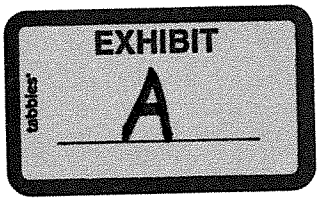
AMERICAN ARBITRATION ASSOCIATION
IN THE MATTER OF THE ARBITRATION BETWEEN

XS CAPITAL INVESTMENTS, LP and RURAL ROUTE 3 HOLDINGS, LP,	§	
Claimants	§	
vs.	§	Case No. 01-14-0001-5967
ORCA ICI DEVELOPMENT JV, OCRA ASSETS G.P., LLC, And MRC ENERGY CORPORATION f/k/a MATADOR RESOURCES COMPANY,	§	
Respondents.	§	



FINAL AWARD

An in-person arbitration was commenced on December 8, 2014, in Houston, Texas, at the offices of Susman Godfrey LLP and concluded on December 10, 2014. The arbitration was officially declared closed upon receipt of post-hearing submissions regarding attorney's fees or the expiration of the time in which to file said submissions of not later than January 12, 2015, 5:00 pm. The parties and their counsel were: XS Capital Investments, LP and Rural Route 3 Holdings, LP (both collectively referred to as "Claimants" or "XS"), represented by Chandler A. Langham and David Peterson; ORCA ICI Development JV, ORCA Assets G.P., LLC (collectively later referred to as "ORCA") represented by Jared I. Leventhal and Bradford Hendrikson of Leventhal, Wikins & Nguyen, PLLC; and MRC Energy Corporation f/k/a Matador Resources Company (later referred to as "Matador") represented by D. Patrick Long of Patton Boggs, LLP

Having considered the live and video deposition testimony of the witnesses, the exhibits admitted, and the briefing and arguments of counsel presented during the hearing of this matter, and upon consideration of the post-hearing filings, briefing and arguments of counsel, the Panel hereby finds as follows:

TORT CLAIMS

1. The evidence presented was insufficient to establish any of the tort claims asserted by Claimants.

THE COWEY #4H WELL

2. Claimants did not acquire an interest in the Cowey #4-H well. First, because no written assignment of this contemplated interest in real property was every created. Secondly, the conditions in paragraph 2.6 of the Working Interest Purchase and Sale Agreement dated February 14, 2013, (hereinafter the "WIPSA"), to permit such participation never occurred.

CONSENT TO THE COWEY #3H ASSIGNMENT

3. The consent of Matador Resources Company, (hereinafter "Matador"), was required to effectuate the purported assignment to Claimants by ORCA ICI Development JV, (hereinafter "ORCA"), in the WIPSA.

The letter agreement dated February 14, 2013 (Ex. 513) (hereinafter the "Letter Agreement"), is the earliest and perhaps the only agreement in which Matador, ORCA, and Claimants were all parties. It was executed by all three and made effective the same date as the WIPSA. Therefore, it is a contemporaneous document and should be read and harmonized with the WIPSA. Under the Letter Agreement, the three parties agree, among other things, that (a) Claimant's funds may be applied toward ORCA's obligation, (and that if such is not the agreement, that Claimants were required to notify Matador by 3:00 p.m., the next day, at which point ORCA would be in "default"), (b) Matador would still require the protocols in the Purchase Sale and Participation Agreement, (PSPA) and the Joint Operating Agreement, (JOA), as to the transfer, (i.e. consent), and (c) Matador was not waiving and affirmatively reserved all its rights under the PSPA and JOA as relates to the transfer of interest, (i.e. consent). Additionally, the last page of the Letter Agreement refers to it as an "agreement" and requires that Claimants, having the benefit of everything on the first page, make an affirmative choice to check one of two blanks concerning the use of its funds. It chose the one permitting use of the funds to satisfy ORCA's obligation. The Letter Agreement incorporates both the PSPA and the JOA into the contemplated transaction, and those documents create a condition precedent of consent.

Additionally and alternatively, considering the circumstances surrounding the execution of the WIPSA, (including three separate references to the JOA and PSPA), and when read in conjunction with the Letter Agreement, the term "subject to" in the WIPSA was intended by the parties to create a condition precedent of consent.

THE EXERCISE OF THE RIGHT OF CONSENT

4. The right of Matador to consent to the assignment to Claimants contained in the WIPSA was unreasonably withheld.

When considering its consent to an assignment of the type involved in this case, Matador is concerned with the financial wherewithal and industry experience of the assignee. (Foran pg. 886). It prefers to approve a firm or organization with assets as opposed to an individual. (Foran pg. 902). At the conclusion of the meeting that occurred between representatives of Matador and Claimants on February 25, 2013, Mr. Foran was uncomfortable with an assignment to Claimants. (Foran pg. 897). Mr. Foran's single biggest concern was that Claimants' principal, Adam Sinn, had little or no industry experience. (Foran, pg. 897). In addition, Mr. Sinn was operating through a special purpose corporation and a pass-through corporation and had provided no financial information whatsoever other than the funds earmarked for the Cowey #3H well in the special purpose corporation. (Foran pg. 897). Mr. Foran and others at Matador were left with the impression that Mr. Sinn did not understand the industry and gave no indication that he had read the relevant documents and would stand behind them. (Foran, pg. 900).

Matador did not receive the WIPSA until March 1, 2013, whereupon Matador convened a meeting to discuss the purported assignment. Mr. Foran identified three big "surprises": (a) that the WIPSA had already been signed before their meeting with Mr. Sinn on February 25, 2013,

yet he did not bring the document with him to the meeting or otherwise disclose its existence, (b) that Mr. Sinn was, in fact, represented by counsel when he wired the money on February 13, 2013, and (c) that the assignment was not a wellbore assignment. (Foran pg. 902).

While Matador had originally contemplated that any assignment to a third party would be a wellbore assignment, Mr. Foran testified that acreage assignments were "doable" and "done all the time," they were just more complicated. (Foran pg. 891). However, Van Singleton of Matador recognized immediately that there was a problem with the description of the acreage that was the subject of the assignment. (Singleton pg. 850). Mr. Adams testified that while an acreage deal was not out of the question, (Adams pg. 829), there was a fundamental flaw in the way the assignment had been prepared. (Adams pg. 807). It didn't make sense. (Adams pg. 789).

Thus, as early as March 1, 2013, Matador was aware of the following:

a. Mr. Sinn had little or no experience in the oil & gas industry.
b. Mr. Sinn did not understand the oil & gas industry and had not read the relevant documents.
c. Mr. Sinn refused to disclose relevant financial information.
d. Mr. Sinn was an individual as opposed to a firm with assets behind it.
e. Mr. Sinn had failed to disclose at the meeting with Matador of February 25, 2013, that he had already signed the WIPSA
f. That Matador was "uncomfortable" with Sinn as ORCA's assignee.
g. That the purported assignment was not a wellbore assignment but an "acreage assignment."
h. That the description of the acreage attached to the assignment was fundamentally flawed.

Despite this knowledge, Matador did not reject Sinn as an assignee until April 24, 2013. One explanation for such delay was that Matador knew if it refused its consent to the assignment, it would put ORCA in a "non consent position," "exacerbating the issue with ORCA." (Adams pg. 844). Finding itself in "unchartered territory," (Adams pg. 844), Matador sought to reserve its right to deny consent to the assignment but chose not to exercise that right.

Certainly there were multiple factors associated with this delay. Matador was hoping to negotiate an assignment it could accept and did not want to further exacerbate its running dispute with ORCA. To that end it tried, without success, to convene meetings between all the parties with such purpose in mind. To complicate matters further, ORCA filed suit against Matador regarding the consent issue on April 2, 2012. However, Matador knew on March 1, 2013, that it would not consent to the assignment as submitted. Nothing occurred to change that opinion between March 1 and April 2, 2013. While it is true that the lawsuit added an additional complication to its deliberations, it was unreasonable for Matador to keep Claimants in a state of limbo while Matador and ORCA sought to resolve their differences and retain the funds which Claimants paid it.

RELIEF

5. Matador was unreasonable in withholding its decision on consent. Had it exercised its right to deny consent of the assignment sooner, Claimants would never have participated in the transaction and Matador would not have had the benefit of Claimants' funds tendered first on February 13, 2013, for the Cowey #3H well and on April 18, 2013, for the Cowey #4H well. Conversely, Claimants would have had the use of their funds during the same period. However, Matador's delay in finally refusing consent was largely the result of ORCA's conduct and in particular its filing of the lawsuit in April. The Panel concludes that ORCA is ultimately responsible for Claimant's damages. Therefore, ORCA shall pay to Claimants its damages associated with the loss of interest on Claimant's payment to Matador which is computed to be $388,798.59 plus an additional $594.94 per day until collected accruing from January 1, 2015. Interest on the money paid by Claimants to Matador is computed from the date each payment was made until December 31, 2014. A five percent (5%) interest factor was used.

In addition, Claimants are entitled to recover from ORCA their reasonable and necessary attorney's fees associated with their breach of contract claim which the Panel finds to be in the amount of $200,000.00..

The administrative fees and expenses of the American Arbitration Association (the "Association") totaling $14,200.00 shall be borne by the Respondent, ORCA. Therefore, Respondent, ORCA, shall pay to the Claimant, XS, the sum of $14,200.00 to reimburse Claimants for administrative fees and expenses Claimant previously paid to the Association.

The Compensation and expenses of Arbitrators totaling $89,587.00 shall be borne Respondent, ORCA. Therefore, Respondent, ORCA, shall pay claimant, XS, the amount of $58,993.50 for its share of arbitrator compensation and expenses previously advanced to the Association and shall pay to MRC Energy Corporation f/k/a Matador Resources Company the sum of $22,396.75 for its share of arbitrator compensation and expenses previously advanced to the Association.

The above sums are to be paid on or before 15 days from the date of this Award.

This Award is in full settlement of all claims submitted to this Arbitration. All claims not expressly granted herein are, hereby denied.

SIGNED this 14th day of January, 2015.

ARBITRATORS:

Honorable Dan Downey

Jesse R. Pierce

Honorable Alvin L. Zimmerman