Matador Resources Company

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May 10, 2023

Dear Shareholders and Friends,

The purpose of this letter is to provide you with a brief summary of our operational and financial results for the first quarter of 2023 and to update you on our 2023 operating plans and expectations prior to our annual meeting on June 9 at the Hilton Dallas Lincoln Centre at 9:30 a.m., which we hope you can either attend in person or listen to via our webcast. We have made a lot of progress since our founding forty years ago (see **Slide A**).

First Quarter 2023 Results Stronger Than Expected

The results of the first quarter of 2023 clearly exceeded our expectations. Highlights include the following:

- Better-than-expected total production of 106,654 barrels of oil and natural gas equivalent ("BOE") per day, which was 6% better (14% with Advance's production) than our previous expectations of 101,000 BOE per day (see **Slide B**).
- Better-than-expected capital expenditures for drilling, completing and equipping wells of $295 million, which was 6% below our expectations of $315 million.
- In April, we closed the acquisition of Advance Energy Partners Holdings, LLC ("Advance") for approximately $1.6 billion that added approximately 18,500 net acres and production of 25,450 barrels of oil and natural gas equivalent per day in the core of the northern Delaware Basin, most of which is either adjacent to or very close to some of our best acreage (see **Slide C**).This acquisition was recognized by a number of news outlets across the country, including on the front page of the *Amarillo Globe-News* (see **Slide D**).
- Matador now has 150,000 net acres in the Delaware Basin with the Advance acquisition and 463 million barrels of oil and natural gas equivalent (see **Slide E**). We expect this acquisition to expand our deep inventory of great rock and A+ locations and to enhance our strong operating results going forward.

Our midstream businesses also performed better than our expectations in the first quarter of 2023 (see **Slide F**), including, among other highlights:

- Better-than-expected net income (GAAP) of $32 million for San Mateo Midstream, LLC ("San Mateo") and better-than-expected Adjusted EBITDA (a non-GAAP financial measure) of $49 million for San Mateo;

- All-time high natural gas gathering and processing volumes for San Mateo of 333 million cubic feet of natural gas gathered per day and 352 million cubic feet of natural gas processed per day, which resulted from better-than-expected volumes delivered by both Matador and other San Mateo customers; and
- The first direct connection of Pronto Midstream, LLC's ("Pronto") natural gas gathering and processing system to Matador's wells in April, which provides additional flow assurance and builds the value of our midstream business.

The Advance Acquisition

The closing of the Advance acquisition on April 12, 2023 continues Matador's long history of profitable growth at a measured pace. The Advance acquisition added over 100 million barrels of oil and natural gas equivalent reserves to the 357 million barrels of oil and natural gas equivalent reserves we already had. The combined total proved oil and natural gas reserves of approximately 463 million BOE (see **Slide E,** again) has an estimated PV-10 (present value discounted at 10%) value of approximately $12 billion.

There are many other opportunities that are ahead of us as we integrate the Advance assets with Matador's existing assets. In addition, the Advance assets provide synergies with our existing acreage and producing properties. Our Pronto natural gas gathering and processing system are expected to provide further benefits to us as we plan to connect the Advance assets to Pronto as well as more of our other producing properties in the area in late 2023 or early 2024 (see **Slide G**).

Balance Sheet Remains Strong

Matador remains in a strong financial position following the Advance acquisition. On March 31, 2023 (prior to the Advance acquisition), we successfully increased the "elected commitment" or borrowing availability under our reserves-based lending credit agreement (the "RBL credit agreement") from $775 million to $1.25 billion, of which only $625 million is currently drawn. The current borrowing base under the current RBL credit agreement is $2.25 billion and such borrowing base does not yet include any of the reserves acquired in the Advance acquisition.

In addition, on April 3, 2023, we successfully launched a private offering of $400 million of senior unsecured notes due 2028, which was oversubscribed by $3 billion. As a result of the positive reception for the offering and high demand for these bonds, we increased the size of the offering from $400 million to $500 million and were able to issue the senior unsecured notes at a better-than-expected price of 6.875% interest rate and 98.96% of their face value. The caliber of the bond buyers was also very gratifying as many of our current bondholders bought more.

Following the bond offering, we had over $600 million in liquidity, which provides additional flexibility and optionality as we continue with our previously announced plans for 2023. We intend to use our free cash flow for the remainder of the year primarily to repay debt under our RBL credit agreement, continue measured growth through the drillbit and pay our fixed dividend while continuing to opportunistically pursue strategic bolt-on acquisitions and midstream opportunities that may arise. Importantly, the Advance acquisition should not significantly impact Matador's leverage profile, as we expect to maintain at recent commodity prices a pro forma leverage ratio below 1.0x throughout 2023. In fact, we were able to repay more borrowings than we anticipated in April under the RBL credit agreement following the Advance acquisition. Assuming current commodity prices, we anticipate being able to fully repay the borrowings under the RBL credit agreement in the second half of 2024 (see **Slide H**).

Operational Innovation

Our operations team has always worked closely with our geophysical and land teams to find new and innovative ways to reduce costs and increase production and returns from our existing acreage. We are now testing our first batch of "horseshoe" wells—a recent innovation—in our Wolf asset area in West Texas, which we expect to allow us to drill two-mile lateral wells in one-mile land-locked sections in a "horseshoe" or "U shaped" pattern (see **Slide I**). By successfully drilling "U" shaped laterals, we should be able to increase our inventory of two-mile locations across our Delaware Basin assets and continue expanding capital efficiencies by accessing longer laterals in sections previously limited to one-mile wells. We estimate approximately $10 million in cost savings will be realized by drilling two "U" shaped two-mile wells as compared to four one-mile lateral wells in this section. We are excited about this innovation test and look forward to discussing the results of the horseshoe wells later in the year.

Macroeconomic and Global Uncertainties Impacting Matador's Share Price

Matador's share price enjoyed strong performance in 2022, ending the year at $57.24 per share, up 74% from the $36.92 per share closing price on December 31, 2021. Earnings per diluted common share in 2022 (GAAP Basis) was $10.11 compared to $4.91 (GAAP Basis) in 2021.

Since the end of the year, commodity prices and Matador's shares have come under pressure. As I write this letter, we are trading in the mid to high "$40's" and closed April at $49.03 per share. The increasing uncertainty in the macro financial markets, caused by high inflation and interest rates in the United States, concerns that the economy may soon be in a recession and the ongoing impacts of international events have all contributed to this recent pull-back in our share price but the forward outlook is positive. Matador's fundamentals of free cash flow generation, increasing production and reserves and growing the market share of our midstream group remain strong and are very encouraging. The recent Advance acquisition not only enhances the overall quality of our asset portfolio but also strengthens our asset values. We intend to further strengthen Matador by repaying debt, strategically bolting acreage on to our land and midstream positions, managing our costs and drilling great wells. The current macroeconomic environment presents challenges, but based on our reserves and expected production, we consider the current stock price ($44.12 per share as of May 9, 2023) to be a good buying opportunity (see **Slide J**).

Matador remains committed to generating strong returns for its shareholders as we have done for the past 40 years (see **Slide A**, again). As many of you may recall, the Matador organization first began in 1983 with $270,000 in contributed capital from 17 friends and family members and has grown to a company with an enterprise value of approximately $8 billion since then. In December 2022, we announced that Matador's Board of Directors (the "Board") had amended the Company's dividend policy, increasing the quarterly dividend by 50% to $0.15 per share. This higher quarterly dividend was first paid in March. You can expect the higher dividend of $0.15 per share to be paid again on June 1, 2023 to shareholders of record as of May 11, 2023. Matador's board will review the dividend policy this fall for possibly another raise.

Summary

In summary, the Board and I are very pleased with Matador's performance and accomplishments so far this year, and we look forward to our continued progress during the remainder of 2023. We expect to achieve approximately 40% growth in year-over-year oil production in the fourth quarter of 2023 (see **Slide K**). Our strong start in the first quarter of 2023, the Advance acquisition and our other operations sets us up for another record year in 2023 and an even better 2024. We look forward to updating you as this progress unfolds.

We are also looking forward to our upcoming Annual Shareholders' Meeting scheduled for June 9, 2023 at the Hilton Dallas Lincoln Centre, Lakeside Ballroom in Dallas, Texas, where we will have the opportunity to update you further on our recent performance and plan and to introduce you to some of our young leaders and key staffers. By now, you should have received your 2022 Annual Report and 2023 proxy materials, and we encourage you to take a moment to vote your shares if you have not done so already. We certainly hope you will be able to join us in person. If you cannot do so, you will, of course, be able to participate in the meeting via a live webcast. Please let our Assistant Corporate Secretary, Amanda Crawford (acrawford@matadorresources.com), know if you plan to attend or have any questions about how to vote or access the webcast.

As always, we appreciate your support and friendship very much. We always enjoy hearing from you and hope you will call us or stop by to see us whenever you are in the Dallas area. Until we have a chance to visit again, please reach out to us any time you have questions, concerns or suggestions.

Sincerely,

Joe

Joseph Wm. Foran
Chairman & CEO

<u>Note</u>: The Standardized Measure and PV-10 of the Company's reserves as of December 31, 2022 were $6.98 billion and $9.13 billion, respectively. The PV-10 of the Advance reserves was estimated to be $2.86 billion as of December 31, 2022 using the same unweighted arithmetic average first-day-of-the-month prices for the previous 12-month period being used to value the Company's reserves at December 31, 2022, which are $90.15 per barrel of oil and $6.36 per MMBtu of natural gas. PV-10 is a non-GAAP financial measure, which differs from the GAAP financial measure of "Standardized Measure" because PV-10 does not include the effects of income taxes on future income. The income taxes related to the Advance assets as of December 31, 2022 were unknown because the tax basis in such properties as of December 31, 2022 is not known and is subject to many variables. As such, the Company has not provided the Standardized Measure of the Advance assets or a reconciliation of PV-10 to Standardized Measure with respect to the Advance assets.

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 the anticipated benefits, opportunities and results with respect to the Advance acquisition, including any expected value creation, reserves additions, midstream opportunities and other anticipated impacts from the Advance acquisition, as well as other aspects of the transaction, guidance, projected or forecasted financial and operating results, future liquidity, leverage, the payment of dividends, 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, disruption from the Advance acquisition making it more difficult to maintain business and operational relationships; significant transaction costs associated with the Advance acquisition; the risk of litigation and/or regulatory actions related to the Advance acquisition, as well as the following risks related to financial and operational performance: general economic conditions; the Company's ability to execute its business plan, including whether its 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; its ability to replace reserves and efficiently develop current reserves; the operating results of the Company's midstream oil, natural gas and water gathering and transportation systems, pipelines and facilities, the acquiring of third-party business and the drilling of any additional salt water disposal wells; 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; impact on the Company's operations due to seismic events; its ability to make acquisitions on economically acceptable terms; its ability to integrate acquisitions; availability of sufficient capital to execute its business plan, including from future cash flows, available borrowing capacity under its revolving credit facilities and otherwise; the operating results of and the availability of any potential distributions from our joint ventures; weather and environmental conditions; the ongoing impact of the novel coronavirus, or COVID-19, or variants thereof, on oil and natural gas demand, oil and natural gas prices and its business; and the other factors that 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.