, but if the proposal is subsequently withdrawn because of insufficient participation, such stand-by costs shall be allocated between the Consenting Parties in the proportion each Consenting Party's interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all Consenting Parties.

4. **Sidetracking:** Except as hereinafter provided, those provisions of this agreement applicable to a "deepening" operation shall also be applicable to any proposal to directionally control and intentionally deviate a well from vertical so as to change the bottom hole location (herein call "sidetracking"), unless done to straighten the hole or to drill around junk in the hole or because of other mechanical difficulties. Any party having the right to participate in a proposed sidetracking operation that does not own an interest in the affected well bore at the time of the notice shall, upon electing to participate, tender to the well bore owners its proportionate share (equal to its interest in the sidetracking operation) of the value of that portion of the existing well bore to be utilized as follows:

(a) If the proposal is for sidetracking an existing dry hole, reimbursement shall be on the basis of the actual costs incurred in the initial drilling of the well down to the depth at which the sidetracking operation is initiated.

(b) If the proposal is for sidetracking a well which has previously produced, reimbursement shall be on the basis of the well's salvable materials and equipment down to the depth at which the sidetracking operation is initiated, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning.

In the event that notice for a sidetracking operation is given while the drilling rig to be utilized is on location, the response period shall be limited to forty-eight (48) hours, inclusive of Saturday, Sunday and legal holidays; provided, however, any party may request and receive up to eight (8) additional days after expiration of the forty-eight (48) hours within which to respond by paying for all stand-by time incurred during such extended response period. If more than one party elects to take such additional time to respond to the notice, stand by costs shall be allocated between the parties taking additional time to respond on a day-to-day basis in the proportion each electing party's interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all the electing parties. In all other instances the response period to a proposal for sidetracking shall be limited to thirty (30) days.

C. TAKING PRODUCTION IN KIND:

Each party shall have the option to take in kind or separately dispose of its proportionate share of all oil and gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil and gas for

marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production, including transportation costs, shall be borne by such party. Any party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

ARTICLE VI
continued

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment directly from the purchaser thereof for its share of all production. Each party electing to take in kind or separately dispose of its proportionate share of production from the Contract Area shall keep accurate records of volume, selling price, royalty and taxes relative to its share of production

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and/or gas produced from the Contract Area, Operator shall have the right, subject to any dedications to a gas purchase contract and, subject to the revocation at will by the party owning it, but not the obligation, to purchase such oil and/or gas or sell it to others at any time and from time to time, for the account of the non-taking party at a price negotiated in good faith by the Operator . Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and/or gas not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil and/or gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances. This provision is subject to Article XV.F in the Addendum hereto.

In the event one or more parties' separate disposition of its share of the gas causes split stream deliveries to separate pipelines and/or deliveries which on a day-to-day basis for any reason are not exactly equal to a party's respective proportionate share of total gas sales to be allocated to it, the balancing or accounting between the respective accounts of the parties shall be in accordance with the gas balancing agreement attached as Exhibit "E".

D. Access to Contract Area and Information:

Each party shall have access to the Contract Area at all reasonable times, at its sole cost and risk to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, but only with respect to any well in which a party has elected to participate, including Operator's books and records relating thereto. Operator, upon request, shall furnish each of the other parties with copies of all forms or reports filed with governmental agencies, daily drilling reports, well logs, and actual monthly oil and gas production and sales volumes, , and shall make available samples then in Operator's possession or control, of any cores or cuttings taken from any well drilled on the Contract Area. The cost of gathering and furnishing information to Non-Operator, other than that specified above, shall be charged to the Non-Operator that requests the Information. Notwithstanding anything to the contrary, a Non-Operator who is a Non-Consenting Party under Article VI.B. shall have no rights under this Article VI.D. with respect to such non-consent operation, except for access to Operator's records for the exclusive purpose of verification of costs attributable to the operation in which it is a non-participating party.

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled or deepened or sidetracked pursuant to Article VI.B.2., any well which has been drilled or deepened or sidetracked under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (inclusive of Saturday, Sunday and legal holidays) after receipt of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling or deepening such well. Any party who elects not to consent to plugging and abandoning such well shall immediately take over the well and conduct further operations in search of oil and/or gas subject to the provisions of Article VI.B, immediately assuming all costs, risks and liability of such further operations including plugging and abandoning costs.

2. Abandonment of Wells that have Produced: Except for any well in which a Non-Consent operation has been conducted hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties who participated in the cost of drilling the well. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. * If, within thirty (30) days after receipt of notice of the proposed abandonment of any well, all parties do not agree to the abandonment of such well, those wishing to continue its operation from the interval(s) of the formation(s) then open to production shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, or fitness for use of the equipment and material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. If the interest of the abandoning party is or includes an oil and gas interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the interval or intervals of the formation or formations then open to production, for a term of one (1) year and so long thereafter as oil and/or gas is produced from the interval or intervals of the formation or formations covered thereby such lease to be on the Pound Printing Company's Producers 88 (7/69) form.

*(Should Operator be unable to contact any party or should any party fail to reply, such party shall be deemed to have consented to the proposed abandonment. All such wells approved for abandonment shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling or deepening such well.)

ARTICLE VI
continued

The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interests in the remaining portion of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall have the option, but not the obligation, to continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well. Upon proposed abandonment of the producing interval(s) assigned or leased, the assignor or lessor shall then have the option to repurchase its prior interest in the well (using the same valuation formula) and participate in further operations therein subject to the provisions hereof.

3. **Abandonment of Non-Consent Operations:** The provisions of Article VI.E.1. or VI.E.2 above shall be applicable as between Consenting Parties in the event of the proposed abandonment of any well excepted from said Articles; provided, however, no well shall be permanently plugged and abandoned unless and until all parties having the right to conduct further operations therein have been notified of the proposed abandonment and afforded the opportunity to elect to take over the well in accordance with the provisions of this Article VI.E.

ARTICLE VII.
EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners.

B. Liens and Payment Defaults:

Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil and/or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon at the rate provided in Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the state, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator's share of oil and/or gas until the amount owed by such Non-Operator, plus interest, has been paid. Each purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

If any party fails or is unable to pay its share of expense within thirty (30) days after rendition of a statement therefor by Operator, Article XV.O shall apply, and the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

C. Payments and Accounting:

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in Exhibit "C". Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the expenses to be paid by Operator in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized Authority for Expenditure (AFE) of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within

ARTICLE VII
continued

fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

D. Limitation of Expenditures:

1. Drill or Deepen: Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the drilling or deepening shall include:

XX Option No. 1: All necessary expenditures for the drilling or deepening, testing, completing and equipping of the well, including necessary tankage and/or surface facilities.

ARTICLE VII
continued

~~Option No. 2: All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its authorized depth, and all tests have been completed, and the results thereof furnished to the parties, Operator shall give immediate notice to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completion attempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, including necessary tankage and/or surface facilities. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the completion attempt. If one or more, but less than all of the parties, elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plugging back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by less than all parties.~~

2. **Rework or Plug Back:** Without the consent of all parties, no well shall be reworked or plugged back except a well reworked or plugged back pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the reworking or plugging back of a well shall include all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage and/or surface facilities.

3. **Other Operations:** Without the consent of all parties, Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Seventy Five Thousand and no/100 Dollars (\$75,000.00) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares an authority for expenditure (AFE) for its own use, Operator shall furnish any Non-Operator so requesting an information copy thereof for any single project costing in excess of Ten Thousand and no/100 Dollars (\$10,000.00) but less than the amount first set forth above in this paragraph. An AFE is an estimate only of costs and in no way shall the execution of an AFE limit the liability of any party.

E. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, then the Operator is designated as the party to make such payments for and on behalf of such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.3.

Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to production of a producing gas well, at least five (5) days (excluding Saturday, Sunday and legal holidays), or at the earliest opportunity permitted by circumstances, prior to taking such action, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

F. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-Operator. If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the joint account shall be made and paid by the parties hereto in accordance with the tax value generated by each party's working interest. Operator shall bill the other parties for their proportionate shares of all tax payments in the manner provided in Exhibit "C".

If Operator and/or any Non-Operator considers any tax assessment improper, Operator and/or any Non-Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

Each party shall pay or cause to be paid all production, severance, excise, gathering and other taxes imposed upon or with respect to the production or handling of such party's share of oil and/or gas produced under the terms of this agreement.

ARTICLE VII
continued

G. Insurance:

At all times while operations are conducted hereunder, Operator shall comply with the workmen's compensation law of the state where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be as provided in Exhibit "C". Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the workmen's compensation law of the state where the operations are being conducted and to maintain such other insurance as provided in Exhibit "D" hereto.

In the event automobile public liability insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's automotive equipment.

ARTICLE VIII.

ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole or in part unless all parties consent thereto; however no consent shall be necessary to release a lease which has expired or otherwise terminated.

However, should any party desire to surrender its interest in any lease or in any portion thereof, and the other parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not consenting to such surrender. Upon such assignment or lease, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the interest assigned or leased and the operation of any well attributable thereto, and the assigning party shall have no further interest in the assigned or leased premises and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The party assignee or lessee shall pay to the party assignor or lessor the reasonable salvage value of the latter's interest in any wells and equipment attributable to the assigned or leased acreage. The value of all material shall be determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment or lease is in favor of more than one party, the interest shall be shared by such parties in the proportions that the interest of each bears to the total interest of all such parties.

Any assignment, lease or surrender made under this provision shall not reduce or change the assignor's, lessor's or surrendering party's interest as it was immediately before the assignment, lease or surrender in the balance of the Contract Area; and the acreage assigned, leased or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement, but shall be deemed to be subject to an Operating Agreement identical to this one, modified only to reflect the ownership and interests resulting from such assignment, lease, or surrender.

B. Renewal or Extension of Leases:

If any party secures a renewal of any oil and gas lease subject to this agreement, all other parties shall be notified promptly, and shall have the right for a period of thirty (30) days following receipt of such notice in which to elect to participate in the ownership of the renewal lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper proportionate shares of the acquisition cost allocated to that part of such lease within the Contract Area, which shall be in proportion to the interests held at that time by the parties in the Contract Area.

If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal lease. Any renewal lease in which less than all parties elect to participate shall not be subject to this agreement. Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein by the acquiring party.

The provisions of this Article shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to the provisions of this agreement.

The provisions in this Article shall also be applicable to extensions, top leases and/or options of oil and gas leases.

C. Acreage or Cash Contributions:

While this agreement is in force, if any party receives a contribution of cash towards the drilling of a well or any other operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions

ARTICLE VIII
continued

said Drilling Parties shared the cost of drilling the well. Such acreage shall become a separate Contract Area and, to the extent possible, be governed by provisions identical to this agreement. Each party shall promptly notify all other parties of any acreage or cash contributions it may obtain in support of any well or any other operation on the Contract Area. The above provisions shall also be applicable to optional rights to earn acreage outside the Contract Area which are in support of a well drilled inside the Contract Area.

If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such consideration shall not be deemed a contribution as contemplated in this Article VIII.C.

D. Maintenance of Uniform Interests:

Every sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement and the party acquiring such interest shall ratify in writing and agree to be bound by the terms of this agreement and the surviving provisions of the PSPA, and the sale, encumbrance, transfer or other disposition shall be made without prejudice to the right of the other parties.

If, at any time the interest of any party is divided among and owned by two or more co-owners, Operator, at its discretion, may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interest within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

E. Waiver of Rights to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provision herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1986, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1986, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from operations hereunder can be adequately determined without the computation of partnership taxable income.

**ARTICLE X.
CLAIMS AND LAWSUITS**

Operator may settle any single uninsured third party damage claim or suit arising from operations hereunder if the expenditure does not exceed Seventy Five Thousand and no/100 Dollars (\$ 75,000.00) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expenses of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties participating in the operation from which the claim or suit arises. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, such party shall immediately notify all other parties, and the claim or suit shall be treated as any other claim or suit involving operations hereunder. All claims or suits involving title to any interest subject to this Agreement shall be treated as a claim or suit against all parties hereto. Any party to this Agreement who receives notice of any such claim or suit shall notify the other parties to this Agreement within fifteen (15) days (exclusive of Saturdays, Sundays and legal holidays) of its receipt of such notice.

**ARTICLE XI.
FORCE MAJEURE**

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspending during, but no longer than, the continuance of the force majeure. The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure", as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, act of terrorism in the contiguous United States, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

**ARTICLE XII.
NOTICES**

All notices authorized or required between the parties and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given in writing by mail or telegram, postage or charges prepaid, or by telex or telecopier and addressed to the parties to whom the notice is given at the addresses listed on Exhibit "A". The originating notice given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed, and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the mail or with the telegraph company, with postage or charges prepaid, or sent by telex or telecopier. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties.

**ARTICLE XIII.
TERM OF AGREEMENT**

This agreement shall remain in full force and effect as to the oil and gas leases subject hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any lease or oil and gas interest contributed by any other party beyond the term of this agreement.

Option No. 1: So long as any of the oil and gas leases subject to this agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal, or otherwise.

Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in production of oil and/or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling, reworking, deepening, plugging back, testing or attempting to complete a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil and/or gas from the Contract Area, this agreement shall terminate unless drilling, deepening, plugging back or reworking operations are commenced within days from the date of abandonment of said well.

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

ARTICLE XIV.

COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the conservation laws of the state in which the Contract Area is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and orders.

B. Governing Law:

This agreement and all matters pertaining hereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties, and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located.

C. Regulatory Agencies:

Nothing herein contained shall grant, or be construed to grant, Operator the right or authority to waive or release any rights, privileges, or obligations which Non-Operators may have under federal or state laws or under rules, regulations or orders promulgated under such laws in reference to oil, gas and mineral operations, including the location, operation, or production of wells, on tracts offsetting or adjacent to the Contract Area.

With respect to operations hereunder, Non-Operators agree to release Operator from any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation or application of rules, rulings, regulations or orders of the Department of Energy or any other local, state or federal agency or regulatory body or predecessor or successor agencies to the extent such interpretation or application was made in good faith. Each Non-Operator further agrees to reimburse Operator for any amounts applicable to such Non-Operator's share of production that Operator may be required to refund, rebate or pay as a result of such an incorrect interpretation or application, together with interest and penalties thereon owing by Operator as a result of such incorrect interpretation or application.

Non-Operators authorize Operator to prepare and submit such documents as may be required to be submitted to the purchaser of any crude oil sold hereunder or to any other person or entity pursuant to the requirements of the "Crude Oil Windfall Profit Tax Act of 1980", as same may be amended from time to time ("Act"), and any valid regulations or rules which may be issued by the Treasury Department from time to time pursuant to said Act. Each party hereto agrees to furnish any and all certifications or other information which is required to be furnished by said Act in a timely manner and in sufficient detail to permit compliance with said Act.

ARTICLE XV.

OTHER PROVISIONS

See Addendum attached.

**ARTICLE XVI.
MISCELLANEOUS**

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of day of _____, 2011_ .

OPERATOR

MATADOR PRODUCTION COMPANY

By: Joseph Wm. Foran
Title: Chairman, President and CEO

NON - OPERATORS

MATADOR RESOURCES COMPANY

By:
Title:

By: Joseph Wm. Foran
Title: Chairman, President and CEO

ORCA ICI DEVELOPMENT, JV

By:
Title:

By: _____
Title: President

By:
Title:

By:
Title:

By:
Title:

EXHIBIT "C"

Attached to and made a part of that certain Operating Agreement dated May 20, 2011, by and between Matador Production Company, as Operator, and Matador Resources Company and Orca ICI Development, JV, as Non Operators

ACCOUNTING PROCEDURE

JOINT OPERATIONS

I. GENERAL PROVISIONS

1. **Definitions**

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the Parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council or Petroleum Accountants Societies.

2. **Statement and Billings**

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. **Advances and Payments by Non-Operators**

A. Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation within fifteen (15) days after receipt of the billing or by the first day of the month for which the advance is required, whichever is later. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

B. Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the prime rate in effect at Comerica Bank, Texas on the first day of the month in which delinquency occurs plus 1% or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. **Adjustments**

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

5. Audits

- A. A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct a joint audit in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator. The audits shall not be conducted more than once each year without prior approval of Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of those Non-Operators approving such audit.
- B. The Operator shall reply in writing to an audit report within 180 days after receipt of such report.

6. Approval By Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Ecological and Environmental

Costs incurred for the benefit of the Joint Property as a result of governmental or regulatory requirements to satisfy environmental considerations applicable to the Joint Operations. Such costs may include surveys of an ecological or archaeological nature and pollution control procedures as required by applicable laws and regulations.

2. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

3. Labor

- A. (1) Salaries and wages of Operator's field employees and/or consultants directly employed on the Joint Property, while on the Joint Property, in the conduct of Joint Operations.
- (2) Salaries of First level Supervisors in the field.
- (3) Salaries and wages of Technical Employees and/or consultants directly employed on the Joint Property, while on the Joint Property, if such charges are excluded from the overhead rates.
- (4) Salaries and wages of Technical Employees and/or consultants either temporarily or permanently assigned to and directly employed in the operation or the Joint Property if such charges are excluded from the overhead rates.
- B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section II. Such costs under this Paragraph 3B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 3A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
- C. In any instance where Operator charges the Non-Operators for salaries, wages or other compensation paid to an actual employee of Operator, then such salaries and wages shall be based on an hourly rate equivalent to such employee's annual salary, provided such hourly rate shall not exceed the market rate for such an employee in the State of Texas

4. Employee Benefits

Operator's current costs or established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II shall be Operator's actual cost not to exceed the percent most recently recommended by the Council of Petroleum Accountants Societies.

5. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

6. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

- A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store where like material is normally available or railway receiving point nearest the Joint Property unless agreed to by the Parties.
- B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store where like material is normally available, or railway receiving point nearest the Joint Property unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.
- C. In the application of subparagraphs A and B above, the option to equalize or charge actual trucking cost is available when the actual charge is \$400 or less excluding accessorial charges. The \$400 will be adjusted to the amount most recently recommended by the Council of Petroleum Accountants Societies.

7. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 10 of Section II and Paragraph i, ii, and iii, of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

8. Equipment and Facilities Furnished By Operator

- A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on gross investment less accumulated depreciation not to exceed twelve percent (12.0%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.
- B. In lieu of charges in Paragraph 8A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

9. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

10. Legal Expense

Expense of handling, investigating and settling litigation or claims, title matters and regulatory work discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff shall be made. All other legal expense shall be the expense of the Joint Account, except as provided in Section I, Paragraph 3.

11. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties. If the advalorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the Joint Account shall be made and paid by the Parties hereto in accordance with the tax value generated by each party's working interest.

12. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Worker's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

13. Abandonment and Reclamation

Costs incurred for abandonment of the Joint Property, including costs required by governmental or other regulatory authority.

14. Communications

Cost of acquiring, leasing, installing, operating, repairing and maintaining communication systems, including radio and microwave facilities directly serving the Joint Property. In the event communication facilities/systems serving the Joint Property are Operator owned, charges to the Joint Account shall be made as provided in Paragraph 8 of this Section II.

15. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III and which is of direct benefit to the Joint Property and is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead—Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

- Fixed Rate Basis, Paragraph 1A, or
- Percentage Basis, Paragraph 1B

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 3A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly and outside attorneys employed on the Joint Property:

- shall be covered by the overhead rates, or
- shall not be covered by the overhead rates.

iii. The salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant services and contract services of technical personnel and outside attorneys either temporarily or permanently assigned to and directly employed in the operation of the Joint Property. Charges for "non well-site" work shall require the approval of the non-operating working interest owners.:

- shall be covered by the overhead rates, or
- shall not be covered by the overhead rates.

A. Overhead—Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 14,000.00
(Prorated for less than a full month)
Producing Well Rate \$ 1400.00

(2) Application of Overhead—Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

(1) Charges for drilling wells shall begin on the date the drilling rig is moved on location and terminate on the date the drilling rig, completion rig, or other units used in completion of the well is released, whichever is later, except that no charge shall be made during suspension of drilling or completion operations for fifteen (15) or more consecutive calendar days.

- (2) Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive work days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig or other units used in workover, commence through date of completion of testing , except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.
- (b) Producing Well Rates
- (1) An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
 - (2) Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
 - (3) An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
 - (4) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well. This one-well charge shall be made whether or not the well has produced except when drilling well rate applies.
 - (5) All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.
 - (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached by the percentage increase or decrease published by COPAS.

2. **Overhead—Major Construction**

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for overhead based on the following rates for any Major Construction project in excess of \$25,000.00:

- A. 5.0 % of first \$100,000 or total cost if less, plus
- B. 3.0 % of costs in excess of \$100,000 but less than \$1,000,000, plus
- C. 2.0 % of costs in excess of \$1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells and artificial lift equipment shall be excluded.

3. Catastrophe Overhead

To compensate Operator for overhead costs incurred in the event of expenditures resulting from a single occurrence due to oil spill, blowout, explosion, fire, storm, hurricane, or other catastrophes as agreed to by the Parties, which are necessary to restore the Joint Property to the equivalent condition that existed prior to the event causing the expenditures, Operator shall either negotiate a rate prior to charging the Joint Account or shall charge the Joint Account for overhead based on the following rates:

- A. 5.0 % of total costs through \$100,000; plus
- B. 3.0 % of total costs in excess of \$100,000 but less than \$1,000,000; plus
- C. 2.0 % of total costs in excess of \$1,000,000.

Expenditures subject to the overheads above will not be reduced by insurance recoveries, and no other overhead provisions of this Section III shall apply.

4. Amendment of Rates

The overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all Material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reasons, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions. See Article XV.G Material Purchases, Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following basis exclusive of cash discounts. Operator shall account for material purchases and transfers in accordance with COPAS Model Form Interpretation 38 (MFI-38), or the price procedure most recently recommended by COPAS.:

A. New Material (Condition A)

- (3) Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property.
- (4) Unused new Material, moved from the Joint Property shall be priced at the current new price, in effect on date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property. .

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

- (1) Material moved to the Joint Property
At seventy-five percent (75%) of current new price, as determined by Paragraph A.
- (2) Material used on and moved from the Joint Property
 - (a) At seventy-five percent (75%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as new Material or
 - (b) At sixty-five percent (65%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as used Material
- (3) Material not used on and moved from the Joint Property
At seventy-five percent (75%) of current new price as determined by Paragraph A.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material

- (1) Condition C
Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph A. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

Material, excluding junk, no longer suitable for its original purpose, but usable for some other purpose shall be priced on a basis commensurate with its use. Operator may dispose of Condition D Material under procedures normally used by Operator without prior approval of Non-Operators.

- (a) Casing, tubing, or drill pipe used as line pipe shall be priced as Grade A and B seamless line pipe of comparable size and weight. Used casing, tubing or drill pipe utilized as line pipe shall be priced at used line pipe prices.
- (b) Casing, tubing or drill pipe used as higher pressure service lines than standard line pipe, e.g. power oil lines, shall be priced under normal pricing procedures for casing, tubing, or drill pipe. Upset tubular goods shall be priced on a non upset basis.

(3) Condition E

Junk shall be priced at prevailing prices. Operator may dispose of Condition E Material under procedures normally utilized by Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

- (1) Loading or unloading costs may be charged to the Joint Account at the actual loading or unloading costs sustained.
- (2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property.

4. Warranty of Material Furnished By Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Adjustments to the Joint Account resulting from the reconciliation of a physical inventory shall be made within six months following the taking of the inventory. Inventory adjustments shall be made by Operator to the Joint Account for overages and shortages, but, Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special inventories may be taken whenever there is any sale, change of interest, or change of Operator in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory. In cases involving a change of Operator, all Parties shall be governed by such inventory.

4. Expense of Conducting Inventories

- A. The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by the Parties.
- B. The expense of conducting special inventories shall be charged to the Parties requesting such inventories, except inventories required due to change of Operator shall be charged to the Joint Account.

EXHIBIT "D"
INSURANCE PROVISIONS

Operator shall carry the following insurance with respect to all operations on the Contract Area:

- A. Worker's Compensation Insurance as required by the laws of the State of Texas;
- B. Employer's Liability Insurance with limits of not less than \$1,000,000.00;
- C. Commercial General Liability Insurance, including Sudden & Accidental Pollution and Contractual Liability, with limits of not less than \$1,000,000.00 each occurrence and \$2,000,000.00 policy aggregate;
- D. Comprehensive Automobile Liability Insurance covering hired and non-owned automobiles and including Employer's Non-Ownership Liability, with limits of not less than \$1,000,000.00 per occurrence;
- E. Excess Liability Insurance: \$25,000,000.00 Limit (Umbrella Coverage);
- F. Operators Extra Expense Policy: Operator will carry \$ 30,000,000.00 for Care, Custody, and Control; Pollution Liability, and Redrilling Expenses;
- G. Down Hole Equipment Coverage limits for directional and well logging tools will be determined by Operator, but in no event shall coverage be less than fifty percent (50%) of the equipment values;
- H. Operator shall endeavor for all contractors working or performing services hereunder to comply with Worker's Compensation and Employer's Liability laws, both state and federal, and Operator shall require said contractors and subcontractors performing work for the joint account to procure and maintain Comprehensive General Liability insurance with policy limits of at least \$1,000,000.00 per occurrence/\$2,000,000.00 aggregate and said policy or policies, shall include broad form contractual liability assumed under any contract as between the contractor and Operator, and carry such other Umbrella Liability limits of not less than \$5,000,000.00. Operator shall require a Master Service Agreement (MSA) and/or Drilling Contract for all contractors working or performing services hereunder or at this site, and said Agreements or Contracts shall contain a mutual indemnity provision covering injury to the employees of each party. Operator shall obtain a release from damage to any Rig from Drilling Contractor.

All insurance required hereby shall be carried at the joint expense and for the benefit of the parties.

The joint account shall be charged with all liabilities and expenditures resulting from any claims, damages or losses against which Operator is not required to carry any insurance.

It is further understood and agreed that Operator is not a warrantor of the financial responsibility of the insurer with whom such insurance is carried. Operator agrees that if at any time during the life of the agreement, it is unable to obtain or maintain such insurance, it shall immediately notify Non-Operators of such fact in writing.

All liability insurance shall be primary and not excess to or contributing with any insurance maintained by the Non-Operator. Such policies shall name the Non-Operator as additional insured (except under Worker's Compensation) and provide a waiver of subrogation in favor of the Non-Operator, as required by written contract. Such policies shall be maintained in full and effect during the terms of this agreement, and shall not be canceled, altered or amended without 30 days prior written notice having first been furnished all non-operating parties.

END OF EXHIBIT "D"

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EXHIBIT "E"
GAS BALANCING AGREEMENT ("AGREEMENT")
ATTACHED TO AND MADE PART OF THAT CERTAIN

OPERATING AGREEMENT DATED May 20, 2011 BY AND BETWEEN Matador Production Company, Matador Resource Company AND Orca ICI Development, JV ("OPERATING AGREEMENT") RELATING TO THE Contract AREA, Karnes, Dewitt, Gonzales, Wilson COUNTY, TEXAS

1. DEFINITIONS

The following definitions shall apply to this Agreement:

- 1.01 "Arm's Length Agreement" shall mean any gas sales agreement with an unaffiliated purchaser or any gas sales agreement with an affiliated purchaser where the sales price and delivery conditions under such agreement are representative of prices and delivery conditions existing under other similar agreements in the area between unaffiliated parties at the same time for natural gas of comparable quality and quantity.
- 1.02 "Balancing Area" shall mean (**select one**):
- each well subject to the Operating Agreement that produces Gas or is allocated a share of Gas production. If a single well is completed in two or more producing intervals, each producing interval from which the Gas production is not commingled in the wellbore shall be considered a separate well.
- all of the acreage and depths subject to the Operating Agreement.
- _____

- 1.03 "Full Share of Current Production" shall mean the Percentage Interest of each Party in the Gas actually produced from the Balancing Area during each month.
- 1.04 "Gas" shall mean all hydrocarbons produced or producible from the Balancing Area, whether from a well classified as an oil well or gas well by the regulatory agency having jurisdiction in such matters, which are or may be made available for sale or separate disposition by the Parties, excluding oil, condensate and other liquids recovered by field equipment operated for the joint account. "Gas" does not include gas used in joint operations, such as for fuel, recycling or reinjection, or which is vented or lost prior to its sale or delivery from the Balancing Area.
- 1.05 "Makeup Gas" shall mean any Gas taken by an Underproduced Party from the Balancing Area in excess of its Full Share of Current Production, whether pursuant to Section 3.3 or Section 4.1 hereof.
- 1.06 "Mcf" shall mean one thousand cubic feet. A cubic foot of Gas shall mean the volume of gas contained in one cubic foot of space at a standard pressure base and at a standard temperature base.
- 1.07 "MMBtu" shall mean one million British Thermal Units. A British Thermal Unit shall mean the quantity of heat required to raise one pound avoirdupois of pure water from 58.5 degrees Fahrenheit to 59.5 degrees Fahrenheit at a constant pressure of 14.73 pounds per square inch absolute.
- 1.08 "Operator" shall mean the individual or entity designated under the terms of the Operating Agreement and/or its affiliate Matador Resources Company, or in the event this Agreement is not employed in connection with an operating agreement, the individual or entity designated as the operator of the well(s) located in the Balancing Area.
- 1.09 "Overproduced Party" shall mean any Party having taken a greater quantity of Gas from the Balancing Area than the Percentage interest of such Party in the cumulative quantity of all Gas produced from the Balancing Area.
- 1.10 "Overproduction" shall mean the cumulative quantity of Gas taken by a Party in excess of its Percentage Interest in the cumulative quantity of all Gas produced from the Balancing Area.
- 1.11 "Party" shall mean those individuals or entities subject to this Agreement, and their respective heirs, successors, transferees and assigns.
- 1.12 "Percentage Interest" shall mean the percentage or decimal interest of each Party in the Gas produced from the Balancing Area pursuant to the Operating Agreement covering the Balancing Area.
- 1.13 "Royalty" shall mean payments on production of Gas from the Balancing Area to all owners of royalties, overriding royalties, production payments or similar interests.
- 1.14 "Underproduced Party" shall mean any Party having taken a lesser quantity of Gas from the Balancing Area than the Percentage Interest of such Party in the cumulative quantity of all Gas produced from the Balancing Area.
- 1.15 "Underproduction" shall mean the deficiency between the cumulative quantity of Gas taken by a Party and its Percentage Interest in the cumulative quantity of all Gas produced from the Balancing Area.
- 1.16 (**Optional**) "Winter Period" shall mean the month(s) of November and December in one calendar year and the month(s) of January, February, and March in the succeeding calendar year.

2. BALANCING AREA

2.1 If this Agreement covers more than one Balancing Area, it shall be applied as if each Balancing Area were covered by separate but identical agreements. All balancing hereunder shall be on the basis of Gas taken from the Balancing Area measured in (**Alternative 1**) Mcfs ~~or (**Alternative 2**) MMBtus.~~

2.2 In the event that all or part of the Gas deliverable from a Balancing Area is or becomes subject to one or more maximum lawful prices, any Gas not subject to price controls shall be considered as produced from a single Balancing Area and Gas subject to each maximum lawful price category shall be considered produced from a separate Balancing Area.

3. RIGHT OF PARTIES TO TAKE GAS

3.1 Each Party desiring to take Gas will notify the Operator, or cause the Operator to be notified, of the volumes nominated, the name of the transporting pipeline and the pipeline contract number (if available) and meter station relating to such delivery, sufficiently in advance for the Operator, acting with reasonable diligence, to meet all nomination and other requirements. Operator is authorized to deliver the volumes so nominated and confirmed (if confirmation is required) to the transporting pipeline in accordance with the terms of this Agreement.

3.2 Each Party shall make a reasonable, good faith effort to take its Full Share of Current Production each month, to the extent that such production is required to maintain leases in effect, to protect the producing capacity of a well or reservoir, to preserve correlative rights, or to maintain oil production.

3.3 When a Party fails for any reason to take its Full Share of Current Production (as such Share may be reduced by the right of the other Parties to make up for Underproduction as provided herein), the other Parties shall be entitled to take any Gas which such Party fails to take. To the extent practicable, such Gas shall be made available initially to each Underproduced Party in the proportion that its Percentage Interest in the Balancing Area bears to the total Percentage Interests of all Underproduced Parties desiring to take such Gas. If all such Gas is not taken by the Underproduced Parties, the portion not taken shall then be made available to the other Parties in the proportion that their respective Percentage Interests in the Balancing Area bear to the total Percentage Interests of such Parties.

3.4 All Gas taken by a Party in accordance with the provisions of this Agreement, regardless of whether such Party is underproduced or overproduced, shall be regarded as Gas taken for its own account with title thereto being in such taking Party.

3.5 Notwithstanding the provisions of Section 3.3 hereof, no Overproduced Party shall be entitled in any month to take any Gas in excess of three hundred percent (300%) of its Percentage Interest of the Balancing Area's then-current Maximum Monthly Availability; provided, however, that this limitation shall not apply to the extent that it would preclude production that is required to maintain leases in effect, to protect the producing capacity of a well or reservoir, to preserve correlative rights, or to maintain oil production. "Maximum Monthly Availability" shall mean the maximum average monthly rate of production at which Gas can be delivered from the Balancing Area, as determined by the Operator, considering the maximum efficient well rate for each well within the Balancing Area, the maximum allowable(s) set by the appropriate regulatory agency, mode of operation, production facility capabilities and pipeline pressures.

3.6 In the event that a Party fails to make arrangements to take its Full Share of Current Production required to be produced to maintain leases in effect, to protect the producing capacity of a well or reservoir, to preserve correlative rights, or to maintain oil production, the Operator may sell any part of such Party's Full Share of Current Production that such Party fails to take for the account of such Party and render to such Party, on a current basis, the full proceeds of the sale, less any reasonable marketing, compression, treating, gathering or transportation costs incurred directly in connection with the sale of such Full Share of Current Production. In making the sale contemplated herein, the Operator shall be obligated only to obtain such price and conditions for the sale as are reasonable under the circumstances and shall not be obligated to share any of its markets. Any such sale by Operator under the terms hereof shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one year. Notwithstanding the provisions of Article 3.4 hereof, Gas sold by Operator for a Party under the provisions hereof shall be deemed to be Gas taken for the account of such Party.

4. IN-KIND BALANCING

4.1 Effective the first day of any calendar month following at least thirty (30) days' prior written notice to the Operator, any Underproduced Party may begin taking, in addition to its Full Share of Current Production and any Makeup Gas taken pursuant to Section 3.3 of this Agreement, a share of current production determined by multiplying twenty-five percent (25.0%) of the Full Shares of Current Production of all Overproduced Parties by a fraction, the numerator of which is the Percentage Interest of such Underproduced Party and the denominator of which is the total of the Percentage Interests of all Underproduced Parties desiring to take Makeup Gas. In no event will an Overproduced Party be required to provide more than fifty percent (50.0%) of its Full Share of Current Production for Makeup Gas. The Operator will promptly notify all Overproduced Parties of the election of an Underproduced Party to begin taking Makeup Gas.

4.2 **(Optional—Seasonal Limitation on Makeup—Option 1)** Notwithstanding the provisions of Section 4.1, the average monthly amount of Makeup Gas taken by an Underproduced Party during the Winter Period pursuant to Section 4.1 shall not exceed the average monthly amount of Makeup Gas taken by such Underproduced Party during the _____ (____) months immediately preceding the Winter Period.

4.2 **(Optional—Seasonal Limitation on Makeup—Option 2)** Notwithstanding the provisions of Section 4.1, no Overproduced Party will be required to provide more than twenty-five percent (25.0%) of its Full Share of Current Production for Makeup Gas during the Winter Period.

4.3 **(Optional)** Notwithstanding any other provision of this Agreement, at such time and for so long as Operator, or (insofar as concerns production by the Operator) any Underproduced Party, determines in good faith that an Overproduced Party has produced all of its share of the ultimately recoverable reserves in the Balancing Area, such Overproduced Party may be required to make available for Makeup Gas, upon the demand of the Operator or any Underproduced Party, up to seventy-five percent (75%) of such Overproduced Party's Full Share of Current Production except during the Winter Period as noted in Section 4.2 above.

5. STATEMENT OF GAS BALANCES

5.1 The Operator will maintain appropriate accounting on a monthly and cumulative basis of the volumes of Gas that each Party is entitled to receive and the volumes of Gas actually taken or sold for each Party's account. Within forty-five (45) days after the month of production, the Operator will furnish a statement for such month showing (1) each Party's Full Share of Current Production, (2) the total volume of Gas actually taken or sold for each Party's account, (3) the difference between the volume taken by each Party and that Party's Full Share of Current Production, (4) the Overproduction or Underproduction of each Party, and (5) other data as recommended by the provisions of the Council of Petroleum Accountants Societies Bulletin No.24, as amended or supplemented hereafter. Each Party taking Gas will promptly provide to the Operator any data required by the Operator for preparation of the statements required hereunder.

5.2 If any Party fails to provide the data required herein for four (4) consecutive production months, the Operator, or where the Operator has failed to provide data, another Party, may audit the production and Gas sales and transportation volumes of the non-reporting Party to provide the required data. Such audit shall be conducted only after reasonable notice and during normal business hours in the office of the Party whose records are being audited. All costs associated with such audit will be charged to the account of the Party failing to provide the required data.

6. PAYMENTS ON PRODUCTION

6.1 Each Party taking Gas shall pay or cause to be paid all production and severance taxes due on all volumes of Gas actually taken by such Party.

6.2 **(Alternative 1—Entitlements)** Each Party shall pay or cause to be paid all Royalty due with respect to Royalty owners to whom it is accountable as if such Party were taking its Full Share of Current Production, and only its Full Share of Current Production.

6.2.1 **(Optional—For use only with Section 6.2—Alternative 1—Entitlement)** Upon written request of a Party taking less than its Full Share of Current Production in a given month ("Current Underproducer"), any Party taking more than

its Full Share of Current Production in such month ("Current Overproducer") will pay to such Current Underproducer an amount each month equal to the Royalty percentage of the proceeds received by the Current Overproducer for that portion of the Current Underproducer's Full Share of Current Production taken by the Current Overproducer; provided, however, that such payment will not exceed the Royalty percentage that is common to all Royalty burdens in the Balancing Area. Payments made pursuant to this Section 6.2.1 will be deemed payments to the Underproduced Party's Royalty owners for purposes of Section 7.5.

6.2 **(Alternative 2—Sales)** Each Party shall pay or cause to be paid Royalty due with respect to Royalty owners to whom it is accountable based on the volume of Gas actually taken for its account.

6.3 In the event that any governmental authority requires that Royalty payments be made on any other basis than that provided for in this Section 6, each Party agrees to make such Royalty payments accordingly, commencing on the effective date required by such governmental authority, and the method provided for herein shall be thereby superseded.

7. CASH SETTLEMENTS

7.1 Upon the earlier of the plugging and abandonment of the last producing interval in the Balancing Area, the termination of the Operating Agreement or any pooling or unit agreement covering the Balancing Area, or at any time no Gas is taken from the Balancing Area for a period of twelve (12) consecutive months, any Party may give written notice calling for cash settlement of the Gas production imbalances among the Parties. Such notice shall be given to all Parties in the Balancing Area.

7.2 Within sixty (60) days after the notice calling for cash settlement under Section 7.1, the Operator will distribute to each Party a Final Gas Settlement Statement detailing the quantity of Overproduction owed by each Overproduced Party to each Underproduced Party and identifying the month to which such Overproduction is attributed, pursuant to the methodology set out in Section 7.4.

7.3 **(Alternative 1—Direct Party-to-Party Settlement)** Within sixty (60) days after receipt of the Final Gas Settlement Statement, each Overproduced Party will pay to each Underproduced Party entitled to settlement the appropriate cash settlement, accompanied by appropriate accounting detail. At the time of payment, the Overproduced Party will notify the Operator of the Gas imbalance settled by the Overproduced Party's payment.

~~7.3 **(Alternative 2—Settlement Through Operator)** Within sixty (60) days after receipt of the Final Gas Settlement Statement, each Overproduced Party will send its cash settlement, accompanied by appropriate accounting detail, to the Operator. The Operator will distribute the monies so received, along with any settlement owed by the Operator as an Overproduced Party, to each Underproduced Party to whom settlement is due within ninety (90) days after issuance of the Final Gas Settlement Statement. In the event that any Overproduced Party fails to pay any settlement due hereunder, the Operator may turn over responsibility for the collection of such settlement to the Party to whom it is owed, and the Operator will have no further responsibility with regard to such settlement.~~

~~7.3.1 **(Optional—For use only with Section 7.3, Alternative 2—Settlement Through Operator)** Any Party shall have the right at any time upon thirty (30) days' prior written notice to all other Parties to demand that any settlements due such Party for Overproduction be paid directly to such Party by the Overproduced Party, rather than being paid through the Operator. In the event that an Overproduced Party pays the Operator any sums due to an Underproduced Party at any time after thirty (30) days following the receipt of the notice provided for herein, the Overproduced Party will continue to be liable to such Underproduced Party for any sums so paid, until payment is actually received by the Underproduced Party.~~

7.4 **(Alternative 1—Historical Sales Basis)** The amount of the cash settlement will be based on the proceeds received by the Overproduced Party under an Arm's Length Agreement for the Gas taken from time to time by the Overproduced Party in excess of the Overproduced Party's Full Share of Current Production. Any Makeup Gas taken by the Underproduced Party prior to monetary settlement hereunder will be applied to offset Overproduction chronologically in the order of accrual.

~~7.4 **(Alternative 2—Most Recent Sales Basis)** The amount of the cash settlement will be based on the proceeds received by the Overproduced Party under an Arm's Length Agreement for the volume of Gas that constituted Overproduction by the Overproduced Party from the Balancing Area. For the purpose of implementing the cash settlement provision of the Section 7, an Overproduced Party will not be considered to have produced any of an Underproduced Party's share of Gas until the Overproduced Party has produced cumulatively all of its Percentage Interest share of the Gas ultimately produced from the Balancing Area.~~

7.5 The values used for calculating the cash settlement under Section 7.4 will include all proceeds received for the sale of the Gas by the Overproduced Party calculated at the Balancing Area, after deducting any production or severance taxes paid and any Royalty actually paid by the Overproduced Party to an Underproduced Party's Royalty owner(s), to the extent said payments amounted to a discharge of said Underproduced Party's Royalty obligation, as well as any reasonable marketing, compression, treating, gathering or transportation costs incurred directly in connection with the sale of the Overproduction.

7.5.1 **(Optional—For Valuation Under Percentage of Proceeds Contracts)** For Overproduction sold under a gas purchase contract providing for payment based on a percentage of the proceeds obtained by the purchaser upon resale of residue gas and liquid hydrocarbons extracted at a gas processing plant, the values used for calculating cash settlement will include proceeds received by the Overproduced Party for both the liquid hydrocarbons and the residue gas attributable to the Overproduction.

7.5.2 **(Optional—Valuation for Processed Gas—Option 1)** For Overproduction processed for the account of the Overproduced Party at a gas processing plant for the extraction of liquid hydrocarbons, the full quantity of the Overproduction will be valued for purposes of cash settlement at the prices received by the Overproduced Party for the sale of the residue gas attributable to the Overproduction without regard to proceeds attributable to liquid hydrocarbons which may have been extracted from the Overproduction.

~~7.5.2 **(Optional—Valuation for Processed Gas—Option 2)** For Overproduction processed for the account of the Overproduced Party at a gas processing plant for the extraction of liquid hydrocarbons, the values used for calculating cash settlement will include the proceeds received by the Overproduced Party for the sale of the liquid hydrocarbons extracted from the Overproduction, less the actual reasonable costs incurred by the Overproduced Party to process the Overproduction and to transport, fractionate and handle the liquid hydrocarbons extracted therefrom prior to sale.~~

7.6 To the extent the Overproduced Party did not sell all Overproduction under an Arm's Length Agreement, the cash settlement will be based on the weighted average price received by the Overproduced Party for any gas sold from the Balancing Area under Arm's Length Agreements during the months to which such Overproduction is attributed. In the event that no sales under Arm's Length Agreements were made during any such month, the cash settlement for such month will be based on the spot sales prices published for the applicable geographic area during such month in a mutually acceptable pricing bulletin.

7.7 Interest compounded at the rate of five percent (5.0%) per annum or the maximum lawful rate of interest applicable to the Balancing Area, whichever is less, will accrue for all amounts due under Section 7.1 beginning the first day following the date payment is due pursuant to Section 7.3. Such interest shall be borne by the Operator or any Overproduced Party in the proportion that their respective delays beyond the deadlines set out in Sections 7.2 and 7.3 contributed to the accrual of the interest.

7.8 In lieu of the cash settlement required by Section 7.3, an Overproduced Party may deliver to the Underproduced Party an offer to settle its Overproduction in-kind and at such rates, quantities, times and sources as may be agreed upon by the Underproduced Party. If the Parties are unable to agree upon the manner in which such in-kind settlement gas will be furnished within sixty (60) days after the Overproduced Party's offer to settle in kind, which period may be extended by agreement of said Parties, the Overproduced Party shall make a cash settlement as provided in Section 7.3. The making of an in-kind settlement offer under this Section 7.8 will not delay the accrual of interest on the cash settlement should the Parties fail to reach agreement on an in-kind settlement.

7.9 **(Optional—For Balancing Areas Subject to Federal Price Regulation)** That portion of any monies collected by an Overproduced Party for Overproduction which is subject to refund by orders of the Federal Energy Regulatory Commission or other governmental authority may be withheld by the Overproduced Party until such prices are fully approved by such governmental authority, unless the Underproduced Party furnishes a corporate undertaking, acceptable to the Overproduced Party, agreeing to hold the Overproduced Party harmless from financial loss due to refund orders by such governmental authority.

7.10 **(Optional—Interim Cash Balancing)** At any time during the term of this Agreement, any Overproduced Party may, in its sole discretion, make cash settlement(s) with the Underproduced Parties covering all or part of its outstanding Gas imbalance, provided that such settlements must be made with all Underproduced Parties proportionately based on the relative imbalances of the Underproduced Parties, and provided further that such settlements may not be made more often than once every twenty-four (24) months. Such settlements will be calculated in the same manner provided above for final cash settlements. The Overproduced Party will provide Operator a detailed accounting of any such cash settlement within thirty (30) days after the settlement is made.

8. TESTING

Notwithstanding any provision of this Agreement to the contrary, any Party shall have the right, from time to time, to produce and take up to one hundred percent (100%) of a well's entire Gas stream to meet the reasonable deliverability test(s) required by such Party's Gas purchaser, and the right to take any Makeup Gas shall be subordinate to the right of any Party to conduct such tests; provided, however, that such tests shall be conducted in accordance with prudent operating practices only after thirty (30) days' prior written notice to the Operator and shall last no longer than seventy-two (72) hours.

9. OPERATING COSTS

Nothing in this Agreement shall change or affect any Party's obligation to pay its proportionate share of all costs and liabilities incurred in operations on or in connection with the Balancing Area, as its share thereof is set forth in the Operating Agreement, irrespective of whether any Party is at any time selling and using Gas or whether such sales or use are in proportion to its Percentage Interest in the Balancing Area.

10. LIQUIDS

The Parties shall share proportionately in and own all liquid hydrocarbons recovered with Gas by field equipment operated for the joint account in accordance with their Percentage Interests in the Balancing Area.

11. AUDIT RIGHTS

Notwithstanding any provision in this Agreement or any other agreement between the Parties hereto, and further notwithstanding any termination or cancellation of this Agreement, for a period of two (2) years from the end of the calendar year in which any information to be furnished under Section 5 or 7 hereof is supplied, any Party shall have the right to audit the records of any other Party regarding quantity, including but not limited to information regarding Btu-content. Any Underproduced Party shall have the right for a period of two (2) years from the end of the calendar year in which any cash settlement is received pursuant to Section 7 to audit the records of any Overproduced Party as to all matters concerning values, including but not limited to information regarding prices and disposition of Gas from the Balancing Area. Any such audit shall be conducted at the expense of the Party or Parties desiring such audit, and shall be conducted, after reasonable notice, during normal business hours in the office of the Party whose records are being audited. Each Party hereto agrees to maintain records as to the volumes and prices of Gas sold each month and the volumes of Gas used in its own operations, along with the Royalty paid on any such Gas used by a Party in its own operations. The audit rights provided for in this Section 11 shall be in addition to those provided for in Section 5.2 of this Agreement.

12. MISCELLANEOUS

12.1 As between the Parties, in the event of any conflict between the provisions of this Agreement and the provisions of any gas sales contract, or in the event of any conflict between the provisions of this Agreement and the provisions of the Operating Agreement, the provisions of this Agreement shall govern.

12.2 Each Party agrees to defend, indemnify and hold harmless all other Parties from and against any and all liability for any claims, which may be asserted by any third party which now or hereafter stands in a contractual relationship with such indemnifying Party and which arise out of the operation of this Agreement or any activities of such indemnifying Party under the provisions of this Agreement, and does further agree to save the other Parties harmless from all judgments or damages sustained and costs incurred in connection therewith.

12.3 Except as otherwise provided in this Agreement, Operator is authorized to administer the provisions of this Agreement, but shall have no liability to the other Parties for losses sustained or liability incurred which arise out of or in connection with the performance of Operator's duties hereunder, except such as may result from Operator's gross negligence or willful misconduct. Operator shall not be liable to any Underproduced Party for the failure of any Overproduced Party, (other than Operator) to pay any amounts owed pursuant to the terms hereof.

12.4 This Agreement shall remain in full force and effect for as long as the Operating Agreement shall remain in force and effect as to the Balancing Area, and thereafter until the Gas accounts between the Parties are settled in full, and shall inure to the benefit of and be binding upon the Parties hereto, and their respective heirs, successors, legal representatives

and assigns, if any. The Parties hereto agree to give notice of the existence of this Agreement to any successor in interest of any such Party and to provide that any such successor shall be bound by this Agreement, and shall further make any transfer of any interest subject to the Operating Agreement, or any part thereof, also subject to the terms of this Agreement.

12.5 Unless the context clearly indicates otherwise, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

12.6 In the event that any "Optional" provision of this Agreement is not adopted by the Parties to this Agreement by a typed, printed or handwritten indication, such provision shall not form a part of this Agreement, and no inference shall be made concerning the intent of the Parties in such event. In the event that any "Alternative" provision of this Agreement is not so adopted by the Parties, Alternative 1 in each such instance shall be deemed to have been adopted by the Parties as a result of any such omission. In those cases where it is indicated that an Optional provision may be used only if a specific Alternative is selected: (i) an election to include said Optional provision shall not be effective unless the Alternative in question is selected; and (ii) the election to include said Optional provision must be expressly indicated hereon, it being understood that the selection of an Alternative either expressly or by default as provided herein shall not, in and of itself, constitute an election to include an associated Optional provision.

12.7 This Agreement shall bind the Parties in accordance with the provisions hereof, and nothing herein shall be construed or interpreted as creating any rights in any person or entity not a signatory hereto, or as being a stipulation in favor of any such person or entity.

12.8 If contemporaneously with this Agreement becoming effective, or thereafter, any Party requests that any other Party execute an appropriate memorandum or notice of this Agreement in order to give third parties notice of record of same and submits same for execution in recordable form, such memorandum or notice shall be duly executed by the Party to which such request is made and delivered promptly thereafter to the Party making the request. Upon receipt, the Party making the request shall cause the memorandum or notice to be duly recorded in the appropriate real property or other records affecting the Balancing Area.

12.9 In the event Internal Revenue Service regulations require a uniform method of computing taxable income by all Parties, each Party agrees to compute and report income to the Internal Revenue Service (**select one**) as if such Party were taking its Full Share of Current Production during each relevant tax period in accordance with such regulations, insofar as same relate to entitlement method tax computations; or based on the quantity of Gas taken for its account in accordance with such regulations, insofar as same relate to sales method tax computations.

13. ASSIGNMENT AND RIGHTS UPON ASSIGNMENT

13.1 Subject to the provisions of Sections 13.2 (if elected) and 13.3 hereof, and notwithstanding anything in this Agreement or in the Operating Agreement to the contrary, if any Party assigns (including any sale, exchange or other transfer) any of its working interest in the Balancing Area when such Party is an Underproduced or Overproduced Party, the assignment or other act of transfer shall, insofar as the Parties hereto are concerned, include all interest of the assigning or transferring Party in the Gas, all rights to receive or obligations to provide or take Makeup Gas and all rights to receive or obligations to make any monetary payment which may ultimately be due hereunder, as applicable. Operator and each of the other Parties hereto shall thereafter treat the assignment accordingly, and the assigning or transferring Party shall look solely to its assignee or other transferee for any interest in the Gas or monetary payment that such Party may have or to which it may be entitled, and shall cause its assignee or other transferee to assume its obligations hereunder.

13.2 (**Optional—Cash Settlement Upon Assignment**) Notwithstanding anything in this Agreement (including but not limited to the provisions of Section 13.1 hereof) or in the Operating Agreement to the contrary, and subject to the provisions of Section 13.3 hereof, in the event an Overproduced Party intends to sell, assign, exchange or otherwise transfer any of its interest in a Balancing Area, such Overproduced Party shall notify in writing the other working interest owners who are Parties hereto in such Balancing Area of such fact at least thirty (30) days prior to closing the transaction. Thereafter, any Underproduced Party may demand from such Overproduced Party in writing, within fifteen (15) days after receipt of the Overproduced Party's notice, a cash settlement of its Underproduction from the Balancing Area. The Operator shall be notified of any such demand and of any cash settlement pursuant to this Section 13, and the Overproduction and Underproduction of each Party shall be adjusted accordingly. Any cash settlement pursuant to this Section 13 shall be paid by the Overproduced Party on or before the earlier to occur (i) of sixty (60) days after receipt of the Underproduced Party's demand or (ii) at the closing of the transaction in which the Overproduced Party sells, assigns, exchanges or otherwise transfers its interest in a Balancing Area on the same basis as otherwise set forth in Sections 7.3 through 7.6 hereof, and shall bear interest at the rate set forth in Section 7.7 hereof, beginning sixty (60) days after the Overproduced Party's sale, assignment, exchange or transfer of its interest in the Balancing Area for any amounts not paid. Provided, however, if any Underproduced Party does not so demand such cash settlement of its Underproduction from the

Balancing Area, such Underproduced Party shall look exclusively to the assignee or other successor in interest of the Overproduced Party giving notice hereunder for the satisfaction of such Underproduced Party's Underproduction in accordance with the provisions of Section 13.1 hereof.

13.3 The provisions of this Section 13 shall not be applicable in the event any Party mortgages its interest or disposes of its interest by merger, reorganization, consolidation or sale of substantially all of its assets to a subsidiary or parent company, or to any company in which any parent or subsidiary of such Party owns a majority of the stock of such company.

14. OTHER PROVISIONS

END OF EXHIBIT "E"

EXHIBIT "H"

**Attached to and made a part of that certain Operating Agreement dated May 20, 2011,
by and between Matador Production Company, as Operator, and Matador Resources Company and ORCA
ICI Development, JV, as Non Operators**

WELL DATA REPORTING REQUIREMENTS

WELL: All wells
PROSPECT/FIELD: The entire Contract Area
LOCATION: Each location
DATE: For the entire term of the JOA

The following information will be furnished:

- 1) AFE, Location Plat, Drilling Permit and other permits or filings:
- 2) Well Prognosis (Drilling, Casing, Mud and Evaluation Plan): and each and every geologic prognosis
- 3) Drilling Reports and Daily Mud Log:
Daily telephone, e-mail or fax report
Composite Drilling and Completion Report at completion of test
- 4) As and when prepared / produced / available:
All geosteering plots and analyses
Copies of all engineering reports
Copies of all reservoir analyses generated either in house or by third parties will reasonably be made available for review with personnel of Matador at its offices.
Copies of all reserve and economic reports generated either in house or by third parties will reasonably be made available for review with personnel of Matador at its offices.
All electric log analyses generated either in house or by third parties
- 5) Samples: if and as requested
- 6) Logs and other Services:
 If run, the following should be sent:

	<u>FIELD</u>	<u>FINAL</u>
a) Mud Log	1	4
b) Core Analyses	1	4
c) Drillstem Results	1	4
d) Directional Surveys		4
e) Velocity Survey		4
f) Dipmeter Survey	1	4
g) Electrical Logs (all) <i>(including floppy containing digital log in las format)</i>	1	4
h) Wireline Formation Tests and/or Pressure Tests	1	4
I) Cement Bond Log	1	4

- 7) Monthly production reports and pertinent monthly Commission reports.

EXHIBIT "I"

Attached to and made a part of that certain JOINT OPERATING AGREEMENT dated effective as of the 20th day of May, 2011, by and between Matador Production Company, as Operator, and Matador Resources Company, and Orca ICI Development, JV, as Non-Operators (this "Agreement")

MEMORANDUM OF OPERATING AGREEMENT AND FINANCING STATEMENT

- 1.0 This Memorandum of Operating Agreement and Financing Statement (hereinafter called "Memorandum") shall be effective when the Operating Agreement referred to in Paragraph 2.0 below becomes effective.
- 2.0 The parties hereto have entered into an Operating Agreement, providing for the development and production of crude oil, natural gas and associated substances from the lands described in Exhibit A attached hereto (hereinafter called the "Contract Area"), and designating **Matador Production Company** as Operator to conduct such operations.
- 3.0 The Operating Agreement provides for certain liens and/or security interests to secure payment by the parties of their respective share of costs under the Operating Agreement. The Operating Agreement contains an Accounting Procedure along with other provisions which supplement the lien and/or security interest provisions, including non-consent clauses which provide that parties who elect not to participate in certain operations shall be deemed to have relinquished their interest until the consenting parties are able to recover their costs of such operation plus a specified amount. Should any person or firm desire additional information regarding the Operating Agreement or wish to inspect a copy of the Operating Agreement, said person or firm should contact the Operator.
- 4.0 The purpose of this Memorandum is to more fully describe and implement the liens and/or security interests provided for in the Operating Agreement, and to place third parties on notice thereof.
- 5.0 In consideration of the mutual rights and obligations of the parties hereunder, the parties hereto agree as follows:
 - 5.1. The Operator shall conduct and direct and have full control of all Operations on the Contract Area as permitted and required by, and within the limits of the Operating Agreement.
 - 5.2. The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations and shall be liable only for its proportionate share of costs.
 - 5.3. Each Non-Operator grants to Operator a lien upon its oil and gas rights in the contract Area, and a security interest in its share of oil and or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon at the rate provided in the Accounting Procedure referred to in Paragraph 3.0 above. To the extent that Operator has a security interest under the Uniform Commercial Code of the state, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the

secured indebtedness shall not be deemed an election of remedies or otherwise affect the rights or security interest for the payment thereof.

5.4. If any Non-Operator fails to pay its share of costs when due, Operator may require other Non-Operators to pay their proportionate part of the unpaid share, whereupon the other Non-Operators shall be subrogated to Operator's lien and security interest.

5.5. The Operator grants to Non-Operators a lien and security interest equivalent to that granted to Operator as described in Paragraph 5.3 above, to secure payment by Operator of its own share of costs when due.

6.0 For purposes of protecting said liens and security interest, the parties hereto agree that this Memorandum shall cover all right, title and interest of the debtor(s) in:

6.1. Property Subject to Security Interests

(A) All personal property located upon or used in connection with the Contract Area.

(B) All fixtures on the Contract Area.

(C) All oil, gas and associated substances of value in, on or under the Contract Area which may be extracted therefrom.

(D) All accounts resulting from the sale of the items described in subparagraph (C) at the wellhead of every well located on the Contract Area or on lands pooled therewith.

(E) All items used, useful, or purchased for the production, treatment, storage, transportation, manufacture, or sale of the items described in subparagraph (C).

(F) All accounts, contract rights, rights under any gas balancing agreement, general intangibles, equipment, inventory, farmout rights, option farmout rights, acreage and or cash contribution, and conversion rights, whether now owned or existing or hereafter acquired or arising, including but not limited to all interest in any partnership, limited partnership, association, joint venture, or other entity or enterprise that holds, owns, or controls any interest in the Contract Area or in any property encumbered by this Memorandum.

(G) All severed and extracted oil, gas, and associated substances now or hereafter produced from or attributable to the Contract Area, including without limitation oil, gas and associated substances in tanks or pipelines or otherwise held for treatment, transportation, manufacture, processing or sale.

(H) All the proceeds and products of the items described in the foregoing paragraphs now existing or hereafter arising, and all substitutions therefor, replacements thereof, or accessions thereto.

(I) All personal property and fixtures now and hereafter acquired in furtherance of the purposes of this Operating Agreement. Certain of the above-described items are or are to become fixtures on the Contract Area.

(J) The proceeds and products of collateral are also covered.

Exhibit "I"

Joint Operating Agreement

6.2. Property Subject to Liens

(A) All real property within the Contract Area, including all oil, gas and associated substances of value in, on or under the Contract Area which may be extracted therefrom.

(B) All fixtures within the Contract Area.

(C) All real property and fixtures now and hereafter acquired in furtherance of the purposes of this Operating Agreement.

7.0 The above items will be financed at the wellhead of the well or wells located on the Contract Area, and this Memorandum is to be filed for record in the real estate records of the county or counties in which the Contract Area is located, and in the Uniform Commercial Code records. All parties who have executed the Operating Agreement and all farmers and option farmers who have granted support within the Contract Area are identified on Exhibit A.

8.0 On default of any covenant or condition of the Operating Agreement, in addition to any other remedy afforded by law or the practice of this state, each party to the agreement and any successor to such party by assignment, operation of law, or otherwise, shall have, and is hereby given and vested with, the power and authority to take possession of and sell any interest which the defaulting party has in the subject lands and to foreclose this lien in the manner provided by law.

9.0 Upon expiration of the subject Operating Agreement and the satisfaction of all debts, the Operator shall file of record a release and termination on behalf of all parties concerned. Upon the filing of such release and termination, all benefits and obligations under this Memorandum shall terminate as to all parties who have executed or ratified this Memorandum. In addition, the Operator shall have the right to file a continuation statement on behalf of all parties who have executed or ratified this Memorandum.

10.0 It is understood and agreed by the parties hereto that if any part, term, or provision of this Memorandum is by the courts held to be illegal or in conflict with any law of the state where made, the validity of the remaining portions or provisions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the Memorandum did not contain the particular part, term or provision held to be invalid.

11.0 This Memorandum shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns. The failure of one or more persons owning an interest in the Contract Area to execute this Memorandum shall not in any manner affect the validity of the Memorandum as to those persons who have executed this Memorandum.

12.0 A party having an interest in the Contract Area can ratify this Memorandum by execution and delivery of an instrument of ratification, adopting and entering into this Memorandum, and such ratification shall have the same effect as if the ratifying party had executed this Memorandum or a counterpart thereof. By execution or ratification of this Memorandum, such party hereby consents to its ratification and adoption by any party who may have or may acquire any interest in the Contract Area.

Exhibit "I"

Joint Operating Agreement

13.0 This Memorandum may be executed or ratified in one or more counterparts and all of the executed or ratified counterparts shall together constitute one instrument. For purposes of recording, only one copy of this Memorandum with individual signature pages attached thereto needs to be filed of record.

[Signature Page Follows]

MATADOR PRODUCTION COMPANY, a Texas Corporation

By: _____
Joseph William Foran, President and CEO

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me on this day of May, 2011, by **Joseph William Foran** as **President and CEO** of MATADOR RESOURCES COMPANY, a Texas corporation, and on behalf of said corporation.

Notary Public, State of Texas

MATADOR RESOURCES COMPANY, a Texas Corporation

By: _____
Joseph William Foran, President and CEO

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me on this day of May, 2011, by **Joseph William Foran** as **President and CEO** of MATADOR RESOURCES COMPANY, a Texas corporation, and on behalf of said corporation.

Notary Public, State of Texas

ORCA ICI DEVELOPMENT, JV

By: ORCA ASSETS GP, LLC,
a Texas Limited Liability Company, Managing Partner

By: _____
Allen Lawrence Berry, President

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

The foregoing instrument was acknowledged before me on this day of May, 2011, by **Allen Lawrence Berry** as **President** of ORCA ASSETS GP, LLC, a Texas limited liability company, as managing partner of ORCA ICI DEVELOPMENT, JV, a Texas general partnership, and on behalf of said partnership.

Notary Public, State of Texas

ADDENDUM

Attached to and made a part of that certain Operating Agreement dated May 20, 2011,
by and between Matador Production Company, as Operator, and
Matador Resources Company and Orca ICI Development, JV, as Non-Operators
(this "Agreement")

ARTICLE XV OTHER PROVISIONS

A. CONFLICTS

In the event of any conflict between the provisions of this Agreement to which this Article XV is attached and the provisions of the Purchase, Sale and Participation Agreement dated May 16, 2011, by and between Orca ICI Development, JV and Orca Assets G.P., L.L.C. (together "Orca"), as Seller, and Matador Resources Company ("Matador"), as Buyer (the "PSPA"), the provisions of the PSPA shall control.

Notwithstanding anything to the contrary in this Agreement, in the event of any conflict between the provisions of this Article XV and any other provisions contained in this Agreement, the provisions of Article XV shall prevail.

B. INITIAL WELL AND SUBSEQUENT OPERATIONS

The term "Initial Well" has the meaning assigned to it in the Agreement and is incorporated herein by reference. All operations with respect to each Initial Well and any subsequent operations shall be conducted pursuant to the terms and provisions of this Agreement.

C. PROPOSAL RIGHTS AND PRIORITY OF OPERATIONS

Except for Earning Wells, which may only be proposed by Operator (so long as Operator is not in default of this Agreement or the PSPA), no party shall propose the drilling of more than one (1) well at a time under the terms of this Agreement, nor shall any party propose the drilling of a well during the time another well is being drilled except: (1) by mutual consent of all the Consenting Parties in the well being drilled, or (2) if the proposed well is required to avoid a monetary penalty for failure to drill, to earn or to maintain any Lease or mineral interest within the Contract Area.

Any well proposed by any party shall be in conformance with and according to any drilling and/or spacing units or other rules and regulations established by the Railroad Commission of Texas.

If at any time there is more than one operation proposed in connection with any well drilled subject to this Operating Agreement, then unless all participating parties agree on the sequence of such operations, such proposals shall be considered and disposed of in the following order of priority:

- a) Proposals to do additional testing, coring or logging;
- b) Proposals to attempt a completion in the deepest potentially productive zones in the well;
- c) Proposals to rework;
- d) Proposals to plug back and attempt completions in shallower zones in ascending order;
- e) Proposals to deepen the well, in descending order;
- f) Proposals to sidetrack the well;
- g) Proposals to plug and abandon the well.

It is provided, however, that if at the time said participating parties are considering any of the above elections the hole is in such a condition that a reasonable prudent Operator would not conduct the operations contemplated by the particular election involved for fear of placing the hole in jeopardy or losing same prior to completing the well at the objective depth, such election shall not be given the priority hereinabove set forth. No preference will be given to an operation posing an unreasonable risk to life or property.

D. MISCELLANEOUS COSTS

The following expenses shall be a direct charge, borne by the Joint Account as provided in Exhibit "C", and shall not be included as administrative overhead as set forth in Part III of Exhibit "C".

1. All reasonable costs incurred by Operator, and necessary in its sole judgment, in obtaining permits, spacing, pooling or other orders or rulings from local, state and federal regulatory bodies or courts regarding the Contract Area.
2. All reasonable costs incurred by Operator in complying with the Natural Gas Policy Act of 1978, or in complying with federal, state or local law for the obtaining and monitoring of any well classifications required in the Natural Gas Policy Act of 1978; or in complying with any laws administered by, or any rules or regulations promulgated by, through, or under the United States Department of Energy or any other local, state or federal agency or regulatory body regarding the Contract Area.

E. AFE COST OVERRUNS

Notwithstanding anything herein to the contrary, Operator shall not expend for any drilling, reworking, sidetracking, deepening, or plugging back operation an amount in excess of 125% of the amount authorized for the total operation by virtue of the original or initial AFE without first submitting a Supplemental AFE(s) to the Non-Operator(s) for approval. Any Non-Operator(s) receiving such a Supplemental AFE(s) shall have a period of 48 hours (exclusive of Saturday, Sunday, and legal holidays, however, if a rig is on location, Non-Operator(s) shall make its best efforts to respond within 24 hours) in which to either approve or reject these additional expenditures. Failure to respond shall constitute approval. In the event of non-approval, all subsequent operations conducted pursuant to such Supplemental AFE(s) shall be subject to the provisions of Article VI.B.2 (Operations By Less Than All Parties), with each non-approving party treated as Non-Consenting Party; provided, however, that if a Non-Operator rejects the additional expenditure and the operation being conducted is a Required Operation, the Non-Operator shall assign and forfeit to the parties continuing with the operations all of its interest in the Leases or portions thereof and to the formations and depths covered thereby which would be lost or not earned if such operations are not continued. The provisions of Article VI.B.2 shall, however, continue to apply to any remaining portion of the Contract Area which contributes to production from the well in which such operations are conducted. This paragraph shall not apply to expenditures by the Operator required to deal with explosion, fire, flood or other sudden emergency, whether of the same or different nature.

F. OPERATOR'S MARKETING OF PRODUCTION/DISTRIBUTION OF REVENUE

Except to the extent a Non-Operator elects to take production attributable to its proportionate share in kind, and notwithstanding anything to the contrary contained herein, Operator (1) shall market Non-Operator's share of any oil, gas and/or associated hydrocarbons produced from any well drilled pursuant to the terms of this Agreement contemporaneously with and on the same terms and conditions as Operator is marketing its own or its affiliate's share of oil, gas and/or associated hydrocarbons from the well(s) within the Contract Area; and (2) shall disburse all proceeds (less applicable severance and production taxes and, subject to the limitations set forth below, any transportation, marketing or other post-production charges) received from the sale of such oil, gas and associated hydrocarbons to Non-Operators and, subject to applicable Lease provisions, their respective royalty owners in proportion to their revenue interests in the Contract Area. A Non-Operator taking in kind shall promptly remit to the Operator its share of royalty to be paid by Operator to the royalty owners.

Operator is fully authorized to negotiate and enter into sales agreements for oil, gas and/or associated hydrocarbons on behalf of all Non-Operators hereto covering all such production from the Contract Area. Operator may choose to sell to unaffiliated marketing companies, pipeline companies, end users or any other purchasers deemed acceptable in Operator's sole opinion. Subject to the limitations set forth below, such sales made by Operator on behalf of Non-Operators shall bear a proportionate share of any post-production expenses charged to or deducted by these entities. All sales of oil, gas and/or associated hydrocarbons arranged by Operator shall be made on behalf of all Non-Operators hereto in proportion to their interest in the Contract Area. Operator shall negotiate the sale of oil, gas and/or associated hydrocarbons on a good faith, reasonable efforts basis, but Operator shall have no fiduciary obligation to obtain the best price obtainable for such oil, gas and/or associated hydrocarbons on behalf of Non-Operators or their royalty owners. Non-Operators recognize that factors other than price are valid considerations in gas marketing. Notwithstanding anything herein to the contrary, it is understood and agreed that Non-Operator shall bear and pay its proportionate share of (i) all actual direct costs and expenses incurred by Operator or its affiliates, including, without limitation, fuel, compression and similar post-production costs, (ii) all reasonable indirect costs and expenses, including, without limitation, gathering or transportation fees charged by Operator or its affiliates, with respect to gathering lines and facilities constructed outside the Contract Area at such rates as are reasonable under the circumstances and (iii) all actual third party charges, including charges for transportation and marketing.

If Operator markets oil, gas and/or associated hydrocarbons on behalf of Non-Operators, Non-Operators agree to indemnify and save Operator and its affiliates harmless from any claim, demands, actions, judgments, costs and expenses (including, but not limited to, any fees, costs or expenses incurred in the enforcement of any indemnity or provision thereof) ("Claims") that Operator may sustain as a result of its marketing efforts under this Agreement, excluding, however, any Claims arising from Operator's gross negligence or willful misconduct. Further, Non-Operators warrant that they have the right to dispose of their share of production from all wells drilled in the Contract Area. These indemnity and warranty provisions will survive the termination of this Agreement for the period of time when Operator markets oil, gas and/or associated hydrocarbons on behalf of Non-Operators, without regard to when then Claims may be asserted but subject to the ordinary rules of liberative prescription or other applicable statutes of limitation.

If, at any time, Operator is required by any court, governmental agency or other entity to refund the proceeds received by Operator pursuant to the sale of oil, gas or hydrocarbons hereunder, Non-Operator agrees to reimburse Operator for that portion of the refund, including any applicable interest or penalties, attributable to the oil, gas and/or hydrocarbons sold by Operator on behalf of Non-Operator, within sixty (60) days from a reimbursement request from Operator and presentation of the applicable final order from such court, governmental agency or other entity ordering such refund. Said reimbursement obligation will survive the termination of this Agreement.

G. MATERIAL PURCHASES, TRANSFERS AND DISPOSITION

1. New Material Purchases. Notwithstanding anything contained in Exhibit "C" attached to this Agreement, *Accounting Procedure Joint Operations*, all prices for New Material (Condition A), including but not limited to tubular goods, line pipe and other material, shall be based on actual costs. All transportation costs therefor shall be calculated on an actual cost basis. Prices for Good Used (Condition B) and other Used Material (Condition C) shall be based on actual costs.
2. Material Provided by Operator. Notwithstanding anything contained in Exhibit "C" attached to this Agreement, *Accounting Procedure Joint Operations*, the price charged to Non-Operators for any materials furnished from inventories owned by the Operator will not exceed the fair market price of the materials being furnished.
To the extent of a conflict between the provisions of this Section G and the provisions in Exhibit "C" attached to this Agreement, *Accounting Procedure Joint Operations*, the provisions of this Section G shall govern and control.

H. 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.

I. TRANSFER OF CERTAIN INTERESTS

Tag-Along Rights. Any interest subject to this Agreement, or any part of such interest, which is owned or comes to be owned by any party hereto, or any parent, subsidiary, or affiliate thereof (each a "Subject Owner" herein), is referred to here as a "Subject Interest" and shall be subject to the following limitations on transfer:

- a. Before the Subject Owner thereof may sell (with any transfer of ownership for value being considered a sale for purposes of these limitations on transfer) any Subject Interest to one or more persons or entities that are not Subject Owners, the Subject Owner ("Selling Owner" herein) first must notify the other parties hereto (each an "Other Owner") of the offer by the prospective purchaser(s) by written notice ("Sale Notice" herein) delivered to each Other Owner on or before the 30th day before the consummation of the sale, which Sale Notice to each Other Owner must include (i) the purchase price for the Subject Interest, and (ii) the other terms and conditions of the proposed sale.
- b. Selling Owner will request the prospective purchaser to include in the purchase and sale agreement a requirement that any other interest that the prospective purchaser acquires in the Leases shall be at the same terms as included in the Sale Notice.

J. NO PARTNERSHIP

The rights, duties, obligations and liabilities of the parties hereunder shall 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 and none shall be inferred from the agreement to file an election to be excluded from the application of certain United States tax laws. Each party agrees to elect to be excluded from the application of Subchapter K of Chapter 1 Subtitle A of the Internal Revenue Code of 1986, and all amendments thereto.

K. BINDING ARBITRATION

Any dispute with respect to this Agreement, or the making or validity thereof, or its interpretation, or any breach thereof, by and between Operator and any Non-Operators, shall be determined and settled by binding arbitration pursuant to the rules and guidelines of the American Arbitration Association. Any award or decision rendered shall be final and conclusive upon the parties and a judgment to enforce such award or decision may be entered in any court having jurisdiction.

L. AREA OF INTEREST

The Area of Interest is defined and provided for in the PSPA, and this Agreement shall apply to any properties which come to be jointly owned thereunder.

M. DISBURSEMENTS OF ROYALTIES

Except as to Subsequently Created Interests (which are subject to Article XV.U hereof), if a purchaser of any oil, gas or other hydrocarbons produced from the Contract Area declines to make disbursement of all royalties, overriding royalties and other payments out of, or with respect to production from the Contract Area, Operator will, if any Non-Operator so desires, make such disbursements on behalf of said Non-Operator at its direction, provided, Non-Operator shall execute such documents as may be necessary in the opinion of Operator to enable Operator to receive payment for such oil, gas or other hydrocarbons directly from said purchaser. In that event, Operator will use its best efforts to make disbursements correctly but will be liable for incorrect disbursements only in the event of gross negligence or willful misconduct.

N. PRODUCTION PROCEEDS

In the event any well drilled in accordance with this Operating Agreement is a producer, the Operator agrees that it shall market Non-Operator's share of gas and shall arrange for transportation of such share on the same terms as Operator markets its share of gas to non-affiliates; provided, however, that Non-Operator must have given Operator written approval of the terms of the applicable sales and transportation agreements, and any revisions or amendments thereto. Notwithstanding the foregoing, any party to this Operating Agreement may negotiate and enter into a sales contract with third parties for the sale of its share of oil and/or gas.

O. DEFAULTS AND REMEDIES

If any party (including the Operator) fails to pay its share of any cost, including any advance which it is obligated to make under any provision of this agreement, within the period required for such payment hereunder, then in addition to the other remedies provided in this Operating Agreement, the Operator (or any Non-Operator if the Operator is the party in default) may pursue any of the following remedies:

(1) Suspension of Rights:

Operator (or the Non-Operators, if Operator is the party in default) may deliver to the party in default, by certified mail return receipt requested, a written Notice of Default, which shall specify the default, specify the action to be taken to cure the default, and specify that failure to take such action will result in the exercise of one or more of the remedies provided in this Article. If the default is not cured within fifteen (15) days of the delivery of such Notice of Default, Operator (or the Non-Operator if Operator is the party in default) may suspend any or all of the rights of the defaulting party granted by this agreement until the default is cured, without prejudice to the right of the non-defaulting party to continue to enforce the obligations of the defaulting party theretofore accrued or thereafter accruing under this agreement. If Operator is the party in default, the Non-Operators shall, in addition, have the right, by vote of Non-Operators owning a majority in interest in the Contract Area after excluding the voting interest of Operator, to appoint a new Operator effective immediately after the expiration of the fifteen (15) days. The rights of a

defaulting party that may be suspended hereunder at the election of the non-defaulting parties include, without limitation, the right to receive information as to any operation conducted hereunder during the period of such default, even if the party has previously elected to participate in such operation, the right to receive proceeds of production from any well subject to this agreement, and the right to elect to participate in an operation proposed under Article VI.B.1 of this agreement after the Notice of Default has been delivered to the defaulting party.

(2) Suit for Damages:

Operator (or the Non-Operators if Operator is the party in default) may sue to collect the amounts in default together with all consequential damages suffered by the non-defaulting parties as a result of the default, plus interest accruing on the amounts recovered from the date of default until the date of collection at the rate specified in Section I.(3) of the Accounting Procedures attached hereto.

(3) Deemed Non-consent:

Operator (or any Non-Operator if the Operator is the party in default) may deliver, by certified mail return receipt requested, a written Notice of Non-Consent Election to the defaulting party at any time after the expiration of the fifteen day cure period following delivery of the Notice of Default, in which event if the billing is for the drilling of a new well or the plugging back, sidetracking, reworking, or deepening of a well which is to be or has been plugged as a dry hole, or for the completion or recompletion of any well, the nonpaying party will be conclusively deemed to have elected not to participate in the operation and to be a Non-Consenting Party with respect thereto under Article VI.B. or VII.D. to the extent of the costs unpaid by such party, notwithstanding any election to participate theretofore made.

Until the delivery of such Notice of Non-consent Election to the non-paying party and commencement of the operations, such party shall have the right to cure its default by paying the unpaid billing plus interest at the rate set forth in Section I.3 of the attached Accounting Procedures plus any costs or damages incurred by the Non-Consenting Parties as a result of the default. Any interest relinquished pursuant to this provision shall be offered by Operator (or by the Non-Operators if Operator is the defaulting party) to the non-defaulting parties in proportion to their interests, and the non-defaulting parties electing to participate in the ownership of such interest as if such defaulting party had elected not to participate under Article VI.B, and shall be liable to contribute their shares of the defaulted amount.

(4) Good Faith Disputes:

In the event a party disputes in good faith the existence of a default on its part that is the subject of a Notice of Default, such party may avoid the imposition of the remedies for such default contained in this agreement by paying the disputed amount (plus any escrow fee related thereto) into an escrow account at a bank requiring the signatures of both such party and the Operator (or, if the Operator is the party in default, a Non-Operator designated by the Non-Operators). Such funds shall be distributed from escrow to the party entitled thereto upon the resolution of the issue raised by the objecting party.

(5) Costs and Attorney's Fees:

In the event any party shall ever be required to bring legal proceedings in order to collect any sums due from any other party or any other legal proceeding to enforce any other right under this agreement, then the prevailing party in such action shall also be entitled to recover all court costs, costs of collection, and a reasonable attorney's fee, which the lien provided for herein shall also secure. Venue for all litigation will be Bexar County, Texas.

P. REQUIRED OPERATIONS

Notwithstanding anything contained in this Operating Agreement to the contrary, if, during the term of this Operating Agreement, a proposal is made for the drilling, deepening, reworking, plugging back, sidetracking or recompleting of a well or wells or any other operation proposed or required within ninety (90) days of the expiration of any right and/or interests subject to this Operating Agreement in order to (1) continue a Lease or Leases in force and effect and/or comply with any obligation thereof (2) maintain a unitized area or any portion thereof in force and effect, or (3) earn an interest in and to oil and/or gas and other minerals which may be owned by any third party or preserve any rights to such interest which, failing such operations, would revert to a third party, or (4) comply with an order issued by a regulatory body having jurisdiction over the premises, failing which certain rights would terminate within such period, (hereinafter referred to as "Required Operation") the following shall apply:

Should less than all the parties hereto elect to participate and pay their proportionate part of the costs to be incurred in such Required Operation as elsewhere herein provided, any party(s) desiring to participate shall have the right to do so in the manner provided elsewhere herein, at their sole cost, risk and expense.

Promptly upon commencement of an Required Operation, each party not participating in said Required Operation shall deliver to the party or parties participating in said Required Operation an assignment of all of the right, title and interest of said non-participating party in and to the Leases and/or other rights and interests or portions thereof, which are maintained, perpetuated or earned as a result of said Required Operation, provided however, nothing herein shall require a party to assign an interest in that portion of a Lease already maintained in effect by production or otherwise maintained in effect. The right, title and interest assigned and conveyed shall be shared by the participating parties in the proportion that the interest of each bears to the total interest of all of the participating parties. Upon commencement of the Required Operation the assignment shall be executed and delivered to the participating parties by each party not electing to participate and shall be in form acceptable to the participating party or parties, free and clear of any overriding royalty interest, production payments, mortgages, liens or other encumbrances placed thereupon or arising out of the assigning party's ownership and operations subsequent to the date of this Operating Agreement, with the exception of the lessors' royalties any burdens arising under the Leases covered hereby, but otherwise without warranty of title, either express or implied. The Leases, rights and interests in which an interest is assigned pursuant to the terms hereof shall no longer be subject to this Operating Agreement, but said Leases, rights and interests shall be solely subject to a separate operating agreement which accurately reflects the interests of the party or parties in the Required Operation, and which is otherwise identical to this Operating Agreement. It is agreed that the written notice and/or AFE's covering Required Operations to be sent to the parties for their election to participate therein as provided in Article VI.B.1. will be clearly marked or identified as a proposal for a Required Operation as herein defined.

Q. OBLIGATORY WELL(S)

Each of the DeWitt Earning Wells and the KGW Earning Wells (together "Earning Wells") shall be an Obligatory Well, required by the PSPA to be drilled, and each shall be an Initial Well for purposes of this Operating Agreement.

R. SALE OR ASSIGNMENT OF INTEREST

Any sale, assignment, transfer or disposition of interest hereunder shall be made subject to and in accordance with the terms and provisions hereof and of the agreements and Leases subject hereto. The terms, covenants, and conditions of this agreement shall be covenants running with the lands covered hereby and the leasehold estates therein, and with each sale, assignment, or transfer of said lands or leasehold estates. A sale, assignment or transfer of interest by any party hereto will not relieve or release such party of its obligations previously incurred hereunder. The assigning party shall be and remain liable for the obligations and liabilities incurred by it prior to the date of the sale, assignment or transfer until all monies due and accounts payable accruing to such party out of the development and operations of the Lease(s) subject hereto shall have been paid in full by the party assigning its interest and the Operator has been furnished with a certified copy of the recorded instrument evidencing such sale, assignment or transfer.

S. OPERATOR'S RIGHT TO RECEIVE AND NET OUT REVENUE

In addition to the remedies provided in Article VII.B. and this paragraph, upon default by any Non-Operator, Operator shall have the right (while said Non-Operator is in default, and even if said Non-Operator is taking in kind hereunder) to receive from all purchasers of production the proceeds attributable to the interest of said defaulting Non-Operator(s), and said Non-Operators(s) hereby agree to authorize and direct the purchasers of production to make direct payment to Operator of their respective shares of all proceeds from the sale of production from defaulting parties interests covered by this agreement. Operator is authorized to deduct each month from the proceeds so received from the purchasers of production all operating costs and charges assessable to said Non-Operator(s), permitted under this agreement, and remit to the Non-Operator(s) their respective net share of proceeds.

T. SECURITY INTEREST

Each Non- Operator grants to the Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of the personal property and fixtures on or used in connection therewith, to secure performance of all of its obligations under this agreement, including but not limited to payment of expense, interest and fees, the assignment or relinquishment of interest in oil and gas Leases as required hereunder, the proper performance of operations hereunder and

payment of lease burdens to which such Non-Operator is subject. Such lien and security interest granted by each Non-Operator hereto shall extend not only to such party's oil and gas rights in the Contract Area (which for greater certainty shall include all of each party's leasehold interest, working interest, and operating rights in the Contract Area now owned or hereafter acquired) and in lands pooled or unitized therewith or otherwise becoming subject to this agreement, the oil and gas when extracted, and equipment (including, without limitation, all wells, tools, and tubular goods) and also to all accounts (including, without limitation, accounts arising from the sale of production at the wellhead), contract rights, inventory and general intangibles constituting a part of, relating to or arising out of said oil and gas rights, extracted oil and gas and equipment, or which are otherwise owned or held by any such party and which relate to the Contract Area or any lands pooled or unitized therewith or any lands otherwise now or hereafter subject to this agreement.

Some of the personal property encumbered hereby may become fixtures, and the interest of each party in and to the oil, gas and other hydrocarbons when extracted, and the accounts arising from the sale hereof, may be financed at the well head of the wells located in the Contract Area or on lands pooled or unitized therewith. Further, the lien and security interest of each of said parties shall extend to all proceeds and products of all of the property and collateral described in this paragraph as being subject to said lien and security interest.

The Operator, to the extent it deems necessary to perfect the lien and security agreement provided herein, may file this agreement or a recordable memorandum as a lien or mortgage in the applicable real estate records and, to the extent permitted by law, as a financing statement with the proper officer under the Uniform Commercial Code. Further, each Non-Operator agrees on request of the Operator to execute the attached recordable Memorandum of Operating Agreement attached as Exhibit "I" hereto, or other appropriate instrument in order to perfect the security interest and lien hereby granted under the applicable Uniform Commercial Code or state recording law.

U. SUBSEQUENTLY CREATED INTERESTS

Notwithstanding the provisions of this agreement to the contrary, if any party hereto shall, subsequent to the effective date of this agreement, create an overriding royalty interest, production payment, net proceeds interest, or other similar interest or if such an interest was created prior to the effective date of this agreement but was neither recorded in the County in which the Contract Area is located nor disclosed in writing to all parties hereto at the time of execution hereof (any such interest shall hereafter be referred to as a "Subsequently Created Interest"), such Subsequently Created Interest shall be specifically subject to all of the terms and conditions of this agreement, as follows:

1. If non-consent operations are conducted pursuant to any provision of this agreement, and the party conducting such operations becomes entitled to receive the production attributable to the interest out of which the Subsequently Created Interest is derived, such party shall receive same free and clear of such Subsequently Created Interest. The party creating same shall bear and pay all such Subsequently Created Interests and shall indemnify and hold the other parties hereto free and harmless from any and all liability resulting therefrom.
2. If the owner of the interest from which a Subsequently Created Interest is derived fails to pay, when due, its share of expenses chargeable hereunder, the lien granted the other parties hereto under the provisions of Article VII.B or under the appropriate state statutes shall cover and affect the Subsequently Created Interest and the rights of the parties shall be the same as if the Subsequently Created Interest had not been created.
3. If the owner of the interest from which a Subsequently Created Interest is derived (i) elects to abandon a well under the provisions of Article VI.E hereof, (ii) elects to surrender a Lease (or portion thereof) under the provision of Article VIII.A hereof, (iii) elects not to pay rentals attributable to its interest in any Lease and thereby is required to assign the Lease or that portion or interest therein for which it elects not to pay rentals to those parties paying such rental, or (iv) elects not to participate in a required operation, any assignment resulting from such election shall be free and clear of the Subsequently Created Interest.

The owner creating such Subsequently Created Interest shall indemnify and hold the other parties hereto harmless from any claim or cause of action by the owner of the Subsequently Created Interest.

EXHIBIT E

STATE OF TEXAS

COUNTY OF DEWITT

ASSIGNMENT AND BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS, THAT:

FOR AND IN CONSIDERATION of the sum of Ten and No/100 (\$10.00) Dollars and other good and valuable consideration, and the agreements set forth below, the receipt and sufficiency of which are hereby acknowledged,

MATADOR RESOURCES COMPANY, whose mailing address is One Lincoln Centre, 5400 LBJ Freeway, Suite 1500, Dallas, Texas 75240, appearing herein through its duly authorized representative ("Assignor"),

does hereby sell, transfer, assign, convey and deliver unto:

ORCA ICI DEVELOPMENT, JV, a Texas general partnership, whose mailing address is 5005 Riverway, Suite 440, Houston, Texas 77056, appearing herein through its duly authorized representative ("Assignee"),

- (a) an undivided five percent (5%) working interest in and to the oil, gas and mineral leases and subleases, including renewals, extensions, ratifications and amendments to such leases and subleases, described in Exhibit A attached hereto (the "Leases") INsofar AND ONLY INsofar as such Leases cover (i) the wellbore of the ***[DeWitt Earning Well reaching 500,000 BOE]***, Wellbore API No. (the "Well"), situated in DeWitt County, Texas, and (ii) cover or relate to all intervals, formations, strata and depths located in the stratigraphic equivalent of the [formation into which such well was completed in accordance with Section 11(e) of the Purchase Sale and Participation Agreement between the parties], (b) 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 within the drilling and spacing unit established for the Well by the Texas Railroad Commission (the "Hydrocarbons"), (c) all tangible personal property situated at, or used in connection with, the Well, including, without limitation, all facilities, foundations, surface equipment, down-hole equipment, tanks, pumps, compressors, separators, gathering lines, gas lines, water lines, pipelines, buildings, inventory and all other tangible property used or obtained in connection with the Well (the "Equipment"), limited, however, to the Equipment for which Assignee incurred and paid, or Assignor incurred, carried and paid on behalf of Assignee, a portion of the expenses related thereto and (d) all rights-of-way, easements, surface use agreements, salt water disposal well agreements, permits and division orders (collectively, the "Agreements"), limited, however, to the Agreements for which Assignee incurred and paid, or Assignor incurred, carried and paid on behalf of Assignee, a portion of the expenses relating thereto (such undivided 5% interest in all of the property and rights described in clauses (a) through (d) is referred to as the "Interests").

TO HAVE AND TO HOLD the Interests unto Assignee, its successors and assigns, forever.

This Assignment and Bill of Sale is made subject to the following:

1. This Assignment and Bill of Sale is made and accepted without any representation or warranty, express or implied, relating to the fitness for particular use or physical condition of the Equipment; it being understood that the Interests in the Equipment are conveyed "AS IS, WHERE IS", Assignee hereby acknowledging reliance solely upon its own inspection of the Equipment, and not on any warranties or representations as to the fitness for particular use or physical condition of the Equipment from Assignor.
2. Assignor does hereby bind itself, its successors and assigns, to warrant and forever defend all and singular title to the Interests unto Assignee against every person whomsoever lawfully claiming or to claim the same or any part thereof, by, through or

under Assignor, but not otherwise. Assignor represents and warrants that the Interests are free and clear of any liens, security interests, mortgages or other encumbrances created by, through or under Assignor, but not otherwise.

3. Except for the Interests conveyed hereunder, Assignor otherwise retains and reserves unto itself and excludes from this conveyance all of Assignor's right, title and interest in the Leases, Well, Hydrocarbons, Equipment and Agreements.
4. This Assignment and Bill of Sale is executed and delivered in accordance with the requirements of and subject to the terms and provisions of that certain Purchase, Sale and Participation Agreement dated as of May 16, 2011, by and between Orca ICI Development, JV and Orca Assets GP, LLC, collectively, as Seller, and Matador Resources Company, as Buyer, and that certain Joint Operating Agreement dated as of May __, 2011 between the same parties. It is also subject to **[list other agreements, if applicable, such as unit agreements, orders and decisions of regulatory authorities establishing or relating to units, unit operating agreements, operating agreements, communitization agreements, gas purchase agreements, oil purchase agreements, gathering agreements, transportation agreements, processing or treating agreements, farmout agreements and farmin agreements and any other agreements relating to the Leases, Well and Hydrocarbons]**.
5. The Interests conveyed hereby shall bear their proportionate part of all royalties, overriding royalties and all other burdens on production from the Well reflected in the deed records of the county in which the Wells is located, which burdens on each of the Leases shall equal 5% of 8/8ths in the aggregate.
6. The Interests may be further assigned by Assignee and the terms and provisions of this Assignment and Bill of Sale shall be covenants running with the land and shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.
7. Assignor shall execute, acknowledge and deliver to Assignee such further instruments, and take such other action, as may be reasonably requested to more effectively assure to said party all of the properties, rights, titles and interests intended to be assigned and conveyed hereby.

SIGNATURE PAGE TO FOLLOW

MATADOR RESOURCES COMPANY

By: _____
Name: _____
Title: _____

ORCA ICI DEVELOPMENT, JV

By: ORCA ASSETS GP, LLC,
Managing Partner

By: _____
Name: _____
Title: _____

ACKNOWLEDGEMENTS

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BE IT KNOWN, that on this day of , 201 , before me, the undersigned notary public, personally came and appeared , to me personally known, who, being by me first duly sworn, did depose and say that he is the of **Matador Resources Company**, a Texas corporation, and that the said instrument was signed on behalf of said corporation with due authorization and acknowledged same as the free act and deed of said corporation.

NOTARY PUBLIC in and for the State of Texas
Name: _____
Commission Expires: _____
Notary No.: _____

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

BE IT KNOWN, that on this day of , 201 , before me, the undersigned notary public, personally came and appeared , to me personally known, who, being by me first duly sworn, did depose and say that he is the of **Orca ICI Development, JV**, a Texas general partnership, and that the said instrument was signed on behalf of said partnership with due authorization and acknowledged same as the free act and deed of said partnership.

NOTARY PUBLIC in and for the State of Texas
Name: _____
Commission Expires: _____
Notary No.: _____

EXHIBIT F

STATE OF TEXAS §
 §
COUNTY OF DEWITT §

ASSIGNMENT AND BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS, THAT:

FOR AND IN CONSIDERATION of the sum of Ten and No/100 (\$10.00) Dollars and other good and valuable consideration, and the agreements set forth below, the receipt and sufficiency of which are hereby acknowledged,

MATADOR RESOURCES COMPANY, whose mailing address is One Lincoln Centre, 5400 LBJ Freeway, Suite 1500, Dallas, Texas 75240, appearing herein through its duly authorized representative ("Assignor"),

does hereby sell, transfer, assign, convey and deliver unto:

ORCA ICI DEVELOPMENT, JV, a Texas general partnership, whose mailing address is 5005 Riverway, Suite 440, Houston, Texas 77056, appearing herein through its duly authorized representative ("Assignee"),

- (a) an undivided fifteen percent (15%) working interest in and to the oil, gas and mineral leases and subleases, including renewals, extensions, ratifications and amendments to such leases and subleases, described in Exhibit A attached hereto (the "Leases") INSOFAR AND ONLY INSOFAR as such Leases cover (i) the wellbore of the ***[DeWitt Earning Well reaching 750,000 BOE]***, Wellbore API No. (the "Well"), situated in DeWitt County, Texas, and (ii) cover or relate to all intervals, formations, strata and depths located in the stratigraphic equivalent of the [formation into which such well was completed in accordance with Section 11(e) of the Purchase Sale and Participation Agreement between the parties], (b) 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 within the drilling and spacing unit established for the Well by the Texas Railroad Commission (the "Hydrocarbons"), (c) all tangible personal property situated at, or used in connection with, the Well, including, without limitation, all facilities, foundations, surface equipment, down-hole equipment, tanks, pumps, compressors, separators, gathering lines, gas lines, water lines, pipelines, buildings, inventory and all other tangible property used or obtained in connection with the Well (the "Equipment"), limited, however, to the Equipment for which Assignee incurred and paid, or Assignor incurred, carried and paid on behalf of Assignee, a portion of the expenses related thereto and (d) all rights-of-way, easements, surface use agreements, salt water disposal well agreements, permits and division orders (collectively, the "Agreements"), limited, however, to the Agreements for which Assignee incurred and paid, or Assignor incurred, carried and paid on behalf of Assignee, a portion of the expenses relating thereto (such undivided 15% interest in all of the property and rights described in clauses (a) through (d) is referred to as the "Interests").

TO HAVE AND TO HOLD the Interests unto Assignee, its successors and assigns, forever.

This Assignment and Bill of Sale is made subject to the following:

1. This Assignment and Bill of Sale is made and accepted without any representation or warranty, express or implied, relating to the fitness for particular use or physical condition of the Equipment; it being understood that the Interests in the Equipment are conveyed "AS IS, WHERE IS", Assignee hereby acknowledging reliance solely upon its own inspection of the Equipment, and not on any warranties or representations as to the fitness for particular use or physical condition of the Equipment from Assignor.
2. Assignor does hereby bind itself, its successors and assigns, to warrant and forever defend all and singular title to the Interests unto Assignee against every person whomsoever lawfully claiming or to claim the same or any part thereof, by, through or

under Assignor, but not otherwise. Assignor represents and warrants that the Interests are free and clear of any liens, security interests, mortgages or other encumbrances created by, through or under Assignor, but not otherwise.

3. Except for the Interests conveyed hereunder, Assignor otherwise retains and reserves unto itself and excludes from this conveyance all of Assignor's right, title and interest in the Leases, Well, Hydrocarbons, Equipment and Agreements.
4. This Assignment and Bill of Sale is executed and delivered in accordance with the requirements of and subject to the terms and provisions of that certain Purchase, Sale and Participation Agreement dated as of May 16, 2011, by and between Orca ICI Development, JV and Orca Assets GP, LLC, collectively, as Seller, and Matador Resources Company, as Buyer, and that certain Joint Operating Agreement dated as of May __, 2011 between the same parties. It is also subject to **[list other agreements, if applicable, such as unit agreements, orders and decisions of regulatory authorities establishing or relating to units, unit operating agreements, operating agreements, communitization agreements, gas purchase agreements, oil purchase agreements, gathering agreements, transportation agreements, processing or treating agreements, farmout agreements and farmin agreements and any other agreements relating to the Leases, Well and Hydrocarbons]**.
5. The Interests conveyed hereby shall bear their proportionate part of all royalties, overriding royalties and all other burdens on production from the Well reflected in the deed records of the county in which the Wells is located, which burdens on each of the Leases shall equal 15% of 8/8ths in the aggregate.
6. The Interests may be further assigned by Assignee and the terms and provisions of this Assignment and Bill of Sale shall be covenants running with the land and shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.
7. Assignor shall execute, acknowledge and deliver to Assignee such further instruments, and take such other action, as may be reasonably requested to more effectively assure to said party all of the properties, rights, titles and interests intended to be assigned and conveyed hereby.

SIGNATURE PAGE TO FOLLOW

MATADOR RESOURCES COMPANY

By: _____
Name:
Title:

ORCA ICI DEVELOPMENT, JV

By: ORCA ASSETS GP, LLC

By: _____
Name: _____
Title: _____

ACKNOWLEDGEMENTS

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BE IT KNOWN, that on this day of , 201 , before me, the undersigned notary public, personally came and appeared , to me personally known, who, being by me first duly sworn, did depose and say that he is the of **Matador Resources Company**, a Texas corporation, and that the said instrument was signed on behalf of said corporation with due authorization and acknowledged same as the free act and deed of said corporation.

NOTARY PUBLIC in and for the State of Texas
Name: _____
Commission Expires: _____
Notary No.: _____

STATE OF TEXAS §
 §
COUNTY OF §

BE IT KNOWN, that on this day of , 201 , before me, the undersigned notary public, personally came and appeared , to me personally known, who, being by me first duly sworn, did depose and say that he is the of **Orca ICI Development, JV**, a Texas general partnership, and that the said instrument was signed on behalf of said partnership with due authorization and acknowledged same as the free act and deed of said partnership.

NOTARY PUBLIC in and for the State of Texas
Name: _____
Commission Expires: _____
Notary No.: _____

EXHIBIT G

STATE OF TEXAS §
 §
COUNTY OF _____ §

ASSIGNMENT AND BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS, THAT:

FOR AND IN CONSIDERATION of the sum of Ten and No/100 (\$10.00) Dollars and other good and valuable consideration, and the agreements set forth below, the receipt and sufficiency of which are hereby acknowledged,

MATADOR RESOURCES COMPANY, whose mailing address is One Lincoln Centre, 5400 LBJ Freeway, Suite 1500, Dallas, Texas 75240, appearing herein through its duly authorized representative (“Assignor”),

does hereby sell, transfer, assign, convey and deliver unto:

ORCA ICI DEVELOPMENT, JV, a Texas general partnership, and ORCA ASSETS GP, LLC, a Texas limited liability company, collectively, whose mailing address is 5005 Riverway, Suite 440, Houston, Texas 77056, each appearing herein through duly authorized representative (“Assignee”),

- (a) an undivided twenty five percent (25%) working interest in and to the oil, gas and mineral leases and subleases, including renewals, extensions, ratifications and amendments to such leases and subleases, described in Exhibit A attached hereto (the “Leases”) INSO FAR AND ONLY INSO FAR as such Leases cover (i) the wellbore of the ***IKGW Earning Well***, Wellbore API No. (the “Well”), situated in County, Texas, and (ii) 110 acres surrounding the wellbore for such Well in the form of a rectangle with the Well in the center, (b) 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 within the drilling and spacing unit established for the Well by the Texas Railroad

Commission (the "Hydrocarbons"), (c) all tangible personal property situated at, or used in connection with, the Well, including, without limitation, all facilities, foundations, surface equipment, down-hole equipment, tanks, pumps, compressors, separators, gathering lines, gas lines, water lines, pipelines, buildings, inventory and all other tangible property used or obtained in connection with the Well (the "Equipment"), limited, however, to the Equipment for which Assignee incurred and paid, or Assignor incurred, carried and paid on behalf of Assignee, a portion of the expenses related thereto and (d) all rights-of-way, easements, surface use agreements, salt water disposal well agreements, permits and division orders (collectively, the "Agreements"), limited, however, to the Agreements for which Assignee incurred and paid, or Assignor incurred, carried and paid on behalf of Assignee, a portion of the expenses relating thereto (such undivided 25% interest in all of the property and rights described in clauses (a) through (d) is referred to as the "Interests").

TO HAVE AND TO HOLD the Interests unto Assignee, its successors and assigns, forever.

This Assignment and Bill of Sale is made subject to the following:

1. This Assignment and Bill of Sale is made and accepted without any representation or warranty, express or implied, relating to the fitness for particular use or physical condition of the Equipment; it being understood that the Interests in the Equipment are conveyed "AS IS, WHERE IS" Assignee hereby acknowledging reliance solely upon its own inspection of the Equipment, and not on any warranties or representations as to the fitness for particular use or physical condition of the Equipment from Assignor.
2. Assignor does hereby bind itself, its successors and assigns, to warrant and forever defend all and singular title to the Interests unto Assignee against every person whomsoever lawfully claiming or to claim the same or any part thereof, by, through or under Assignor, but not otherwise. Assignor represents and warrants that the Interests are free and clear of any liens, security interests, mortgages or other encumbrances created by, through or under Assignor, but not otherwise.

3. Except for the Interests conveyed hereunder, Assignor otherwise retains and reserves unto itself and excludes from this conveyance all of Assignor's right, title and interest in the Leases, Well, Hydrocarbons, Equipment and Agreements.
4. This Assignment and Bill of Sale is executed and delivered in accordance with the requirements of and subject to the terms and provisions of that certain Purchase, Sale and Participation Agreement dated as of May __, 2011, by and between Orca ICI Development, JV and Orca Assets GP, LLC, collectively, as Seller, and Matador Resources Company, as Buyer, and that certain Joint Operating Agreement dated as of May __, 2011 between the same parties. It is also subject to [list other agreements, if applicable, such as unit agreements, orders and decisions of regulatory authorities establishing or relating to units, unit operating agreements, operating agreements, communitization agreements, gas purchase agreements, oil purchase agreements, gathering agreements, transportation agreements, processing or treating agreements, farmout agreements and farmin agreements and any other agreements relating to the Leases, Well and Hydrocarbons].
5. The Interests conveyed hereby shall bear their proportionate part of all royalties, overriding royalties and all other burdens on production from the Well reflected in the deed records of the county in which the Wells is located, which burdens on each of the Leases shall equal 25% of 8/8ths in the aggregate.
6. The Interests may be further assigned by Assignee and the terms and provisions of this Assignment and Bill of Sale shall be covenants running with the land and shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.
7. Assignor shall execute, acknowledge and deliver to Assignee such further instruments, and take such other action, as may be reasonably requested to more effectively assure to said party all of the properties, rights, titles and interests intended to be assigned and conveyed hereby.

SIGNATURE PAGE TO FOLLOW

IN WITNESS WHEREOF, this instrument is executed by the parties as of _____, 201__ .

MATADOR RESOURCES COMPANY

By: _____
Name: _____
Title: _____

ORCA ICI DEVELOPMENT, JV

By: _____
Name: _____
Title: _____

ORCA ASSETS GP, LLC

By: _____
Name: _____
Title: _____

ACKNOWLEDGEMENTS

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BE IT KNOWN, that on this day of , 201 , before me, the undersigned notary public, personally came and appeared , to me personally known, who, being by me first duly sworn, did depose and say that he is the of Matador Resources Company, a Texas corporation, and that the said instrument was signed on behalf of said corporation with due authorization and acknowledged same as the free act and deed of said corporation.

NOTARY PUBLIC in and for the State of Texas
Name: _____
Commission Expires: _____
Notary No.: _____

STATE OF TEXAS §
 §
COUNTY OF _____ §

BE IT KNOWN, that on this day of , 201 , before me, the undersigned notary public, personally came and appeared , to me personally known, who, being by me first duly sworn, did depose and say that he is the of **Orca ICI Development, JV**, a Texas general partnership, and that the said instrument was signed on behalf of said partnership with due authorization and acknowledged same as the free act and deed of said partnership.

NOTARY PUBLIC in and for the State of Texas
Name: _____
Commission Expires: _____
Notary No.: _____

STATE OF TEXAS §
 §
COUNTY OF _____ §

BE IT KNOWN, that on this day of , 201 , before me, the undersigned notary public, personally came and appeared , to me personally known, who, being by me first duly sworn, did depose and say that he is the of **Orca Assets GP, LLC**, a Texas limited liability company, and that the said instrument was signed on behalf of said limited liability company with due authorization and acknowledged same as the free act and deed of said limited liability company.

NOTARY PUBLIC in and for the State of Texas
Name: _____
Commission Expires: _____
Notary No.: _____

EXHIBIT H

STATE OF TEXAS §
 §
COUNTY OF _____ §

REASSIGNMENT AND BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS, that for and in consideration of the sum of Ten and No/100 Dollars (\$10.00), cash in hand paid, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged and for which full acquittance and discharge is hereby granted,

MATADOR RESOURCES COMPANY, a Texas corporation, whose mailing address is One Lincoln Centre, 5400 LBJ Freeway, Suite 1500, Dallas, TX 75240, appearing herein through its duly authorized representative (“**Assignor**”)

does hereby grant, sell, transfer, assign, convey and deliver unto:

ORCA ICI DEVELOPMENT, JV, a Texas general partnership, whose mailing address is 5005 Riverway, Suite 440, Houston, Texas 77056, appearing herein through its duly authorized representative (“**Assignee**”)

an undivided Twenty-Five Percent (25%) interest in the following leases, hereinafter called the “**KGW Leases**” (the “**Assigned Interest**”):

See attached Exhibit A

TO HAVE AND TO HOLD the Assigned Interest unto Assignee, its successors and assigns, forever.

This reassignment (this “**Reassignment**”) is made and accepted subject to the following:

1. This Reassignment is made by Assignor and accepted by Assignee without any representation or warranty, express, implied or statutory, relating to the fitness for particular use or physical condition of any well on the KGW Leases or the equipment related thereto, it being understood that the interest in any such well and the equipment is conveyed “AS IS, WHERE IS,” and WITH ALL FAULTS, without any warranties, express or implied or statutory, all of which are expressly disclaimed. Assignee hereby acknowledges reliance solely upon its own inspection of such wells, and not on any warranties or representations as to the fitness for particular use or physical condition of such wells from Assignor.
2. This Reassignment is made by Assignor and accepted by Assignee without any warranty of title, either express or implied, and without recourse, except that Assignor warrants title as to all parties claiming by, through or under Assignor, free and clear of all encumbrances, but is made with full substitution and subrogation in and to all of Assignor’s rights and actions of warranty.
3. This Reassignment is executed and delivered in accordance with the terms and provisions of that certain Purchase, Sale and Participation Agreement dated as of May __, 2011, by and between Assignee, as Seller, and Assignor, as Buyer (the “**Purchase, Sale and Participation Agreement**”). Capitalized terms not otherwise defined herein have the meaning assigned to them in the Purchase, Sale and Participation Agreement.
4. This Reassignment is made subject to all of the terms, conditions and obligations contained in the KGW Leases and Assignee assumes its proportionate share of any obligations thereunder, to the extent of the Assigned Interest.

5. This Reassignment is made subject to all of the terms, covenants, conditions and provisions of that certain Operating Agreement dated May , 2011 by and between Assignor and Assignee as non-operators and Assignor's affiliate Matador Production Company as operator.

6. This Reassignment is made subject to all existing royalty and overriding royalty burdens applicable to the KGW Leases in existence as of the date of this Reassignment and which are of record or of which Assignee has actual or constructive notice.

7. This Reassignment is made subject to all of the applicable rules, regulations, or laws of and, if applicable, approval by any federal, state or municipal agency or body having jurisdiction over the KGW Leases.

8. The terms, provisions, conditions, covenants and obligations of this Reassignment shall constitute real obligations correlative and incidental to the rights assigned and reserved herein and shall inure to the benefit of and be binding upon Assignor and Assignee, and their respective successors and assigns. Any successor owner to any of the rights assigned or reserved herein shall expressly agree to be bound by the terms, provisions, conditions, covenants and obligations of this Reassignment, to the extent of the Assigned Interest.

Assignor and Assignee agree to execute and deliver such other and further instruments and will do such other and further acts as may be necessary or desirable to carry out more effectively the intents and purposes of this Reassignment.

This Reassignment, including all of the terms, conditions, covenants, limitations and provisions, shall be considered covenants running with the KGW Leases and the lands covered thereby and shall bind and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

This Reassignment is made with full substitution and subrogation of Assignee, its legal representatives, successors and assigns in and to all covenants and warranties heretofore given or made in respect to any of the Assigned Interest, and Assignor hereby assigns and conveys to Assignee all such covenants and warranties and all of Assignor's rights thereunder which correspond to the Assigned Interest conveyed to Assignee hereunder.

This Reassignment may be executed in any number of counterparts and each counterpart shall be deemed to be an original instrument, but all such counterparts shall constitute but one instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, this Reassignment is executed by the parties on the dates set forth in their respective acknowledgements hereto.

ASSIGNOR:

MATADOR RESOURCES COMPANY

By: _____
Name: _____
Title: _____

ASSIGNEE:

ORCA ICI DEVELOPMENT, JV

By: ORCA ASSETS GP, LLC

By: _____
Name: _____
Title: _____

ACKNOWLEDGEMENTS

STATE OF TEXAS §
§
COUNTY OF _____ §

The foregoing instrument was acknowledged before me on this _____ day of _____, 201____, by _____ as _____ of MATADOR RESOURCES COMPANY, a Texas corporation, and on behalf of said corporation.

Notary Public, State of Texas

STATE OF TEXAS §
§
COUNTY OF _____ §

The foregoing instrument was acknowledged before me on this _____ day of _____, 201____, by _____ as _____ of ORCA ASSETS GP, LLC, a Texas limited liability company, as managing partner of ORCA ICI DEVELOPMENT, JV, a Texas general partnership, and on behalf of said partnership.

Notary Public, State of Texas

EXHIBIT A
Description of KGW Leases

[insert schedule of KGW Leases]

INSOFAR AND ONLY INSOFAR AS the KGW Leases do not provide rights in and to the wellbore of any of the KGW Earning Wells or the 110 acres surrounding the wellbore for such KGW Earning Wells in the form of a rectangle with the KGW Earning Well in the center, previously assigned to Assignee.

EXHIBIT I

STATE OF TEXAS §
COUNTY OF DEWITT §
COUNTY OF KARNES §
COUNTY OF GONZALES §
COUNTY OF WILSON §

ASSIGNMENT, CONVEYANCE AND BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS, that for and in consideration of the sum of Ten and No/100 Dollars (\$10.00), cash in hand paid, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged and for which full acquittance and discharge is hereby granted,

ORCA ICI DEVELOPMENT, JV, a Texas general partnership, whose mailing address is 5005 Riverway, Suite 440, Houston, Texas 77056, appearing herein through its duly authorized representative (“**Assignor**”)

does hereby grant, sell, transfer, assign, convey and deliver unto:

MATADOR RESOURCES COMPANY, a Texas corporation, whose mailing address is One Lincoln Centre, 5400 LBJ Freeway, Suite 1500, Dallas, TX 75240, appearing herein through its duly authorized representative (“**Assignee**”)

(i) an undivided Fifty Percent (50%) of 8/8ths of Assignor’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 Assignment, 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 Assignment 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 (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) One Hundred Percent (100%) of 8/8ths of Assignor’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 Assignment, 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 Assignment 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 (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) (all of the interests described in Section (i) and Section (ii), hereinafter the “**Assigned Interest**”);

TO HAVE AND TO HOLD the Assigned Interest unto Assignee, its successors and assigns, forever.

This Assignment (this “**Assignment**”) is made and accepted subject to the following:

1. This Assignment is made by Assignor and accepted by Assignee without any warranty of title, either express or implied, and without recourse, except that Assignor warrants title as to all parties claiming by, through or under Assignor free and clear of all encumbrances, but is made with full substitution and subrogation in and to all of Assignor’s rights and actions of warranty.

2. This Assignment is executed and delivered in accordance with the terms and provisions of that certain Purchase, Sale and Participation Agreement dated as of May __, 2011, by and between Assignor, as Seller, and Assignee, as Buyer (the “**Purchase, Sale and Participation Agreement**”). Capitalized terms not otherwise defined herein have the meaning assigned to them in the Purchase, Sale and Participation Agreement.

3. This Assignment is made subject to all of the terms, conditions and obligations contained in the Leases and Assignee assumes its proportionate share of any obligations thereunder, to the extent of the Assigned Interest.

4. This Assignment is made subject to all of the terms, covenants, conditions and provisions of that certain Operating Agreement dated May __, 2011 by and between Assignor and Assignee as non-operators and Assignee’s affiliate Matador Production Company as operator.

5. This Assignment is made subject to all existing royalty and overriding royalty burdens applicable to the Leases in existence as of the date of this Assignment and which are of record or of which Assignee has actual or constructive notice.

6. This Assignment is made subject to all of the applicable rules, regulations or laws of and, if applicable, approval by any federal, state or municipal agency or body having jurisdiction over the Leases.

7. The terms, provisions, conditions, covenants and obligations of this Assignment shall constitute real obligations correlative and incidental to the rights assigned and reserved herein and shall inure to the benefit of and be binding upon Assignor and Assignee, and their respective successors and assigns. Any successor owner to any of the rights assigned or reserved herein shall expressly agree to be bound by the terms, provisions, conditions, covenants and obligations of this Assignment, to the extent of the Assigned Interest.

Assignor and Assignee agree to execute and deliver such other and further instruments and will do such other and further acts as may be necessary or desirable to carry out more effectively the intents and purposes of this Assignment.

This Assignment, including all of the terms, conditions, covenants, limitations and provisions, shall be considered covenants running with the Leases and the lands covered thereby and shall bind and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

This Assignment is made with full substitution and subrogation of Assignee, its legal representatives, successors and assigns in and to all covenants and warranties heretofore given or made in respect to any of the Assigned Interest, and Assignor hereby assigns and conveys to Assignee all such covenants and warranties and all of Assignor’s rights thereunder which correspond to the Assigned Interest conveyed to Assignee hereunder.

This Assignment may be executed in any number of counterparts and each counterpart shall be deemed to be an original instrument, but all such counterparts shall constitute but one instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, this Assignment is executed by the parties on the dates set forth in their respective acknowledgements hereto.

ASSIGNOR:

ORCA ICI DEVELOPMENT, JV

By: _____
Name: _____
Title: _____

ORCA ASSETS GP, LLC

By: _____
Name: _____
Title: _____

ASSIGNEE:

MATADOR RESOURCES COMPANY

By: _____
Name: _____
Title: _____

ACKNOWLEDGEMENTS

STATE OF TEXAS §
 §
COUNTY OF §

The foregoing instrument was acknowledged before me on this day of , 201 , by as of ORCA ASSETS GP, LLC, a Texas limited liability company, as managing partner of ORCA ICI DEVELOPMENT, JV, a Texas general partnership, and on behalf of said partnership.

Notary Public, State of Texas

STATE OF TEXAS §
 §
COUNTY OF §

The foregoing instrument was acknowledged before me on this day of , 201 , by as of MATADOR RESOURCES COMPANY, a Texas corporation, and on behalf of said corporation.

Notary Public, State of Texas

		ARRAY INDUCTION DUAL SPACED NEUTRON SPECTRAL DENSITY LOG			
		COMPANY ORCA OPERATING COMPANY, LLC WELL FRANCES LEWTON 1H FIELD DE WITT (EAGLEFORD) COUNTY DE WITT STATE TEXAS			
ORCA OPERATING COMPANY, LLC COMPANY WELL FIELD COUNTY STATE	APR No. 421202414 Location 3497 N.W. & 10257 E. OF THE WC CO. J. 2E SURVEY, A-208		Other Services OGMT CSNG WEST		
	Permament Status CA Log Measured from DP Collg. measured from DP Date 20-Mar-11 Run No. 0082 Depth - Dblwr 13170.00 S Depth - Logger 13168.0 E Station - Logged Interval 13158 S Top - Logged Interval 4611 E Casing - Outer 11795.00 @ 4074.0 E Casing - Logger 4911.0 E Bit Size 8 7/8 in Type Fluid in Hole Oil, BRNED MUD Density P. Viscosity 10.0 ppg 45.00 cP Acidity P. Viscosity 5.00 cP ITHP @ Meas. Temperature 5.0 cfm @ 350.00 degF Solids wt% Material 15.0 % BARTITE Oil Water Ratio 80 20 Water Phase Density 88079.00 ppm Co Oil Type Brand Type DIESEL CACLD Electrical Stability 100 V Time Since Circulation 18.0 hr Time on Bottom 20-Mar-11 09:56 Max. Meas. Temperature 350.0 degF @ 13168.0 E Equipment Location 19842600 CALDWELL Recorded By P. HART	Well State County Depth - Dblwr Depth - Logger Station - Logged Interval Top - Logged Interval Casing - Outer Casing - Logger Bit Size Type Fluid in Hole Density Acidity ITHP @ Meas. Temperature Solids Oil Water Phase Density Oil Type Electrical Stability Time Since Circulation Time on Bottom Max. Meas. Temperature Equipment Recorded By			

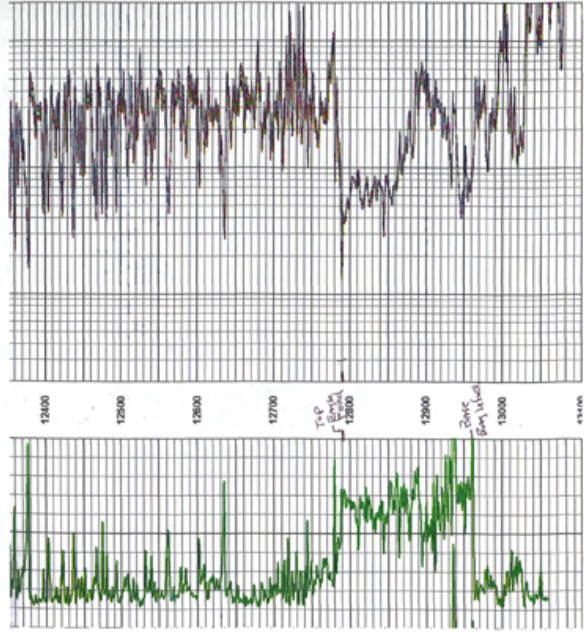


EXHIBIT "K"

**Attached to and made a part of that certain
Purchase, Sale and Participation Agreement, dated May 16th, 2011
by and among Orca ICI Development, JV and Matador Resources Company**

"Other Obligations"

1. Those certain operational requirements and obligations under that certain Oil, Gas and Mineral Lease dated October 1, 2010, between Susan Cooper Weaver, Trustee of (i) the Susan Cooper Weaver – Dewitt Trust, (ii) the Robert Clayton Weaver – Dewitt Trust, (iii) the Benjamin Cole Weaver – Dewitt Trust, (iv) the Kathryn Avery Weaver – Dewitt Trust, (v) the Charles Ryan Weaver – Dewitt Trust, and (vi) the Jack Harrison Weaver – Dewitt Trust, as Lessor, and Orca Assets GP, LLC, as Lessee, as memorialized in that certain Memorandum of Oil, Gas and Mineral Lease dated October 1, 2010, executed by said Lessor and Lessee, and recorded as Instrument No. 71978, Official Public Records of DeWitt County, Texas, and in Volume 325, Page 308, Official Public Records of DeWitt County, Texas.

Exhibit L
EXHIBIT “ ”

ATTACHED TO AND MADE A PART OF THAT CERTAIN
AGREEMENT DATED , 2011, AMONG , AS
, AND , AS

TAX PARTNERSHIP AGREEMENT

1. GENERAL PROVISIONS

1.1 Designation of Documents. This exhibit is referred to in, and is part of, that certain Agreement identified above. Such agreement (including all exhibits thereto, other than this exhibit) shall be hereinafter referred to as the “Agreement,” and this exhibit is hereinafter referred to as this “Exhibit.” Except as may be otherwise provided in this Exhibit, terms defined and used in the Agreement shall have the same meaning when used herein.

1.2 Relationship of the Parties. The parties to the Agreement shall be hereinafter referred to as “Party” or collectively as “Parties.” The Parties understand and agree that the arrangement and undertakings evidenced by the Agreement result in a partnership for purposes of federal income taxation and certain state income tax laws which incorporate or follow federal income tax principles as to tax partnerships. Such partnership for tax purposes is hereinafter referred to as the “Partnership.” For every other purpose of the Agreement, the Parties understand and agree that their legal relationship to each other under applicable state law with respect to all property subject to the Agreement is one of tenants in common, or undivided interest owners, or lessee(s)-sublessee(s) and not a partnership; that the liabilities of the Parties shall be several and not joint or collective; and that each Party shall be responsible solely for its obligations.

1.3 Priority of Provisions of this Exhibit. If there is a conflict or inconsistency, whether direct or indirect, actual or apparent, between the terms and conditions of this Exhibit and the terms and conditions of the Agreement, the terms and conditions of this Exhibit shall govern and control unless specifically provided otherwise in the Agreement.

1.4 Survivorship.

1.4.1 Any termination of the Agreement shall not affect the continuing application of these Partnership provisions for the termination and liquidation of the Partnership.

1.4.2 Any termination of the Agreement shall not affect the continuing application of these Partnership provisions for the resolution of all matters regarding federal and state income reporting.

1.4.3 These Partnership provisions shall inure to the benefit of, and be binding upon, the Parties hereto and their successors and assigns.

1.5 Term. The effective date of the Partnership shall be the effective date of the Agreement. The Partnership shall continue in full force and effect from, and after such date, until termination and liquidation of the Partnership.

2. INCOME TAX COMPLIANCE AND CAPITAL ACCOUNTS

2.1 Tax Returns. The Tax Matters Partner (“TMP”), as designated in Section 3.1, shall prepare and file all required federal and state partnership income tax returns. The TMP shall use all reasonable efforts to furnish, within thirty (30) days prior to the due date (with extensions) of each return, a copy of the tax return as proposed. The TMP shall also use reasonable efforts to provide such other information as may be requested by any other Party to enable the requesting Party to compute estimated quarterly taxable income of the Partnership.

2.2 Fair Market Value Capital Accounts. The TMP shall establish and maintain for each Party fair market value (“FMV”) capital accounts and tax basis capital accounts. Upon request, the TMP shall submit to the requesting Party, along with a copy of any proposed Partnership income tax return, an accounting of such Party’s FMV capital accounts as of the end of the return period.

2.3 Information Requests. Each Party agrees to furnish to the TMP not later than sixty (60) days before the return due date (including extensions) such information relating to the operations conducted under this Agreement as may be required for the proper preparation of such returns and capital accounts.

2.4 **Fiscal Year.** The fiscal year of the Partnership shall end on December 31 of each year.

3. TAX MATTERS PARTNER

3.1 **Tax Matters Partner.** is designated TMP as defined in Internal Revenue Code (the "Code") §6231(a)(7). In the event of any change in the TMP, the Party serving as TMP at the beginning of a given taxable year shall continue as TMP with respect to all matters concerning such year. The TMP and other Parties shall use their best efforts to comply with responsibilities outlined in this Exhibit and Code §§6222 through 6233 and 6050K (and the Treasury Regulations thereunder). Notwithstanding the TMP's obligation to use its best efforts in the fulfillment of its responsibilities, the TMP shall not be required to incur any expenses for the preparation for, or pursuance of, administrative or judicial proceedings, unless the Parties agree on a method for sharing such expenses. TMP shall be reimbursed for expenses incurred in fulfilling the requirements of this Exhibit as provided for in the Agreement.

3.2 **Information Request by the TMP.** The Parties shall furnish the TMP, within two weeks from the receipt of the request, the information (including information specified in Code §§6230(e) on partner identification and 6050K for transfers of Partnership interests) the TMP may reasonably request to comply with the requirements on furnishing information to the Internal Revenue Service ("IRS").

3.3 TMP Agreements with IRS.

3.3.1 The TMP shall not agree to any extension of the statute of limitations for making assessments on behalf of the Partnership without first obtaining the written consent of the other Parties. The TMP shall not bind any other Party to a settlement agreement in tax audits without obtaining the written concurrence of such Party.

3.3.2 In the event that any other Party enters into a settlement agreement with the Secretary of the Treasury with respect to any Partnership items, as defined in Code §6231(a)(3), such Party shall notify the TMP of the terms within ninety (90) days from the date of such settlement.

3.4 **Inconsistent Treatment of Partnership Items.** If any Party intends to file a notice of inconsistent treatment under Code §6222(b), such Party shall, prior to the filing of such notice, notify the TMP of the (actual or potential) inconsistency of the Party's intended treatment of a Partnership item with the treatment of that item by the Partnership. If an inconsistency notice is filed solely because a Party has not received a Schedule K-1 in time for filing of its income tax return, the TMP need not be notified.

3.5 **Request for Administrative Adjustment.** No Party shall file pursuant to Code §6227 a request for an administrative adjustment of Partnership items without first notifying the other Parties. If the other Parties agree with the requested adjustment, the TMP shall file the request on behalf of the Partnership. If consent is not obtained within thirty (30) days from such notice, or within the period required to timely file the request, if shorter, any Party, including the TMP, may file a request for administrative adjustment on its own behalf.

3.6 **Judicial Proceedings.** Any Party intending to file a petition under Code §§ 6226, 6228, or any other Code section with respect to any Partnership item, or other tax matters involving the Partnership, shall notify the other Parties prior to such filing of the nature of the contemplated proceeding. In the case where the TMP is the Party intending to file such petition, such notice shall be given within a reasonable time to allow the other Parties to participate in the choice of the forum for such petition. If the Parties do not agree on the appropriate forum, then the forum shall be chosen by the TMP. If a Party intends to seek review of any court decision rendered as a result of such proceeding, the Party shall notify the other Parties prior to seeking such review.

4. TAX AND FMV CAPITAL ACCOUNT ELECTIONS

4.1 **General Elections.** For both income tax return and capital account purposes, the Partnership shall elect:

- (a) to deduct currently intangible drilling and development costs ("IDC");
- (b) to use the maximum allowable accelerated tax method and the shortest permissible tax life for depreciation;
- (c) the accrual method of accounting;
- (d) to report income on a calendar year basis;

(e) under Code §754 to adjust the basis of Partnership property, with the adjustments provided in Code §734 for a distribution of property and in Code §743 for a transfer of a Partnership interest. In case of distribution of property the TMP shall adjust all tax basis capital accounts. In the case of a transfer of a Partnership interest the acquiring Party(ies) shall establish and maintain its (their) tax basis capital account(s).

No Party shall make any election to be excluded from the partnership tax provisions of the Code or to cause the Partnership to be treated as anything other than as a partnership for United States tax purposes.

4.2 **Depletion.** Solely for FMV capital account purposes, depletion shall be calculated by using simulated cost depletion within the meaning of Treasury Regulation §1.704-1(b)(2)(iv)(k) (2), determined under the principles of Code §612 and based on the FMV capital account basis of each depletable property. Solely for purposes of this calculation, remaining reserves shall be as determined consistently by the TMP.

4.3 **Other Tax or FMV Capital Account Elections or Consents.** Any election other than those referenced above must be approved by all Parties.

5. CAPITAL CONTRIBUTIONS AND FMV CAPITAL ACCOUNTS

5.1 **Capital Contributions.** The respective capital contributions of each Party to the Partnership shall be (a) each Party's interest in the oil and gas lease(s), including all associated lease and well equipment, committed to the Partnership and, (b) all amounts of money paid by each Party in connection with the acquisition, exploration, development, and operation of the lease(s), and all other costs characterized as contributions or expenses borne by such Party under the Agreement. For this purpose, shall be treated as purchasing an interest in the Subject Properties in exchange for the Cash Payment, and shall be treated as contributing such purchased interest in the Subject Properties to the Partnership. shall be treated as contributing the remaining interest in the Subject Properties to the Partnership. The contribution of the leases and any other properties committed to the Partnership shall be made by each Party's agreement to hold legal title to its interest in such leases or other property as nominee of the Partnership.

5.2 **FMV Capital Accounts.** The FMV capital accounts shall be increased and decreased as follows:

5.2.1 The FMV capital accounts shall be increased by: (i) the amount of money and the fair market value of any property contributed by each Party to the Partnership (net of liabilities assumed by the Partnership or to which the contributed property is subject); (ii) a Party's Section 6.1 allocated share of Partnership income and gain, or items thereof; and (iii) that Party's share of Code §705(a)(1)(B) items.

5.2.2 The FMV capital accounts shall be decreased by: (i) the amount of money and the fair market value of property distributed to each Party (net of liabilities assumed by such Party or to which the property is subject); (ii) that Party's Section 6.1 allocated share of Partnership loss and deductions, or items thereof; and (iii) that Party's share of Code §705(a)(2)(B) items.

5.2.3 "Fair market value" when it applies to property contributed by a Party to the Partnership shall be assumed to equal the adjusted tax basis, as defined in Code §1011, of that property unless the Parties agree otherwise as indicated below or in a separate written agreement attached hereto. The Parties agree that the oil and gas leases comprising the Prospect and the Prospect shall have a fair market value of \$ per acre.

6. PARTNERSHIP ALLOCATIONS

6.1 **FMV Capital Account Allocations.** Each item of income, gain, loss, or deduction shall be allocated to each Party as follows:

6.1.1 Actual or deemed income from the sale, exchange, distribution or other disposition of production, and any tax credits under the Code relating thereto, shall be allocated to the Party entitled under the Agreement to such production or the proceeds from the sale of such production. The amount of income from the sale and FMV of production taken in kind by the Parties are deemed to be identical; accordingly, such items may be omitted from the adjustments made to the Parties' FMV capital accounts.

6.1.2 Exploration cost, IDC, operating and maintenance cost shall be allocated to each Party in accordance with its respective contribution, or obligation to contribute, to such cost under the Agreement.

- 6.1.3 Depreciation shall be allocated to each Party in accordance with its contribution, or obligation to contribute, to the cost of the underlying asset under the Agreement.
- 6.1.4 Simulated depletion shall be allocated to each Party in accordance with its FMV capital account adjusted basis in each oil and gas property of the Partnership.
- 6.1.5 Loss (or simulated loss) upon the sale, exchange, distribution, abandonment or other disposition of depreciable or depletable property shall be allocated to the Parties in the ratio of their respective FMV capital account adjusted bases in the depreciable or depletable property.
- 6.1.6 Gain (or simulated gain) upon the sale, exchange, distribution, or other disposition of depreciable or depletable property shall be allocated to the Parties so that the FMV capital account balances of the Parties will most closely reflect their respective percentage or fractional interests under the Agreement.
- 6.1.7 Costs or expenses of any other kind shall be allocated to each Party in accordance with its respective contribution, or obligation to contribute, to such costs or expenses under the Agreement.
- 6.1.8 Any other income item shall be allocated to the Parties in accordance with the manner in which such income is realized by each Party under the Agreement.

6.2 Tax Return and Tax Basis Capital Account Allocations.

- 6.2.1 Unless otherwise expressly provided in this Section 6.2, the allocations of Partnership items of income, gain, loss, or deduction for tax return and tax basis capital account purposes shall follow the principles of the allocations under Section 6.1. However, the Partnership's gain or loss on the taxable disposition of a Partnership property in excess of the gain or loss under Section 6.1, if any, is allocated to the contributing Party to the extent of such Party's pre-contribution gain or loss.
- 6.2.2 The Parties recognize that under Code §613A(c)(7)(D) the depletion allowance is to be computed separately by each Party. For this purpose, each Party's share of the adjusted tax basis in each oil and gas property shall be equal to its contribution to the adjusted tax basis of such property.
- 6.2.3 The Parties recognize that under Code §613A(c)(7)(D) the computation of gain or loss on the disposition of an oil and gas property is to be computed separately by each Party. Furthermore, as provided in Treasury Regulation §1.704-1(b)(4)(v) for oil and gas properties, the amount realized is allocated as follows: (i) An amount that represents recovery of adjusted simulated depletion basis is allocated (without being credited to the capital accounts) to the Parties in proportion to the Parties' allocable shares of the remaining simulated depletion basis, taking into account the amounts credited to their respective FMV capital accounts under Section 5.2 and their respective simulated depletion allocations under Section 6.1.4, and (ii) any remaining realization is allocated in accordance with Section 6.1.6.
- 6.2.4 Depreciation shall be allocated to each Party in accordance with its contribution to the adjusted tax basis of the depreciable asset.
- 6.2.5 Any recapture of depreciation, IDC, and any other item of deduction or credit shall, to the extent possible, be allocated among the Parties in accordance with their sharing of the depreciation, IDC, or other item of deduction or credit which is recaptured.
- 6.2.6 Any recapture of depletion shall be computed separately by each Party, in accordance with its depletion allowance computed pursuant to Section 6.2.2.
- 6.2.7 For Partnership properties with FMV capital account values different from their adjusted tax bases, the Parties intend that the allocations described in this Section 6.2 constitute a "reasonable method" of allocating gain or loss under Treasury Regulation §1-704-3(a)(1).
- 6.2.8 The income attributable to take-in-kind production will not be reflected on the Partnership tax returns.

7. TERMINATION AND LIQUIDATING DISTRIBUTION

7.1 **Termination of the Partnership.** Termination shall occur only upon the mutual agreement of the Parties. Upon any such termination, the business shall be wound-up and concluded, and the assets shall be distributed to the Parties as described below by the end of such calendar year (or, if later, within ninety (90) days after the date of such termination). The assets shall be valued and distributed to the Parties in the order provided in Sections 7.2, 7.3 and 7.4.

7.2 **Reversion.** First, all cash representing unexpended contributions by any Party and any property in which no interest has been earned by the other Parties under the Agreement shall be returned to the contributor.

7.3 **Balancing.** Second, the FMV capital accounts of the Parties shall be determined as described hereafter. The TMP shall take the actions specified under this Section 7.3 in order to cause the ratios of the Parties' FMV capital accounts to reflect as closely as possible their interests under the Agreement. The ratio of a Party's FMV capital account is represented by a fraction, the numerator of which is the Party's FMV capital account balance and the denominator of which is the sum of all Parties' FMV capital account balances. This is hereafter referred to as the "balancing of the FMV capital accounts" and, when completed, the FMV capital accounts of the Parties shall be referred to as "balanced."

7.3.1 The fair market value of all Partnership properties shall be determined and the gain or loss for each property, which would have resulted if sold at such fair market value, shall be allocated in accordance with Sections 6.1.5 and 6.1.6. If hereafter any Party has a negative FMV capital account balance, that is a balance of less than zero, in accordance with of Treasury Regulation §1.704-1(b)(2)(ii)(b)(3) such Party is obligated to contribute an amount of money to the Partnership sufficient to achieve a zero balance FMV capital account. Moreover, any Party may contribute an amount of cash to the Partnership to facilitate the balancing of the FMV capital accounts. If after these adjustments the FMV capital accounts are not balanced, Sections 7.3.2 and 7.3.3 shall apply.

7.3.2 If all Parties agree, any cash or an undivided interest in certain selected properties shall be distributed to one or more Parties as necessary for the purpose of balancing the FMV capital accounts.

7.3.3 Unless Section 7.3.2 applies, an undivided interest in each and every property shall be distributed to one or more Parties in accordance with the ratios of their FMV capital accounts.

7.3.4 If a property is to be valued under Section 7.3.1 or distributed pursuant to Sections 7.3.2 or 7.3.3 the Parties must first attempt to agree on the FMV of the property; failing such an agreement, the TMP shall cause a nationally recognized independent engineering firm to prepare an appraisal of the FMV of such property.

7.4 **Final Distribution.** After the FMV capital accounts of the Parties have been adjusted pursuant to Section 7.3, all remaining property and interests then held by the Partnership shall be distributed to the Parties in accordance with their positive FMV capital account balances.

8. TRANSFERS

8.1 **Transfer of Partnership Interests.** Transfers of Partnership interests shall be governed by the Agreement and shall be treated as a transfer of an interest in the Partnership and not as an interest in the properties which are subject to the provisions of this Exhibit. A Party transferring its interest, or any part thereof, shall notify the TMP in writing within two weeks after such transfer.

Addendum to Purchase Sale and Participation Agreement

This Addendum to Purchase Sale and Participation Agreement (the "Addendum") is entered into this 16th day of May, 2011 by and between Matador Resources Company, a Texas corporation ("Buyer"), and Orca ICI Development JV, a Texas general partnership ("Seller").

WHEREAS, the Buyer and Seller have entered into that certain Purchase Sale and Participation Agreement dated of even date herewith (the "Agreement") with respect to the sale of certain oil and gas leases in DeWitt, Karnes, Wilson and Gonzales Counties, and

WHEREAS, an Exhibit to the Agreement is a form of Joint Operating Agreement, to be entered into between the parties (the "JOA"); and

WHEREAS, in addition to the terms and conditions set forth and agreed to in the Agreement, Buyer and Seller desire to make certain additional agreements set forth below.

NOW, THEREFORE, in consideration of the covenants and agreements set forth herein and in the Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Post-Closing JOA Revisions. Buyer and Seller have identified the following described issue in the JOA, which the parties agree to address in detail, in the form of an amendment to the JOA as attached to the Agreement, the precise language of which the parties shall jointly develop and approve in good faith, and incorporate as a modification to the existing language of the JOA. The parties agree to cooperate to complete such an amendment within ten (10) business days after the Closing Date.

In the event the Operator under the JOA proposes an operation on a well (other than an Initial Well), and the non-operator does not consent to and participate in such operation, and thereafter, the Operator proposes to engage in the type of operation(s) described in Section VI.B of the JOA with respect to such well, then the non-operator may then consent to and elect to participate in those subsequent operations described in Section VI.B of the JOA, without suffering any non-consent penalty. The AFE for the subsequent operation shall include a pro-rata portion of the costs associated with the earlier operation(s) that the non-operator did not consent to and participate in, without the non-consent penalty attached thereto, to the extent those costs would have been necessary in order to perform the subsequent operation standing alone.

2. Tax Partnership Agreement. Buyer and Seller understand and acknowledge that the transactions contemplated in the Agreement will result in a deemed partnership between Buyer and Seller for federal income tax purposes. In order to adequately plan for and address the tax issues that may result therefrom, the parties agree to work in good faith to approve and execute a mutually-acceptable tax partnership agreement, substantially in the form attached hereto, within ten (10) business days after the Closing Date.

3. Miscellaneous. Terms which are defined in the Agreement shall have the same meanings when used herein.

Addendum to Contract

IN WITNESS WHEREOF, Buyer and Seller have executed this Addendum as of the date first appearing above.

Seller:

ORCA ICI DEVELOPMENT, JV

By: ORCA ASSETS G.P., LLC,
its Managing Partner

By: _____
Lawrence Berry, President

Buyer:

MATADOR RESOURCES COMPANY

By: _____
Joseph Wm. Foran
Chairman, President & CEO

Addendum to Contract

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
December 30, 2011

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: Senior Partner

Dallas, Texas
December 29, 2011

CONSENT OF INDEPENDENT PETROLEUM ENGINEERS AND GEOLOGISTS

As 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 September 30, 2011 and December 31, 2010, and 2009, and the inclusion of our corresponding audit reports, dated November 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/ Thomas J. Tella II
Thomas J. Tella II, P.E.
Senior Vice President

Dallas, Texas
December 30, 2011

November 8, 2011

Mr. Indranil (Neil) Barman
MRC Energy 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 MRC Energy Company (MRC), as of September 30, 2011, of the proved reserves and future revenue to the MRC 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 MRC. 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 MRC'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 MRC's estimates of the net reserves and future net revenue, as of September 30, 2011, for the audited properties:

Category	Net Reserves		Future Net Revenue (MS)	
	Gas (MMCF)	Oil (MBBL)	Total	Present Worth at 10%
Proved Developed Producing	51,089	512	157,373	100,329
Proved Developed Non-Producing	1,562	7	3,467	1,743
Proved Undeveloped	102,673	565	165,387	53,144
Total Proved	155,323	1,083	326,227	155,217

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 well-by-well basis, some of the estimates of MRC are greater and some are less than the estimates of Netherland, Sewell & Associates, Inc. (NSAI). However, in our opinion the estimates of MRC'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 MRC in preparing the September 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 MRC.

The estimates shown herein are for proved reserves. MRC'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 MRC are based on the 12-month unweighted arithmetic average of the first-day-of-the-month price for each month in the period October 2010 through September 2011. For gas volumes, the average Henry Hub spot price of \$4,158 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 \$91.00 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 \$3.35 per MCF of gas and \$95.90 per barrel of oil.

Operating costs used by MRC 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. Operating costs for the operated properties include direct lease- and field-level costs and MRC's estimate of the portion of its headquarters general and administrative overhead expenses necessary to operate the properties. Capital costs used by MRC are based on authorizations for expenditure and actual costs from recent activity. Capital costs are included as required for workovers, new development wells, and production equipment. Operating costs are held constant throughout the lives of the properties, and 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; probable and possible reserves are those additional reserves which are sequentially less certain to be recovered than proved reserves. 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 MRC 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 MRC 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 MRC'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 MRC, 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: November 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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