Matador Resources Company

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Dear Shareholders and Friends,

Much in our lives has changed in the last few weeks. Today, our nation finds itself in the midst of the global Coronavirus pandemic and an oil "price war" between Russia and Saudi Arabia. Many industries and businesses throughout our economy are facing difficult, almost unprecedented, challenges. With this in mind, all of us at Matador would like first to extend our prayers and best wishes to you and your families during this tumultuous time. We hope that this letter finds you working, in good health and coping well with these confusing and chaotic times which are damaging to both oil supply and demand and threatening to everyone's health and quality of life. We look forward to working alongside you and all Americans to meet the challenges ahead as we overcome the Coronavirus pandemic and restore a sense of normalcy to our lives and our economy.

What Happened?

Most oil and gas companies, including Matador, have been severely impacted by events surrounding Coronavirus and have seen the price of their shares and bonds decline significantly in the past few weeks. Why has this happened? There are two primary reasons: (1) the precipitous decline in global oil demand resulting from the spread of the Coronavirus and (2) a sudden, unexpected increase in global oil supply resulting from an oil price war initiated by Saudi Arabia following the failure of efforts by members of the Organization of Petroleum Exporting Countries (OPEC) and Russia (together known as OPEC+) to agree on production cuts to support oil prices at their recent March 8, 2020 meetings in Vienna, Austria. While it is not uncommon for the industry to experience temporary periods of either decreased demand or oversupply of oil, this combination of an oil demand "shock" coupled with a concurrent oil supply "shock" is certainly unprecedented in all my years running this Matador and its predecessor companies. As a result, oil prices have declined by two-thirds from approximately $62 per barrel in January 2020 to approximately $23 per barrel today.

It is difficult to know when oil prices will begin to improve, and it is possible that they may decline further from here, particularly during the second quarter of 2020 as the Saudis have stated their intention to increase their oil production in an already oversupplied market. We remain optimistic, however, that oil prices may improve in the latter half of 2020, if and as (1) the situation surrounding the Coronavirus improves worldwide, (2) the Saudis and Russians agree to restore oil production cuts and (3) significant declines in drilling and completion activities by oil and gas producers in the United States (including Matador) reduce the growth in domestic oil production, thereby beginning to restore the critical balance between the economy, oil supply and oil demand.

Matador's Outlook and Plans Going Forward

All of this has happened very quickly, and we, like many of you, are working day-by-day to determine the best course of action moving forward. That said, Matador (ironically) began 2020 on a very strong note, and in late February, we were proud to announce that the fourth quarter of 2019 and full year 2019 were the best quarter and the best year, respectively, in the Company's history and that free cash flow was in sight for 2021. Then the price war started and the Coronavirus took prominence.

During the fourth quarter of 2019, Matador reported record quarterly production of 73,700 barrels of oil equivalent ("BOE") per day, an increase of 33% year-over-year, comprised of 42,100 barrels of oil per day and 190.0 million cubic feet of natural gas per day, both also quarterly records. Matador's proved oil and natural gas reserves increased 17% year-over-year to approximately 253 million BOE (an all-time high) and our fourth quarter 2019 adjusted earnings before interest expense, income taxes, depletion, depreciation and amortization and certain other items ("Adjusted EBITDA," a non-GAAP financial measure) were $181.0 million, a 26% year-over-year increase. San Mateo, our midstream affiliate, also delivered a record quarter in the fourth quarter of 2019, both operationally and financially, including all-time highs for third-party midstream services revenues of $17.7 million, a two-fold year-over-year increase, and Adjusted EBITDA of $26.5 million, a 39% year-over-year increase.

We began 2020 operating six drilling rigs in the Delaware Basin throughout our various asset areas, including two rigs drilling the first wells in our Stateline asset area, and we had planned to operate these six rigs throughout the year. (These same six rigs increased the amount of lateral feet completed and turned to sales by almost 20% from 381,000 feet in 2018 to 454,000 feet in 2019, and we also achieved a 24% year-over-year decrease in completion costs per lateral foot). As a result, however, of the two recent "black swan" events, the Coronavirus and the abrupt decline in oil price, our plans have changed**.**

As always, but particularly in times like these, Matador's first priority is to protect the balance sheet and position ourselves for the long run. To that end, Matador was one of the first companies in the industry to announce changes to its 2020 operating plan and was the very first to affirm its alignment with shareholders and bondholders by voluntarily reducing compensation throughout the entire organization for 2020. I have voluntarily agreed to reduce my base salary by 25%, the Board members have agreed to reduce their compensation by 25% and the executive officers and Vice Presidents have agreed to reduce their base salaries by 20% and 10%, respectively, and the staff pitched in, too, by taking a 5% cut in pay. I am also pleased to report that almost two-thirds of the Matador staff, including Board members, executive and senior officers, special advisors, employees and myself – approximately 200 individuals – have purchased stock in the most recent trading period open to us. We believe in the quality of our assets and in our ability to continue to create shareholder value throughout these difficult times and beyond, and to that end, we are, once again, "putting our money where our mouth is."

Specifically, Matador expects to take the following actions over the next several months to protect its balance sheet by reducing its expected capital spending significantly and by selling or trading non-core assets:

- Reduce its operated drilling program from six rigs to three rigs before June 30, 2020.

- Reduce its unit operating costs, particularly targeting lease operating (LOE) and general and administrative (G&A) expenses.

- Continue to pursue divestitures of its non-core assets, including possible sales of leasehold and mineral interests in South Texas and in the Haynesville shale as well as a possible joint venture or divestiture involving its mineral interests in the Delaware Basin.

Matador intends to provide more specific details regarding the changes to our 2020 operating plan in the coming weeks, but as a first pass, we believe these reductions in our operated (and non-operated) drilling program, further anticipated service cost reductions and improvements in our operating costs, among other items, could save $300 million or more in 2020. The Company is currently evaluating multiple options to optimize its drilling and completions activities beyond the first quarter of 2020, but as it reduces its operated rig count from six to three, Matador expects to keep two of these rigs operating full time in the Stateline asset area in Eddy County, New Mexico, where we are expecting to drill a number of our high potential wells – with estimated ultimate recoveries of 1.5 to two million BOE apiece. At the present time, Matador estimates minimal changes to planned 2020 capital expenditures for San Mateo, as we work to complete by late summer the ongoing expansion of San Mateo, including the addition of an incremental 200 million cubic feet per day in designed cryogenic natural gas processing capacity, bringing our total designed natural gas processing capacity to 460 million, or almost a half billion, cubic feet per day.

As an oil and gas producer, Matador has a great advantage. In contrast to restaurants, retail stores or airlines who are dependent on public customers for cash flow, every day that Matador produces oil and gas, Matador is assured of cash flow from that production in the field. It may not be the cash price we want, but we will be receiving cash flow.

Matador is also evaluating other options for increasing our cash flow and for further reducing operating and capital expenses, if necessary, in the second half of 2020. We are prepared to take whatever additional steps are necessary, including further reductions to our 2020 drilling program, unit costs and overhead to protect the balance sheet and our business until oil and gas prices improve. Your Board, your staff and I all have the confidence that we have the great rock, the great people and the financial strength necessary to get to the other side.

Upcoming Milestones

Although we plan to scale back our operations in 2020, Matador remains very excited about the prospects for both our exploration and production and midstream businesses, and there are several events that should serve as important milestones and catalysts for our progress in 2020, as follows.

- Within the next two weeks, Matador should turn to sales six wells on our Rodney Robinson leases in western Antelope Ridge, all of which are two-mile laterals. We anticipate that these could be among the best wells Matador has drilled in the Delaware Basin and should favorably impact our second quarter 2020 oil and natural gas production. Matador has a 100% working interest and an 87.5% net revenue interest in each of these six wells. This "higher than normal" revenue interest substantially increases economic returns, especially as these wells are expected to average approximately 1.5 million BOE each.

- In mid-summer 2020, Matador expects to complete and turn to sales five Leatherneck wells in the southern portion of our Arrowhead asset area, also referred to as the Greater Stebbins area, and five Ray wells in the Rustler Breaks asset area. All of these wells are two-mile laterals and are also expected to be strong producers that will help to feed San Mateo's system.

- In late summer 2020, San Mateo plans to complete its 200 million cubic feet per day expansion of the Black River Processing Plant in Eddy County, New Mexico, which will almost double San Mateo's processing capability to 460 million cubic feet of gas per day. In addition, San Mateo expects to construct two natural gas trunk lines connecting the natural gas processing facilities with the Stateline asset area and the Greater Stebbins area, and local oil, natural gas and water gathering and water disposal infrastructure in the Stateline asset area and the Greater Stebbins area.

- In September 2020, we anticipate first production from our first 13 wells to be drilled and completed in the Stateline asset area (the "Boros" wells). We are very excited to get these wells completed and turned to sales, as we anticipate they should be very strong producers and among the best wells that we have drilled in the Delaware Basin. These wells should result in a significant increase in our production in the fourth quarter of 2020 and should also result in a significant increase in San Mateo's throughput volumes in the fourth quarter. Over time, most of these wells, depending on completion interval, are expected to recover 1.5 to two million BOE each. Again, Matador has a 100% working interest and a higher than normal 87.5% net revenue interest in each of these 13 wells to aid the economic returns.

Matador's Financial Position Remains Strong

Recently, we became aware that rumors may have been circulating in the market and in social media circles that Matador was experiencing some kind of liquidity crisis. This rumor is <u>absolutely false</u>. Matador has not only the cash flow from its production and its savings from extensive cuts to its capital and operating budgets but also up to $600 million in potential borrowing availability under its revolving credit facility as of year-end 2019. Matador's financial position is further bolstered by cost savings and by the fact that our assets and staff are top tier, and we clearly have more-than-sufficient liquidity for conducting our current and anticipated future operations in 2020.

In fact, what is <u>true</u> is that Matador and its lenders completed and closed the Spring 2020 borrowing base redetermination on February 27, 2020, certainly among the very first oil and gas companies to do so. As a result of this process,

- Matador's borrowing base was <u>affirmed</u> as a conforming loan at $900 million unanimously – even at an oil price of approximately $37 per barrel by our lead bank. In total, all 11 lenders in the Company's commercial banking group and all 11 of their reservoir engineering groups reviewed our oil and gas assets and approved the borrowing base based on the asset quality and our lending history.

- Matador chose to increase its elected borrowing commitment from $500 million to $700 million, with most banks <u>increasing</u> their commitments to the Company's reserves-based credit facility so that Matador's reserves-based lending facility was oversubscribed.

- Two <u>additional</u> lenders joined the nine incumbent members of Matador's commercial bank group to further strengthen the bank group.

We were very pleased with and appreciative of this strong show of support from our commercial bank group and believe their actions reflect the strength of our relationship with our banks and the quality of Matador's assets, management and technical teams. Under the credit facility, the only financial covenant Matador is required to maintain is a Net Debt to Adjusted EBITDA ratio (as defined in the credit facility) of 4.0x or less. At December 31, 2019, this ratio was 2.2x. San Mateo's credit facility is non-recourse to Matador, and San Mateo's borrowings are not considered in determining compliance with this single covenant under the reserves-based credit facility. Furthermore, unlike others in our industry, Matador faces no near-term debt maturities, as our reserves-based credit facility matures in October 2023, and our senior unsecured notes mature in September 2026. Matador has approximately 45% of its anticipated oil production hedged at approximately $48 per barrel in 2020, and this will also provide us with additional financial protection should oil prices remain "lower for longer" in 2020.

These are challenging times for all of us, and in the oil and gas industry, the adversity from these headwinds is the toughest I have experienced over my 40-year career. I have learned over those years, however, that challenging times can also bring unexpected opportunities to improve the Company's assets, processes and staff, and we will remain open to all such possibilities as we navigate the days ahead. We are grateful to have you as shareholders and we appreciate all your support. We have weathered previous challenges together and emerged better for it. I remain confident we can successfully meet today's challenges as well.

I would like to end this letter as I began by doubling down on our prayers and best wishes to you and your families. Please be safe and take care, and we hope to hear from you soon. As always, we appreciate your trust and faith in us. Everyone here is "on deck" and working hard to make Matador better. Please call any time you have questions or concerns.

Sincerely,

Joseph Wm. Foran

This letter includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. "Forward-looking statements" are statements related to future, not past, events. Forward-looking statements are based on current expectations and include any statement that does not directly relate to a current or historical fact. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "could," "believe," "would," "anticipate," "intend," "estimate," "expect," "may," "should," "continue," "plan," "predict," "potential," "project," "hypothetical," "forecasted" and similar expressions that are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. Such forward-looking statements include, but are not limited to, statements about guidance, projected or forecasted financial and operating results, future liquidity, results in certain basins, objectives, project timing, expectations and intentions, regulatory and governmental actions and other statements that are not historical facts. Actual results and future events could differ materially from those anticipated in such statements, and such forward-looking statements may not prove to be accurate. These forward-looking statements involve certain risks and uncertainties, including, but not limited to, the following risks related to financial and operational performance: general economic conditions; our ability to execute our business plan, including whether our drilling program is successful; changes in oil, natural gas and natural gas liquids prices and the demand for oil, natural gas and natural gas liquids; our ability to replace reserves and efficiently develop our current reserves; our costs of operations, delays and other difficulties related to producing oil, natural gas and natural gas liquids; delays and other difficulties related to regulatory and governmental approvals and restrictions; our ability to make acquisitions on economically acceptable terms; our ability to integrate acquisitions; availability of sufficient capital to execute our business plan, including from our future cash flows, increases in our borrowing base and otherwise; weather and environmental conditions; the operating results of our midstream joint venture's expansion of the Black River cryogenic processing plant, including the timing of the further expansion of such plant; the timing and operating results of the buildout by our midstream joint venture of oil, natural gas and water gathering and transportation systems and the drilling of any additional salt water disposal wells, including in conjunction with the expansion of our midstream joint venture's services and assets into new areas in Eddy County, New Mexico; and other important factors which could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. For further discussions of risks and uncertainties, you should refer to Matador's filings with the Securities and Exchange Commission ("SEC"), including the "Risk Factors" section of Matador's most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q. Matador undertakes no obligation to update these forward-looking statements to reflect events or circumstances occurring after the date of this letter, except as required by law, including the securities laws of the United States and the rules and regulations of the SEC. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this letter. All forward-looking statements are qualified in their entirety by this cautionary statement. 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 the accompanying presentation.