

**Davidson, Florene, EMNRD**

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**From:** Ernest Padilla <epadillaplf@qwestoffice.net>  
**Sent:** Thursday, January 02, 2014 4:24 PM  
**To:** Davidson, Florene, EMNRD  
**Cc:** Michael Feldewert  
**Subject:** FW: Chevron/Endurance Trade-T25S, R35E-Lea County, New Mexico  
**Attachments:** JAZZBASSTRADE.pptx; Chevron-Endurance Trade Numbers.docx; Jazz\_Bass\_AFE-11-19-2013.xlsx; Coranado\_AFE\_-11-19-2013.xlsx; Starcaster\_AFE\_-11-19-2013.xlsx; Walk\_Around\_Book-chevron.pptx; Re: Followup and Wed/Thursday this week

*Case 15074*

Ms. Davidson:

I am forwarding an email that I sent to Mike Feldewert after he noted to me that I did not send him the "first email." Please include it as part of my initial email to Mr. Feldewert.

Ernest L. Padilla  
PADILLA LAW FIRM, P.A.  
P.O. Box 2523  
Santa Fe, New Mexico 87504-2523  
T: 505-988-7577  
F: 505-988-7592  
E: [epadillaplf@qwestoffice.net](mailto:epadillaplf@qwestoffice.net); (office) [padillalaw@qwestoffice.net](mailto:padillalaw@qwestoffice.net)

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**From:** Ernest Padilla [<mailto:epadillaplf@qwestoffice.net>]  
**Sent:** Thursday, January 02, 2014 1:09 PM  
**To:** Michael Feldewert ([MFeldewert@hollandhart.com](mailto:MFeldewert@hollandhart.com))  
**Subject:** FW: Chevron/Endurance Trade-T25S, R35E-Lea County, New Mexico

Mike:

I do not know what happened earlier. Let me know if you still do not receive this email.

Ernest L. Padilla  
PADILLA LAW FIRM, P.A.  
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**From:** Jason South [mailto:jason@enduranceresourcesllc.com]

**Sent:** Thursday, January 02, 2014 9:49 AM

**To:** Ernest Padilla

**Cc:** Don Ritter - AOL; Manny Sirgo

**Subject:** FW: Chevron/Endurance Trade-T25S, R35E-Lea County, New Mexico

Ernie,

Per your email, below is the email we sent to Chevron on 11-27. I have highlighted the Section 18 info and the Starcaster AFE that we presented at the meeting was attached in the below email. We met with Ken Schwartz and Jason Levine from Chevron.

I have also included on this email the slide show (walk around book) we presented to Chevron on 11/20. As you can see, slides 19-29 are dealing with our discussion with Chevron on Section 18 and the drilling direction of their proposed well.

I also attached an email reply from Ken to Don when Don tried to meet with them in early December.

Please let me know if you need any additional information.

Thanks,

Jason

Jason South, CPL

Landman

Endurance Resources

Work: (432) 242-4683

Cell: (432) 210-1368

**From:** Jason South

**Sent:** Wednesday, November 27, 2013 10:10 AM

**To:** 'Ken.Schwartz@chevron.com'; 'JLevine@chevron.com'

**Cc:** Don Ritter

**Subject:** Chevron/Endurance Trade-T25S, R35E-Lea County, New Mexico

Ken and Jason,

Per our meeting from last week, please find attached a slide showing the proposed trade acreage as well as an attachment showing the acreage calculations. Below is a quick summary of the proposed trade Endurance Properties, Inc. ("Endurance") made to Chevron U.S.A. Inc. ("Chevron") at our meeting last week:

- 1) Endurance would convey 40% WI in Section 34 to Chevron
- 2) Chevron would convey 60% WI in the colored sections that Chevron owns an interest in on the attached slide to Endurance (or 60% proportionately reduced based on Chevron's ownership in each respective section)
- 3) Endurance would serve as operator of all of the acreage involved in the trade
- 4) Endurance would carry Chevron through the well in its Jazz Bass well located in Section 34 and said well will be drilled mid-2014. The cost through the well is roughly \$6.3 million with the carry being around \$2.52 million
- 5) Endurance would drill a 7,500' lateral well with a SL in the NW/4 of Section 26 and a BHL in the NW/4 of Section 35 in the 3<sup>rd</sup> quarter of 2014 in order to HBP two of Chevron's leases that are set to expire in 2014

I have also attached an AFE for your reference for the following wells:

- 1) Jazz Bass well located in Section 34, T25S, R35E, Lea County, NM
- 2) Coronado well located in Sections 26 & 35, T25S, R35E, Lea County, NM
- 3) Starcaster well located in Section 18, T23S, R34E, Lea County, NM.

Thank you very much for meeting with us last week. We look forward to hearing back from you on the proposed trade as well as our discussion on Section 18. If you have any questions or need any additional information, please don't hesitate in contacting me. I hope you both have a great Thanksgiving.

Thanks again,

Jason

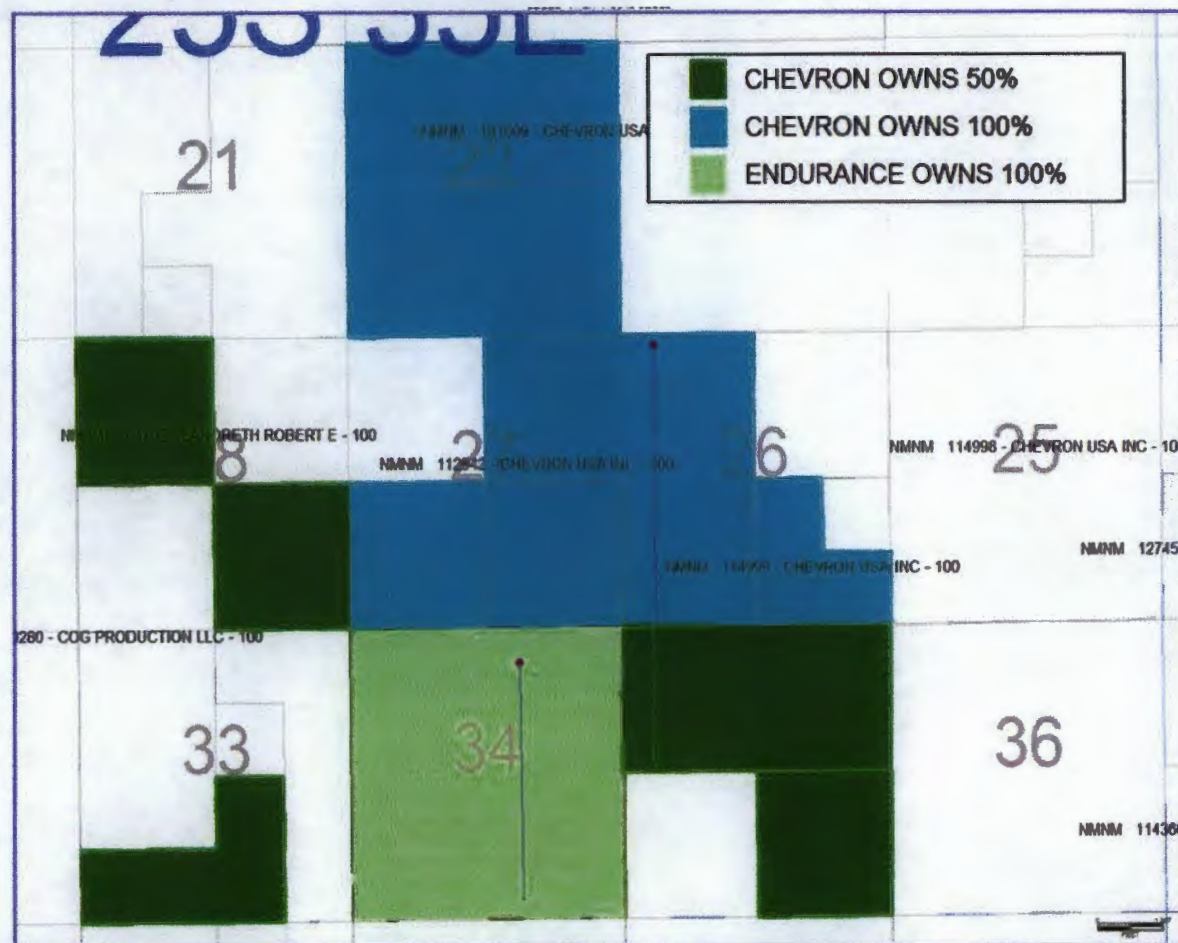
Jason South, CPL  
Senior Landman  
Endurance Resources  
Work: (432) 242-4683  
Cell: (432) 210-1368



# Jazz Bass Area Trade

## Proposed Trade with Chevron:

- 60% Endurance/40% Chevron across with Endurance serving as operator
- Endurance will carry Chevron's 40% through its Jazz Bass well located in Section 34
- Endurance will drill a 7,500' lateral well to HBP two expiring Chevron leases
- Acreage value to Chevron \$2600/nma



## Chevron/Endurance Deal

- 1) Jazz Base Section 34 (Endurance 100%)
  - $640 * .4 = 256$  nma to Chevron
- 2) Chevron Blue acreage (100%)
  - $1,560 \text{ nma} * .6 = 936$  nma to Endurance
- 3) Chevron Green acreage (50%)
  - $960/2 = 480$  nma
  - $480 * .6 = 288$  nma to Endurance
- 4)  $1,224$  (nma to Endurance) –  $256$  (nma to Chevron) =  $968$  nma gain to Endurance
- 5) Carry Chevron on Jazz Base well through the well
  - $6.3 \text{ million} * .40 = 2.52$  million carry
- 6)  $2.52 \text{ million} / 968 \text{ nma} = \$2,603$  per nma

Endurance Resources LLC

Authority for Expenditure  
Permian Basin Form

Date: Nov-19-2013  
AFE Number: 34-H-0001

Lease: Jazz Bass  
Well No.:  
Purpose: D&C -2nd Bone Spring Horizontal  
Operation: Drill lateral through perviously set 9 5/8" csg.  
Complete using plug & perf method  
Run & Frac Down 5 1/2" 20# Buttress

County/State: LEA CO NM  
Sec-Tn-Rg: 34-25S-35E  
Surf,Location:  
BHL  
Est. TVD  
Est TMD.

Capital Cost:					Dry Hole Costs	Completion Costs	Total Completed
	amount:	unit	unit cost	cost / unit			
Casing Surface	0	ft	\$0.00	\$/ft	\$0.00	\$0.00	\$0.00
Casing (5 1/2-P110-20#) BTC	16500	ft	\$26.00	\$/ft	\$429,000.00	\$0.00	\$429,000.00
Lateral Liner	0	ft	\$15.00	\$/ft	\$0.00	\$0.00	\$0.00
Liner Hangar + 5-1/2 Tie-Back	0	assem	\$98,919.00	\$/assem		\$0.00	\$0.00
Casing Heads	1	ea	\$8,500.00	\$/ea		\$8,500.00	\$8,500.00
Wellhead w/ Valves & Fittings	1	ea	\$10,000.00	\$/ea		\$10,000.00	\$10,000.00
Tubing 2 7/8" J-55	12200	ft	\$5.03	\$/ft		\$61,366.00	\$61,366.00
Tubing Anchor	1	ea	\$850.00	\$/ea		\$850.00	\$850.00
Sucker Rods	1	ft	\$48,000.00	\$/ft		\$48,000.00	\$48,000.00
Subsurface Pump	1	ea	\$7,500.00	\$/ea		\$7,500.00	\$7,500.00
Pumping Unit	1	ea	\$108,000	\$/ea		\$108,000.00	\$108,000.00
Gas Flowline	1000	ft	\$6.50	\$/ft		\$6,500.00	\$6,500.00
Tank Battery	1	ea	\$570,000.00	\$/ea		\$570,000.00	\$570,000.00
Gas Meter Run	1	ea	\$10,000.00	\$/ea		\$10,000.00	\$10,000.00
Electric Service Install	1	ea	\$100,000.00	\$/ea		\$100,000.00	\$100,000.00
Elec Panel & motor	1	ea	\$15,000.00	\$/ea		\$15,000.00	\$15,000.00
Misc. Materials(incld Whipstock)	1		\$90,000.00	\$/ea		\$90,000.00	\$90,000.00
Sales Tax @ 5.25%	1		5.25%		\$22,522.50	\$54,375.09	\$76,897.59

Total Capital Cost> \$451,522.50 \$1,090,091.09 \$1,541,613.59

Intangible Cost:					Dry Hole Costs	Completion Costs	Total Completed
	amount:	unit	unit cost	cost / unit			
Survey Location	1	ea	\$6,000.00	\$/ea	\$6,000.00		\$6,000.00
Surface Damages	1	ea	\$6,000.00	\$/ea	\$6,000.00		\$6,000.00
Caliche	1		\$10,000.00		\$10,000.00		\$10,000.00
Build Location / Road/ Frac Pit	1	ea	\$85,000.00	\$/ea	\$85,000.00		\$85,000.00
Pit Liner/Pit Fence/Frac Pond	0	ea	\$200,000.00	\$/ea	\$0.00		\$0.00
Mouse/Rat Hole/cellar + Conductor	1	ea	\$10,000.00	\$/ea	\$10,000.00		\$10,000.00
Bit - Surface Hole	0	ea	\$0.00	\$/ea	\$0.00		\$0.00
Casing Crews-Surface	0	ea	\$0.00	\$/ea	\$0.00		\$0.00
Cement Surf Casing(w/float equip)	0	ea	\$0.00	\$/ea	\$0.00		\$0.00
Drilling Fluids	1	ea	\$60,000.00	\$/ea	\$60,000.00		\$60,000.00
Water -Drilling(Fresh & Brine)	8000	bbl(s)	\$2.85	\$/bbl	\$22,800.00		\$22,800.00
Closed Loop System	15	days	\$3,500.00	\$/day	\$52,500.00		\$52,500.00
Bits- Production Vertical Hole	0	ea	\$0.00	\$/ea	\$0.00		\$0.00
Bits + Mills (Window & Lateral Hole)	8	ea	\$7,500.00	\$/ea	\$60,000.00		\$60,000.00
Mud Logging( 2 man )	12	day(s)	\$2,500.00	\$/day	\$30,000.00		\$30,000.00
Open Hole Log-Intermediate Section	0	ea	\$0.00	\$/ea	\$0.00		\$0.00
Open Hole Log-Deep Section	0	ea	\$0.00	\$/ea	\$0.00		\$0.00
Sidewall Coring Minimum Setup Charge	0	ea	\$0.00	\$/ea	\$0.00		\$0.00
DST	0	ea	\$0.00	\$/ea	\$0.00		\$0.00
Rig Mobilization (truckng + rig day rate)	1	ea	\$275,000.00	\$/ea	\$275,000.00		\$275,000.00
Drilling Daywork-w/Top Drive	13	day(s)	\$22,500.00	\$/day	\$292,500.00		\$292,500.00
Drilling Fuel	13	day(s)	\$3,500.00	\$/day	\$45,500.00		\$45,500.00
Misc Surface Rental Tools & Equipment	13	day(s)	\$3,500.00	\$/day	\$45,500.00		\$45,500.00
Lateral Drill Pipe Rental	13	day(s)	\$1,200.00	\$/day	\$15,600.00		\$15,600.00
Directional Drillers	12	day(s)	\$11,000.00	\$/day	\$132,000.00		\$132,000.00
Wellsite Consulting-Drilling + Camp	15	day(s)	\$2,800.00	\$/day	\$42,000.00		\$42,000.00
Operator Overhead	0	ea	\$0.00	\$/ea	\$0.00		\$0.00
Casing Crews-Intermediate	0	ea	\$0.00	\$/ea	\$0.00		\$0.00
Cement Intermediate Casing(w/float equip)	0	ea	\$0.00	\$/ea	\$0.00		\$0.00
Pre-Spud Wellbore Prep	1	ea	\$267,339.00	\$/ea	\$267,339.00		\$267,339.00
Cement Lateral Curve Casing(w/float equip)	0	ea	\$45,000.00	\$/ea	\$0.00		\$0.00
Trucking - Production Casing	0	loads	\$10,000.00	\$/load		\$0.00	\$0.00
Casing Crews-Production	1	ea	\$9,000.00	\$/ea		\$9,000.00	\$9,000.00
Cement Prod. Csgn(w/float equip)	1	ea	\$260,000.00	\$/ea		\$260,000.00	\$260,000.00
Anchors	1	set	\$5,000.00	\$/set		\$5,000.00	\$5,000.00
Pulling Unit	7	day(s)	\$5,000.00	\$/day		\$35,000.00	\$35,000.00
BOP Rental	7	min	\$800.00	\$/min		\$5,600.00	\$5,600.00
Roustabout / Welder	1	day(s)	\$100,000.00	\$/day		\$100,000.00	\$100,000.00
Cased Hole Wireline-Gyro	1	ea	\$15,000.00	\$/ea		\$15,000.00	\$15,000.00
Perforating w/ Cased Hole Log	1	ea	\$85,000.00	\$/ea		\$85,000.00	\$85,000.00
Composite Plugs RBP Packers	1	ea	\$65,000.00	\$/ea		\$65,000.00	\$65,000.00
Stimulation - Acid.	0	ea	\$14,000.00	\$/ea		\$0.00	\$0.00
Rental Surface Equip.(Frac Tanks)	8	4 dymin	\$750.00	\$/min		\$6,000.00	\$6,000.00
Frac Tank Trucking	1	ea	\$6,000.00	\$/ea		\$6,000.00	\$6,000.00
Water -Stimulation	100000	bbl(s)	\$2.75	\$/bbl		\$275,000.00	\$275,000.00
Trucking - Stim Water	0	hrs	\$0.00	\$/hr		\$0.00	\$0.00
Stimulation -Frac and Acid (11) stages	1	ea	\$2,500,000.00	\$/ea		\$2,500,000.00	\$2,500,000.00
Rental 3 1/2" Frac String	0	day(s)	\$0.00	\$/day		\$0.00	\$0.00
Coiled Tubing Services	1	ea	\$110,000.00	\$/ea		\$110,000.00	\$110,000.00
Surface Rental Tools & Equipment	8	day(s)	\$2,500.00	\$/day		\$20,000.00	\$20,000.00
Misc Trucking & Hauling	1	ea	\$25,000.00	\$/ea		\$25,000.00	\$25,000.00
Flowback/manifold/plug catcher	30	day(s)	\$2,100.00	\$/day		\$63,000.00	\$63,000.00
Wellsite Consulting-Completion	3	day(s)	\$800.00	\$/day		\$2,400.00	\$2,400.00
Contingencies @ 10 %	0		10%		\$119,040.00	\$358,700.00	\$477,740.00
Sales Tax @ 5.25%	1		5.25%		\$86,722.85	\$207,149.25	\$289,930.15

Total Intangible Cost> \$1,663,502 \$4,152,849 \$5,812,409.15

Total Project Cost> \$2,115,024 \$5,242,940 \$7,354,023

Dry Hole Costs	Completion Costs	Total Completed
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Operator WI: \_\_\_\_\_

Operator Approval: Endurance Resources LLC  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Operator's Share: \$0.00

Partner WI: 0.00%

Partner Approval: \_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Partner's Share: \$0.00

Authority for Expenditure  
Permian Basin Form

Lease: Coranado

Well No.:

Purpose: Drill a 7,500' Lateral in the 3rd Bone Spring

Operation: Drill & Complete

Date: Nov-19-2013

AFE Number:

API #

County/State: Lea Co. / NM

Sec-Twn-Rng

Location:

Rig:

Capital Cost:					Dry Hole	Completion	Total	Code
	amount:	unit	unit cost	cost / unit	Costs	Costs	Completed	
Casing Surface (13 3/8"-J-55 -40# + 54.5#)	1300	ft	\$34.61	\$/ft	\$44,993.00	\$0.00	\$44,993.00	168-20
Casing Intermediate (9 5/8"-40# J & L)	5250	ft	\$26.85	\$/ft	\$140,962.50	\$0.00	\$140,962.50	168-25
Production Casing ( 5 1/2"-HCP-110- 20# TTRS1)	18000	ft	\$21.50	\$/ft	\$387,000.00	\$0.00	\$387,000.00	168-38
Permanent Lateral Assembly	0	assem	\$0.00	\$/assem		\$0.00	\$0.00	168-38
Liners & hangars	0	ea	\$0.00	\$/ea		\$0.00	\$0.00	168-45
Casing & Well Heads w/ Valves & Fittings	1	ea	\$30,000.00	\$/ea		\$30,000.00	\$30,000.00	168-50
Tubing( 2 7/8"-6.5#-L-80)	11100	ft	\$5.03	\$/ft		\$55,833.00	\$55,833.00	168-35
Tubing Anchor	1	ea	\$1,100.00	\$/ea		\$1,100.00	\$1,100.00	168-50
Sucker Rods	1	ft	\$48,000.00	\$/ft		\$48,000.00	\$48,000.00	168-40
Subsurface Pump	1	ea	\$7,500.00	\$/ea		\$7,500.00	\$7,500.00	168-72
Pumping Unit (640)	1	ea	\$110,000	\$/ea		\$110,000.00	\$110,000.00	168-70
Flowlines	3500	ft	\$13.00	\$/ft		\$45,500.00	\$45,500.00	168-115
Tank Battery	1	ea	\$552,154.00	\$/ea		\$552,154.00	\$552,154.00	168-100
Gas Meter Run	1	ea	\$10,000.00	\$/ea		\$10,000.00	\$10,000.00	168-90
Electric Service Install	1	ea	\$100,000.00	\$/ea		\$100,000.00	\$100,000.00	168-150
Elec Panel & motor	1	ea	\$15,000.00	\$/ea		\$15,000.00	\$15,000.00	168-110
Misc. Materials	1		\$10,000.00	\$/ea		\$10,000.00	\$10,000.00	168-200
Sales Tax @ 5.25%	1		5.25%		\$30,080.16	\$51,717.07	\$81,797.23	

Total Capital Cost>

\$603,035.66

\$1,036,804.07

\$1,639,839.73

Intangible Cost:					Dry Hole	Completion	Total	
	amount:	unit	unit cost	cost / unit	Costs	Costs	Completed	
Survey Location	1	ea	\$6,000.00	\$/ea	\$6,000.00		\$6,000.00	164-20
Permit/ Surface Damages	1	ea	\$6,500.00	\$/ea	\$6,500.00		\$6,500.00	164-27
Caliche	0		\$0.00		\$0.00		\$0.00	164-35
Build Location / Road	1	ea	\$100,000.00	\$/ea	\$100,000.00		\$100,000.00	164-30
Frac Pond/Pond Liner/Pond Fence	1	ea	\$200,000.00	\$/ea	\$200,000.00		\$200,000.00	164-65
Mouse/Rat Hole + Conductor	1	ea	\$50,000.00	\$/ea	\$50,000.00		\$50,000.00	164-47
Bits -(17 1/2"+12 1/4") Surface+ Int Hole	2	ea	\$9,000.00	\$/ea	\$18,000.00		\$18,000.00	164-48
Casing Crews-Surface	1	ea	\$7,000.00	\$/ea	\$7,000.00		\$7,000.00	164-48
Cement Surf Casing(w/float equip)	1	ea	\$40,000.00	\$/ea	\$40,000.00		\$40,000.00	164-48
Drilling Fluids	1	ea	\$100,000.00	\$/ea	\$100,000.00		\$100,000.00	164-60
Water -Drilling(Fresh & Brine)	1	bbl(s)	\$90,000.00	\$/bbl	\$90,000.00		\$90,000.00	164-60
Trucking - Surface Casing	0	loads		\$/load	\$0.00		\$0.00	164-45
Bits-(8 3/4") Production Vertical Hole	3	ea	\$11,500.00	\$/ea	\$34,500.00		\$34,500.00	164-140
Bits-(8 3/4") Lateral Hole	2	ea	\$11,500.00	\$/ea	\$23,000.00		\$23,000.00	164-140
Mud Logging( 3 man )	16	day(s)	\$1,710.00	\$/day	\$27,360.00		\$27,360.00	164-95
Open Hole Log-Intermediate Section	0	ea	\$0.00	\$/ea	\$0.00		\$0.00	164-110
Open Hole Log-Deep Section	1	ea	\$31,000.00	\$/well	\$31,000.00		\$31,000.00	164-110
Sidewall Coring Minimum Setup Charge	1	ea	\$14,000.00	\$/well	\$14,000.00		\$14,000.00	164-100
DST	0	ea	\$0.00	\$/ea	\$0.00		\$0.00	164-117
Rig Mobilization	1	ea	\$150,000.00	\$/well	\$150,000.00		\$150,000.00	164-50
Drilling Daywork + Top Drive	35	day(s)	\$19,000.00	\$/day	\$665,000.00		\$665,000.00	164-50
Drilling Fuel	1	day(s)	\$185,000.00	\$/well	\$185,000.00		\$185,000.00	164-50
Surface Rental-Closed Loop + Camp	35	day(s)	\$6,857.00	\$/day	\$239,995.00		\$239,995.00	164-55
Directional toolso for Curve+lateral+Whipstock	1	day(s)	\$325,000.00	\$/well	\$325,000.00		\$325,000.00	164-55
Wellsite Consulting-Drilling	38	day(s)	\$2,200.00	\$/day	\$83,600.00		\$83,600.00	164-55
Operator Overhead	1	ea	\$9,000.00	\$/ea	\$9,000.00		\$9,000.00	164-15
Casing Crews-Intermediate	1	ea	\$7,000.00	\$/ea	\$7,000.00		\$7,000.00	164-80
Cement Intermediate Casing(w/float equip)	1	ea	\$75,000.00	\$/ea	\$75,000.00		\$75,000.00	164-80
Cement for Plugging	0	ea	\$0.00	\$/ea	\$0.00		\$0.00	164-145
Cement Lateral Curve Casing(w/float equip)	0	ea	\$0.00	\$/ea	\$0.00		\$0.00	164-145
Trucking - Production Casing	0	loads	\$0.00	\$/load		\$0.00	\$0.00	164-45
Casing Crews-Production	1	ea	\$15,000.00	\$/ea		\$15,000.00	\$15,000.00	164-85
Cement Prod. Csng(w/float equip)	1	ea	\$220,000.00	\$/ea		\$220,000.00	\$220,000.00	164-145
Anchors	1	set	\$5,000.00	\$/set		\$5,000.00	\$5,000.00	164-50
Pulling Unit	7	day(s)	\$4,500.00	\$/day		\$31,500.00	\$31,500.00	164-50
BOP Rental	7	min	\$800.00	\$/min		\$5,600.00	\$5,600.00	164-135
Roustabout / Welder	16	day(s)	\$6,600.00	\$/day		\$105,600.00	\$105,600.00	164-207
Cased Hole Log-Bond + GRN	1	ea	\$20,000.00	\$/ea		\$20,000.00	\$20,000.00	164-115
Perforating w/ Cased Hole Log	1	ea	\$85,000.00	\$/ea		\$85,000.00	\$85,000.00	164-115
Composite Plugs RBP Packers	1	ea	\$65,000.00	\$/ea		\$65,000.00	\$65,000.00	164-123
Stimulation - Acid.	1	ea	\$15,000.00	\$/ea		\$15,000.00	\$15,000.00	164-170
Rental Surface Equip.(Frac Tanks+ Coil Tubing)	1	ea	\$120,000.00	\$/min		\$120,000.00	\$120,000.00	164-150
Frac Tank Trucking	8	ea	\$1,100.00	\$/ea		\$8,800.00	\$8,800.00	164-160
Water -Stimulation	100000	bbl(s)	\$2.15	\$/bbl		\$215,000.00	\$215,000.00	164-170
Trucking - Stim Water	0	hrs	\$0.00	\$/hr		\$0.00	\$0.00	164-160
Stimulation -Frac 16 stages -Ceramic Prop 3.3mm#	1	ea	\$3,400,000.00	\$/ea		\$3,400,000.00	\$3,400,000.00	164-170
Rental 5 1/2" DP + DH motors & subs	35	day(s)	\$3,428.00	\$/day		\$119,980.00	\$119,980.00	164-155
Wellsite Consulting-Completion	3	day(s)	\$1,100.00	\$/day		\$3,300.00	\$3,300.00	164-225
Contingencies @ 10 %	0		10%		\$240,495.50	\$443,478.00	\$683,973.50	
Sales Tax @ 5.25%	0		5.25%		\$143,191.15	\$256,108.55	\$399,299.70	

Total Intangible Cost>

\$2,870,642

\$5,134,367

\$8,005,008.20

Total Project Cost>	\$3,473,677	\$6,171,171	\$9,644,848
	Dry Hole Costs	Completion Costs	Total Completed

Operator WI: %

Operator Approval:

Operator's Share:

Date:

Partner WI: %

Partner Approval:

Partner's Share: \$0.00

Date:



Endurance Resources LLC

Authority for Expenditure  
Permian Basin Form

Date: Nov-19-2013  
AFE Number:

County/State: Lea/NM  
Tn. Rg. Sec.: T23S-R34E Dec. 30  
Location:  
Rig:

Lease: Starcaster  
Well No.:  
Purpose: Drill 2rd Bone Spring Horizontal  
Operation: Drill 2rd Bone Spring Horizontal &  
Frac in 11stages

Capital Cost:					Dry Hole	Completion	Total
	amount:	unit	unit cost	cost / unit	Costs	Costs	Completed
Casing Surface (13-3/8" 54.5#)	1250	ft	\$34.61	\$/ft	\$43,262.50	\$0.00	\$43,262.50
Casing Intermediate (9-5/8" 40#)	5100	ft	\$26.85	\$/ft	\$136,935.00	\$0.00	\$136,935.00
Production Casing (5.5" 20#)	14900	ft	\$17.60	\$/ft	\$262,240.00	\$0.00	\$262,240.00
Permanent Lateral Assembly	0	assem	\$0.00	\$/assem		\$0.00	\$0.00
Casing Heads	1	ea	\$30,000.00	\$/ea		\$30,000.00	\$30,000.00
Wellhead w/ Valves & Fittings	0	ea	\$0.00	\$/ea		\$0.00	\$0.00
Tubing 2 7/8" 6.0# L-80	11100	ft	\$5.03	\$/ft		\$55,833.00	\$55,833.00
Tubing Anchor	1	ea	\$1,100.00	\$/ea		\$1,100.00	\$1,100.00
Sucker Rods	1	ft	\$48,000.00	\$/ft		\$48,000.00	\$48,000.00
Subsurface Pump	1	ea	\$7,500.00	\$/ea		\$7,500.00	\$7,500.00
Pumping Unit	1	ea	\$110,000	\$/ea		\$110,000.00	\$110,000.00
Flowline	3500	ft	\$13.00	\$/ft		\$45,500.00	\$45,500.00
Tank Battery	1	ea	\$552,154.00	\$/ea		\$552,154.00	\$552,154.00
Gas Meter Run	1	ea	\$10,000.00	\$/ea		\$10,000.00	\$10,000.00
Electric Service Install	1	ea	\$15,000.00	\$/ea		\$15,000.00	\$15,000.00
Elec Panel & motor	1	ea	\$15,000.00	\$/ea		\$15,000.00	\$15,000.00
Misc. Materials	1		\$10,000.00	\$/ea		\$10,000.00	\$10,000.00
Sales Tax @ 8.5%	1		8.50%		\$37,607.19	\$76,507.40	\$114,114.58

Total Capital Cost> \$480,044.69 \$976,594.40 \$1,456,639.08

Intangible Cost:					Dry Hole	Completion	Total
	amount:	unit	unit cost	cost / unit	Costs	Costs	Completed
Survey Location	1	ea	\$6,000.00	\$/ea	\$6,000.00		\$6,000.00
Surface Damages	1	ea	\$6,500.00	\$/ea	\$6,500.00		\$6,500.00
Caliche	0		\$0.00		\$0.00		\$0.00
Build Location / Road	1	ea	\$90,000.00	\$/ea	\$90,000.00		\$90,000.00
Pit Liner/Pit Fence	0	ea	\$0.00	\$/ea	\$0.00		\$0.00
Mouse/Rat Hole + Conductor	1	ea	\$50,000.00	\$/ea	\$50,000.00		\$50,000.00
Bit -(17.5"/12.25") Surface/Intermediate Hole	2	ea	\$12,000.00	\$/ea	\$24,000.00		\$24,000.00
Casing Crews-Surface	1	ea	\$7,000.00	\$/ea	\$7,000.00		\$7,000.00
Cement Surf Casing(w/float equip)	1	ea	\$50,000.00	\$/ea	\$50,000.00		\$50,000.00
Drilling Fluids	1	ea	\$90,000.00	\$/ea	\$90,000.00		\$90,000.00
Water -Drilling(Fresh & Brine)	1	bbl(s)	\$70,000.00	\$/bbl	\$70,000.00		\$70,000.00
Trucking - Surface Casing	0	loads	\$0.00	\$/load	\$0.00		\$0.00
Bits-(8.75") Production Vertical Hole	2	ea	\$12,000.00	\$/ea	\$24,000.00		\$24,000.00
Bits-(8.75") Lateral Hole	2	ea	\$12,000.00	\$/ea	\$24,000.00		\$24,000.00
Mud Logging( 2 man )	10	day(s)	\$1,710.00	\$/day	\$17,100.00		\$17,100.00
Open Hole Log-Intermediate Section	0	ea	\$0.00	\$/ea	\$0.00		\$0.00
Open Hole Log-Deep Section	1	ea	\$20,000.00	\$/ea	\$20,000.00		\$20,000.00
Sidewall Coring Minimum Setup Charge	0	ea	\$0.00	\$/ea	\$0.00		\$0.00
DST	0	ea	\$0.00	\$/ea	\$0.00		\$0.00
Rig Mobilization	1	ea	\$125,000.00	\$/ea	\$125,000.00		\$125,000.00
Drilling Daywork + Top Drive	25	day(s)	\$19,000.00	\$/day	\$475,000.00		\$475,000.00
Drilling Fuel	1	day(s)	\$140,000.00	\$/day	\$140,000.00		\$140,000.00
Rotary Steerable	0	day(s)	\$0.00	\$/day	\$0.00		\$0.00
Directional tools for Curve	1	day(s)	\$200,000.00	\$/day	\$200,000.00		\$200,000.00
Wellsite Consulting-Drilling	28	day(s)	\$2,200.00	\$/day	\$61,600.00		\$61,600.00
Operator Overhead	1	ea	\$9,000.00	\$/ea	\$9,000.00		\$9,000.00
Casing Crews-Intermediate	1	ea	\$7,000.00	\$/ea	\$7,000.00		\$7,000.00
Cement Intermediate Casing(w/float equip)	1	ea	\$210,000.00	\$/ea	\$210,000.00		\$210,000.00
Cement for Plugging	0	ea	\$0.00	\$/ea	\$0.00		\$0.00
Cement Lateral Curve Casing(w/float equip)	0	ea	\$0.00	\$/ea	\$0.00		\$0.00
Trucking - Production Casing	0	loads	\$0.00	\$/load		\$0.00	\$0.00
Casing Crews-Production	1	ea	\$18,000.00	\$/ea		\$18,000.00	\$18,000.00
Cement Prod. Csng(w/float equip)	1	ea	\$160,000.00	\$/ea		\$160,000.00	\$160,000.00
Anchors	1	set	\$5,000.00	\$/set		\$5,000.00	\$5,000.00
Pulling Unit	7	day(s)	\$4,500.00	\$/day		\$31,500.00	\$31,500.00
BOP Rental	7	min	\$800.00	\$/min		\$5,600.00	\$5,600.00
Roustabout / Welder	16	day(s)	\$6,600.00	\$/day		\$105,600.00	\$105,600.00
Cased Hole Log-Bond + GRN	1	ea	\$20,000.00	\$/ea		\$20,000.00	\$20,000.00
Perforating w/ Cased Hole Log	1	ea	\$85,000.00	\$/ea		\$85,000.00	\$85,000.00
Composite Plugs RBP Packers	1	ea	\$65,000.00	\$/ea		\$65,000.00	\$65,000.00
Stimulation - Acid.	1	ea	\$15,000.00	\$/ea		\$15,000.00	\$15,000.00
Rental Surface Equip.	1	4 dymin	\$120,000.00	\$/min		\$120,000.00	\$120,000.00
Frac Tank Trucking	8	ea	\$1,100.00	\$/ea		\$8,800.00	\$8,800.00
Water -Stimulation	100000	bbl(s)	\$2.15	\$/bbl		\$215,000.00	\$215,000.00
Trucking - Stim Water	0	hrs	\$0.00	\$/hr		\$0.00	\$0.00
Stimulation -Frac 11 stages	1	ea	\$2,400,000.00	\$/ea		\$2,400,000.00	\$2,400,000.00
Rental 4.5" DP + DH Motors & S	25	day(s)	\$4,000.00	\$/day		\$100,000.00	\$100,000.00
Wellsite Consulting-Completion	3	day(s)	\$1,100.00	\$/day		\$3,300.00	\$3,300.00
Contingencies @ 10 %	1		10%		\$148,920.00	\$335,780.00	\$484,700.00
Sales Tax @ 8.5%	1		8.50%		\$1,576.85	\$3,139.54	\$4,716.40

Total Intangible Cost> \$1,856,697 \$3,696,720 \$5,553,416.40

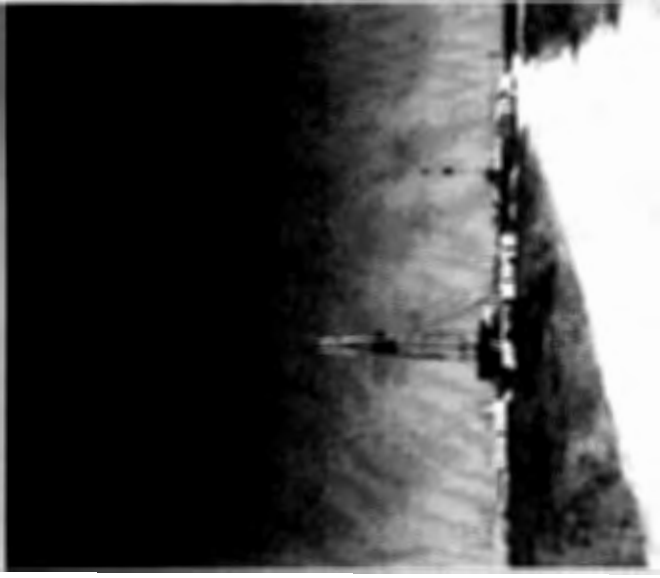
Total Project Cost> \$2,336,742 \$4,673,314 \$7,010,055

Dry Hole	Completion	Total
Costs	Costs	Completed



# Endurance Resources

Chevron Discussion  
November 2013



# Today's Agenda

Introduction to Endurance

Joint Development opportunities – T25S R-35E “Jazz Bass”

Discussion of Bell Lake Proposal

Discussion of other Development opportunities

# Delaware Basin Horizontal Pure Play

- **Endurance Resources is a Limerock Partners backed E and P company operating in the Delaware basin of SouthWest New Mexico and Texas. We currently have 17,000 net acres (98% HBP) in Eddy and Lea Counties New Mexico where significant horizontal Bone Spring development has proven to be highly prospective by the large public companies Concho, Devon, and Cimarex.**
- **Following the recent \$100MM equity commitment from Limerock and the establishment of a \$150MM senior Debt facility with Union Bank, Endurance has participated in 4 Non-operated Bone Spring wells and 5 Operated bone spring wells in 2013. Production is ramping from 400 BOED to over 2500 BOED(projected 12/2013).**
- **The company has significantly expanded its technical and operational team with experienced Delaware basin professionals. We project a capital budget of 75MM for 2014 with 10 operated wells and 4-6 non operated projects. Results to date on operated wells show projected EUR,s Irr's and initial production rates in the top quartile as compared to public company published results.**
- **We are interested in acquiring additional acreage in the play thru a combination of leasing, JV opportunities with existing players and outright acquisition of smaller companies with Bone Spring and Delaware drilling potential in both New Mexico and Texas.**

# Management Overview

- **Donald G. Ritter - CEO**

- 32 year engineering oriented career, 19 with Mobil, with a focus on drilling and international management followed by 7 years as a key principal in development of Geomechanics International and subsequent sale to Baker Hughes. Degreed petroleum engineer and MBA

- **M. Garrett Smith - CFO**

- 13 year financially oriented career with MESA/Pioneer Natural Resources as CFO and other previous positions followed by 7 years as a general partner responsible for the development and success of BP Capital and Spinnerhawk energy hedge funds. Degreed electrical engineer and MBA

- **Manny Sirgo – VP Operations**

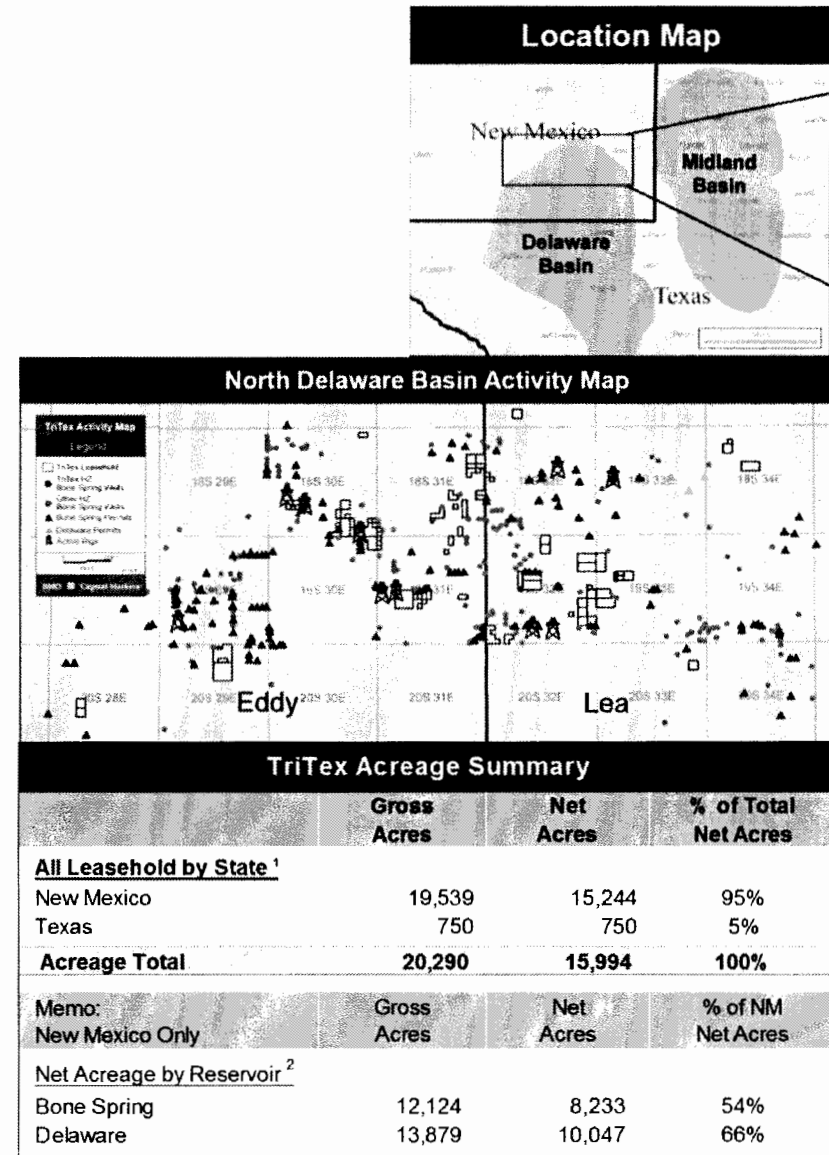
- An 30 year career as a engineering, operations and business development principal at several Permian Basin companies. Degreed petroleum engineer.

- **Randall Harris – VP Exploration**

- Brings nearly 40 years of geological and exploration experience across the Permian Basin. He spent 22 years as Exploration Manager of Ray Westall Operating and joined Endurance with the acquisition of the assets of his former employer. Degreed Geologist

# Existing Asset Base

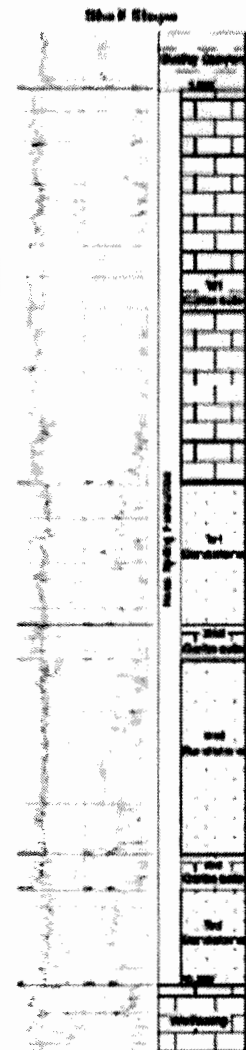
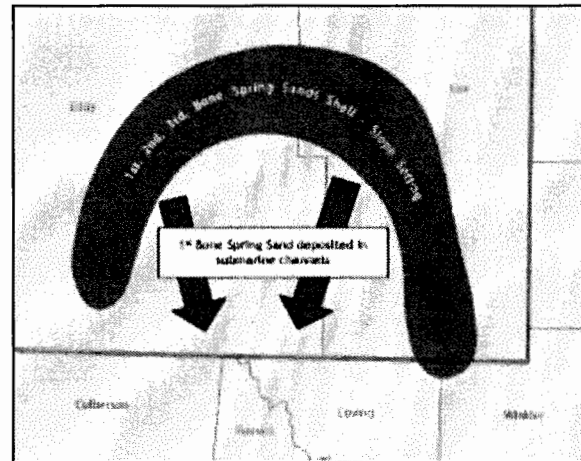
- **17,000 net acres in the core part of the Northern Delaware Basin**
  - Over 200 CGA engineered, drilling locations, including 131 horizontal Bone Spring locations
  - Significant unbooked behind-pipe opportunities as well
- **Jan 2013 Cawley Gillespie Reserve Report:**
  - Net reserves: 1.3 MMBoe PDP, 4.0 MMBoe proved, and 25 MMBoe 3P (83% liquids)
  - PV10: of \$32 MM PDP, \$71 MM 1P, and \$320 MM 3P (at strip as of the RR date)
- **2012 production was 68% oil and 82% liquids; 94% of revenue was derived from liquids**
- **Future drilling primarily targeting the first, second, and third Bone Spring sands; additional potential in Avalon Shale and Delaware Sands in certain areas**



# Bone Spring Play

- **Three distinct members – 1st Bone Spring, 2nd Bone Spring, and 3rd Bone Spring in varying stratigraphy across the Delaware Basin**
- **Thick sequence of sedimentation with interbedded sandstones and limestones**
- **Net thickness: 150-300 ft per member**
- **Completions: Lateral lengths average ~4,000 ft at TVD of 8,000-9,000 ft and 8-10 stage fracs**
  - Well performance has increased over time as operators have utilized more aggressive completions
- **Recent industry results**
  - Cimarex – Average EUR ~650 Mboe, 30 day IP's 600 Boe/d, D&C cost \$5.8-\$6.5 million, ~85% oil
  - Concho – EUR 400-700 Mboe, D&C cost \$5.0-7.0 million, ~50% IRRs, 83% oil
  - Devon – EUR 400-600 Mboe, 30 day IP's 580 Boe/d, D&C cost \$5.0-\$8.0 million

PERIOD	SERIES	DELAWARE BASIN
		FORMATION
QUATERNARY		
TERTIARY		ALLOVIUM
CRETACEOUS	GEORGIN	
	COMANCHE	FREDERICKSBURG TRINITY SD.
	UPPER	SANTA ROSA
PERMIAN	OGCHOAN	DEVIL LAKE RUSTLER DALDO CASTLE
		BELL CANYON CHERRY CANYON BRUSHY CANYON
		1 <sup>st</sup> BONE SPRING 2 <sup>nd</sup> BONE SPRING 3 <sup>rd</sup> BONE SPRING
		UPPER AVALON SH. LOWER AVALON SH. 1 <sup>st</sup> BONE SPRING SD.
	GUADALUPE	DE SANDS
	LEONARDIAN	
	WOLF CAMP	WOLF CAMP
	VIRGIL	CRICO
	MISSOURI	CANYON
	DES MOINES	STRAWN
TRIASSIC	ATOKA	ATOKA
	MURKIN	MURKIN



# Endurance 2013 Results

2013 Development Plan	Operator	30 Day IP	Capital	Est -EUR	IRR
Meridian 2H	Manzano	550 BOE	5.7MM	380+	40+
Sharps 3H	Mewbourne	500 BOE	4.2MM	340+	80+
Warhawk 1H	Concho	700 BOE	5.0MM	525+	100+
Copperline 29 2H	Caza	900 BOE	8.0MM	600+	100+
Stratocaster 1H	Endurance	1300 BOE	6.4MM	750+	100+
Stratocaster 4H	Endurance	700 BOE	4.9MM	450+	100+

30 Day IP rates from 500 BOE – 1300 BOE

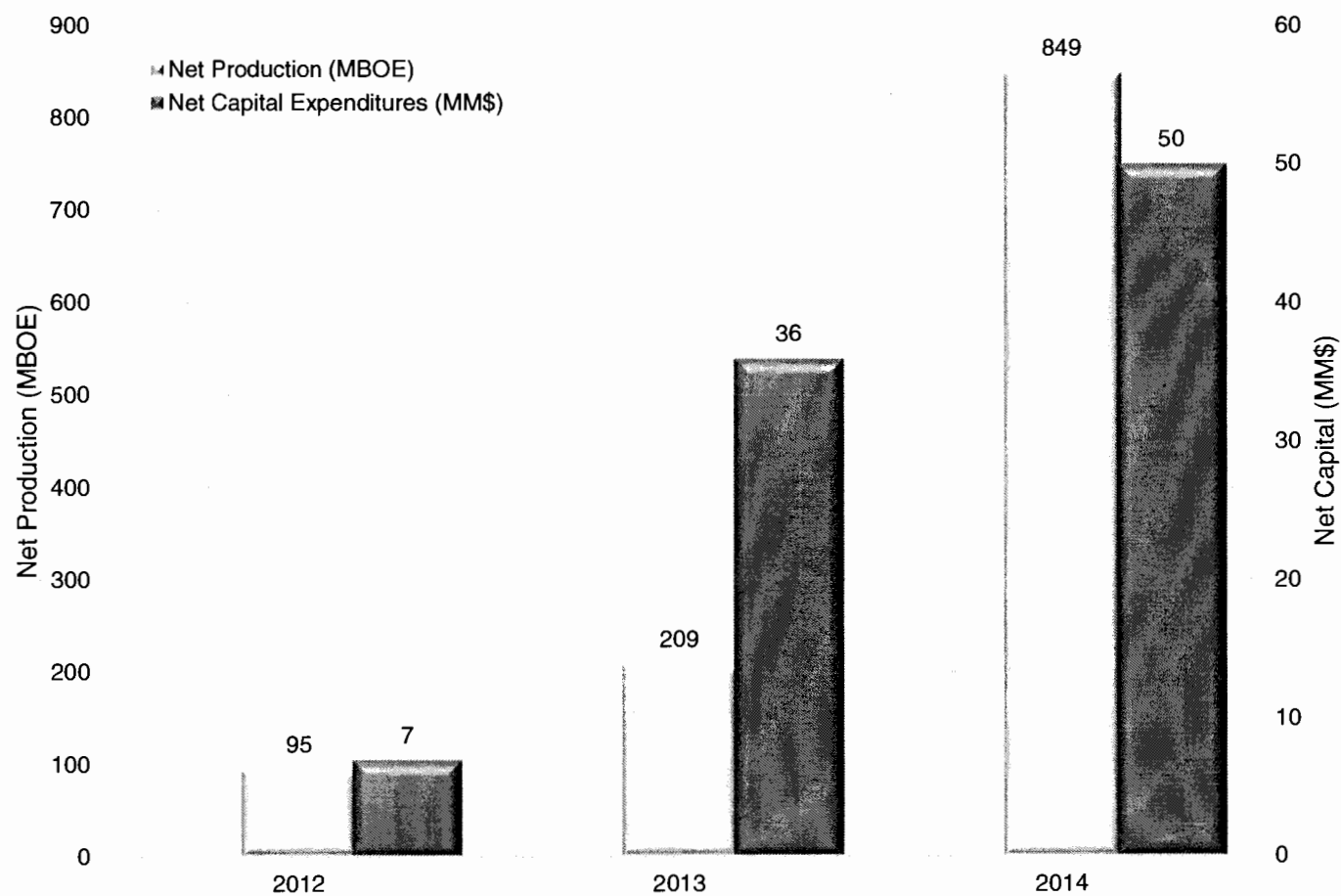
Capital from \$4.2MM - \$8.0MM

EURs from 340 MBOE – 750+ MBOE

IRRs from 40 – 100+



# Operated Production Forecast



# Operations Philosophy

## 1) Maximize EUR through effective use of technology

- Lateral Placement to maximize available hydrofrac parameters
- tight tolerances on lateral target to ensure fracture initiation in clean sand
- Use of Ceramic proppants to develop conductivity
- Use of highly efficient perforating shape charges
- Controlled “slow back” of initial well production

## 2) Maximize IRR through effective use of infrastructure and capital

- Match timing of capital spend (including leasing costs) to accelerated production.
- (All electricity, water, disposal in place - prior to Frac).
- Investments made for long term LOE reductions(SWD facilities)
- Drilling Best ROR wells early in the schedule

## 3) Concentrate operations in key areas

- Maximize learning curve
- Share infrastructure costs such as frac ponds, locations, roads, batteries, electricity and SWD

***“We always have time to do it right the first time and to do it safely”***

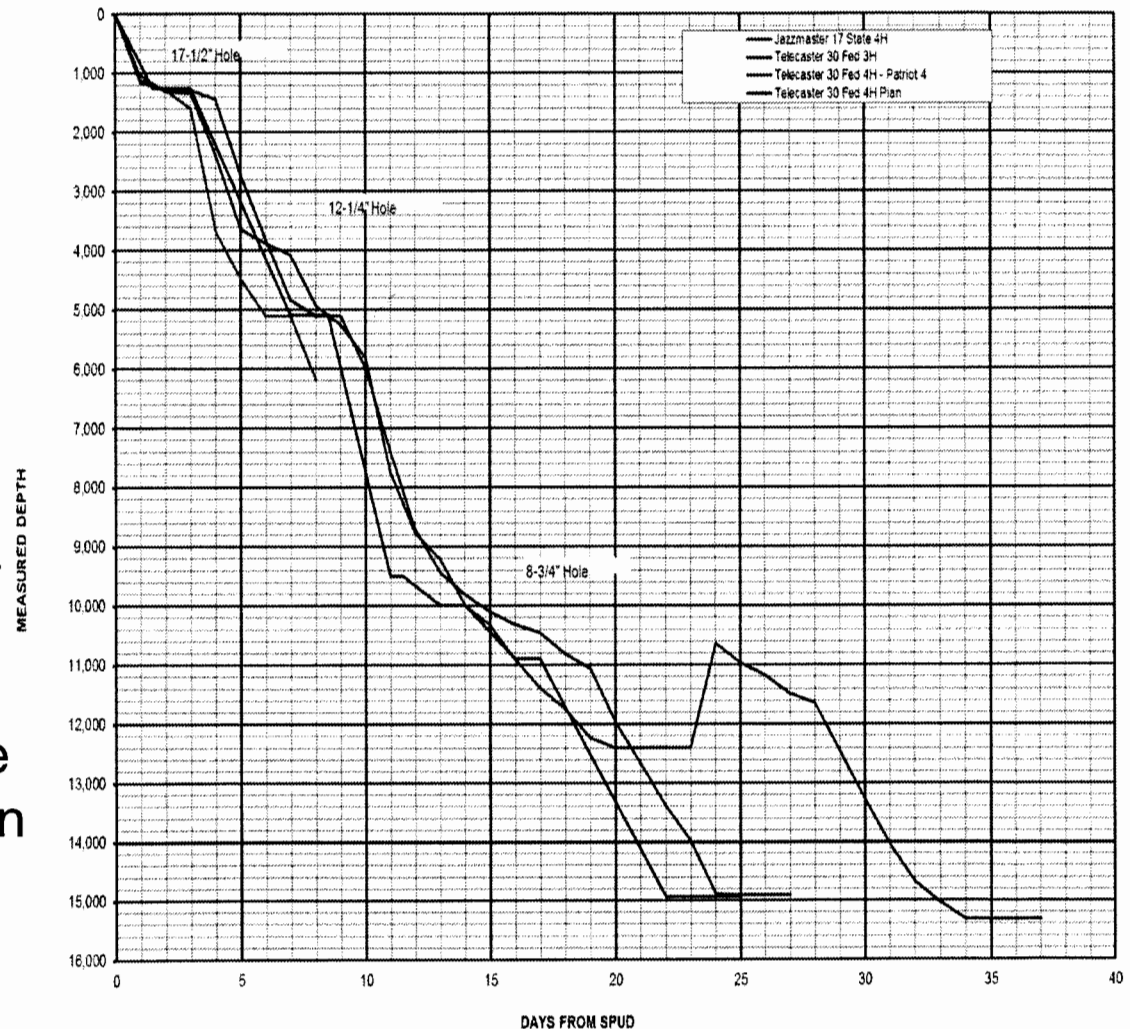
# Operational Results

Established learning curve  
in area.

Drilling rig under contract  
and in area

Operations team has  
drilled and completed 90+  
Bone Spring Horizontals

Endurance has 0 Lost time  
accidents since inception in  
2009

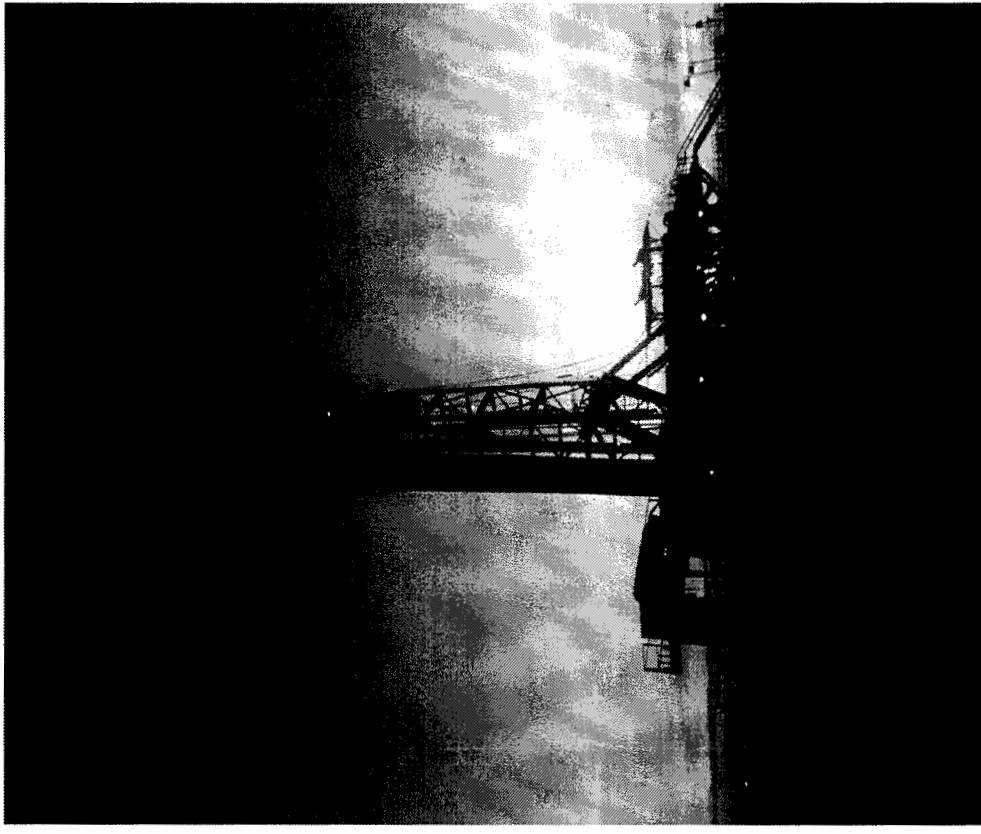


# T25S R35E JV opportunity

Trade Highlights

Geology of Jass Bass area

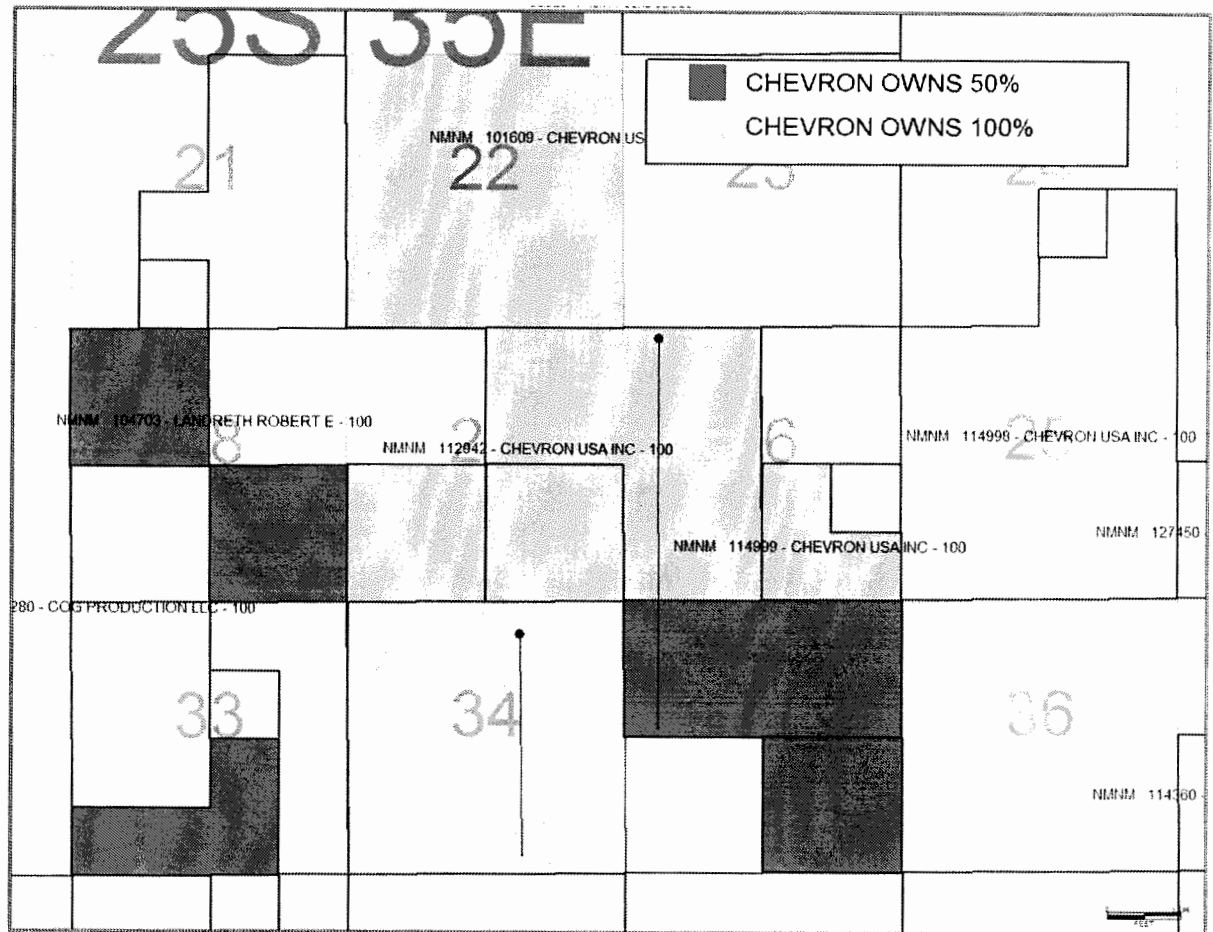
Proposed Operations



# Jazz Bass Area Trade

## Propose Trade with Chevron:

- 60 Endurance /40 Chevron Across
- Endurance Operated
- Endurance carries Chevron for 40% in first well(re-entry)
- Average Acreage value to Chevron \$2600/nma
- Endurance will drill one 7500 ft new well to HBP all expiring acreage heads up



## 3<sup>rd</sup> BSS Porosity/Wolfcamp Structure

Red Hills Lookalike

Endurance acreage is  
Centered on the thick

140 ft of 10% x-over  
porosity

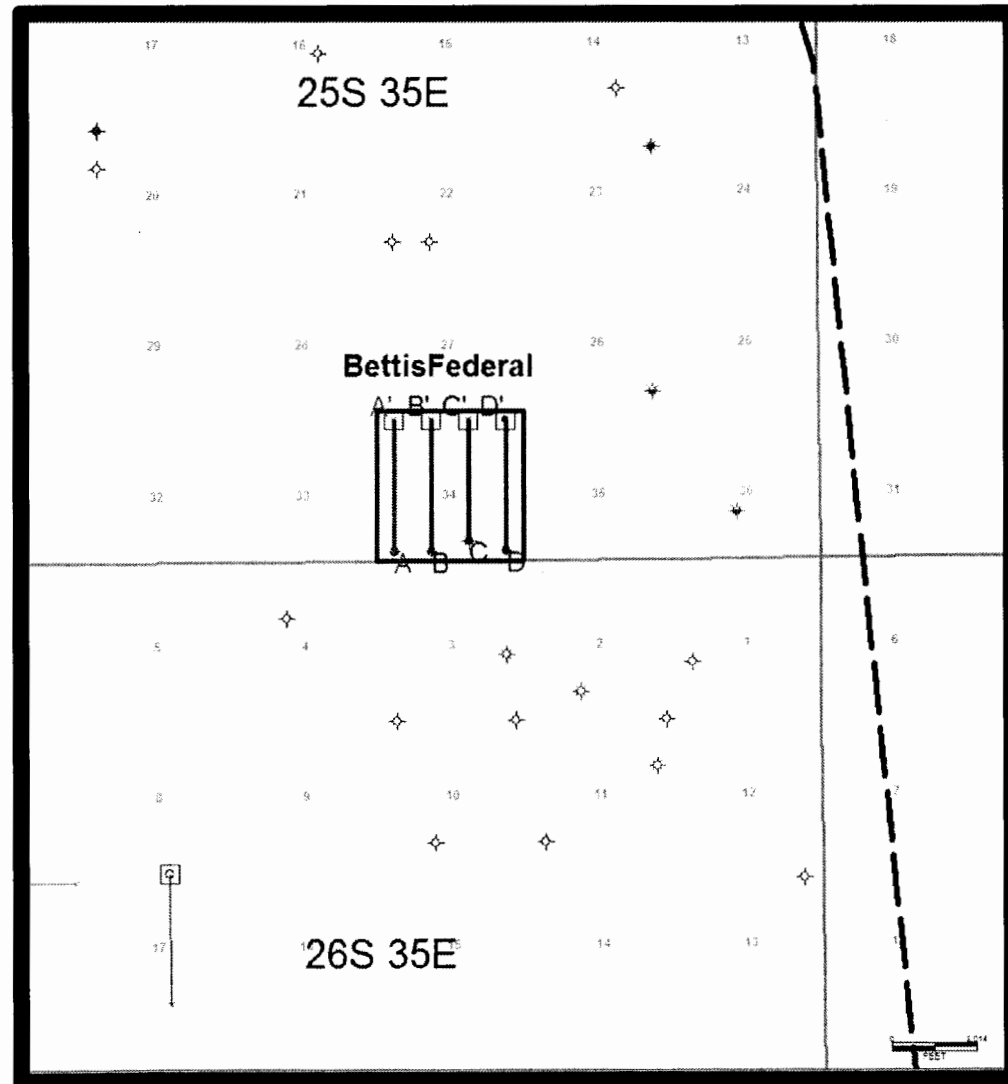


# Jazz Bass Area Overview

Few well is the area

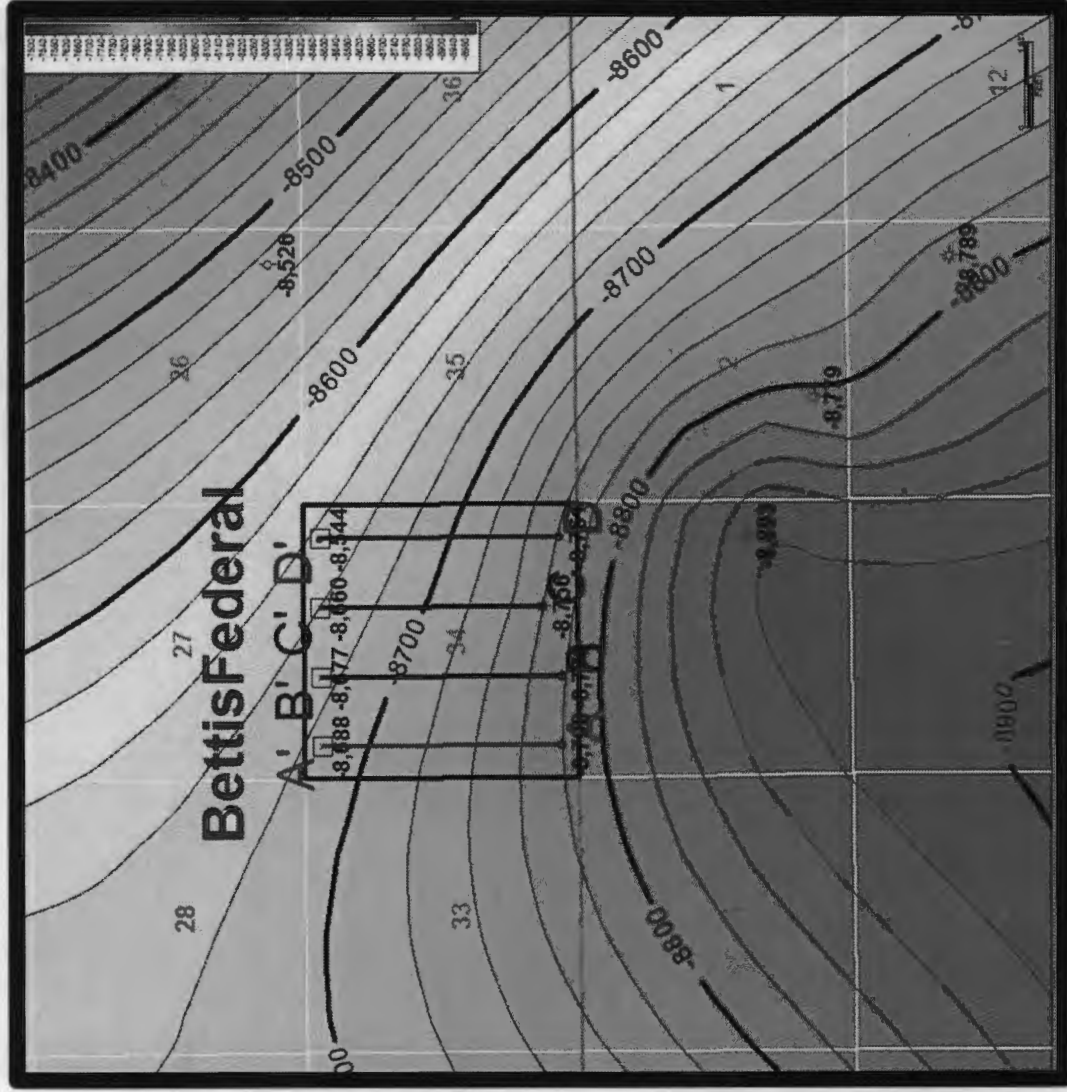
Ability to de-risk with  
Jass Bass 3-H wellbore

We have fraced 3<sup>rd</sup> and  
Have additional data

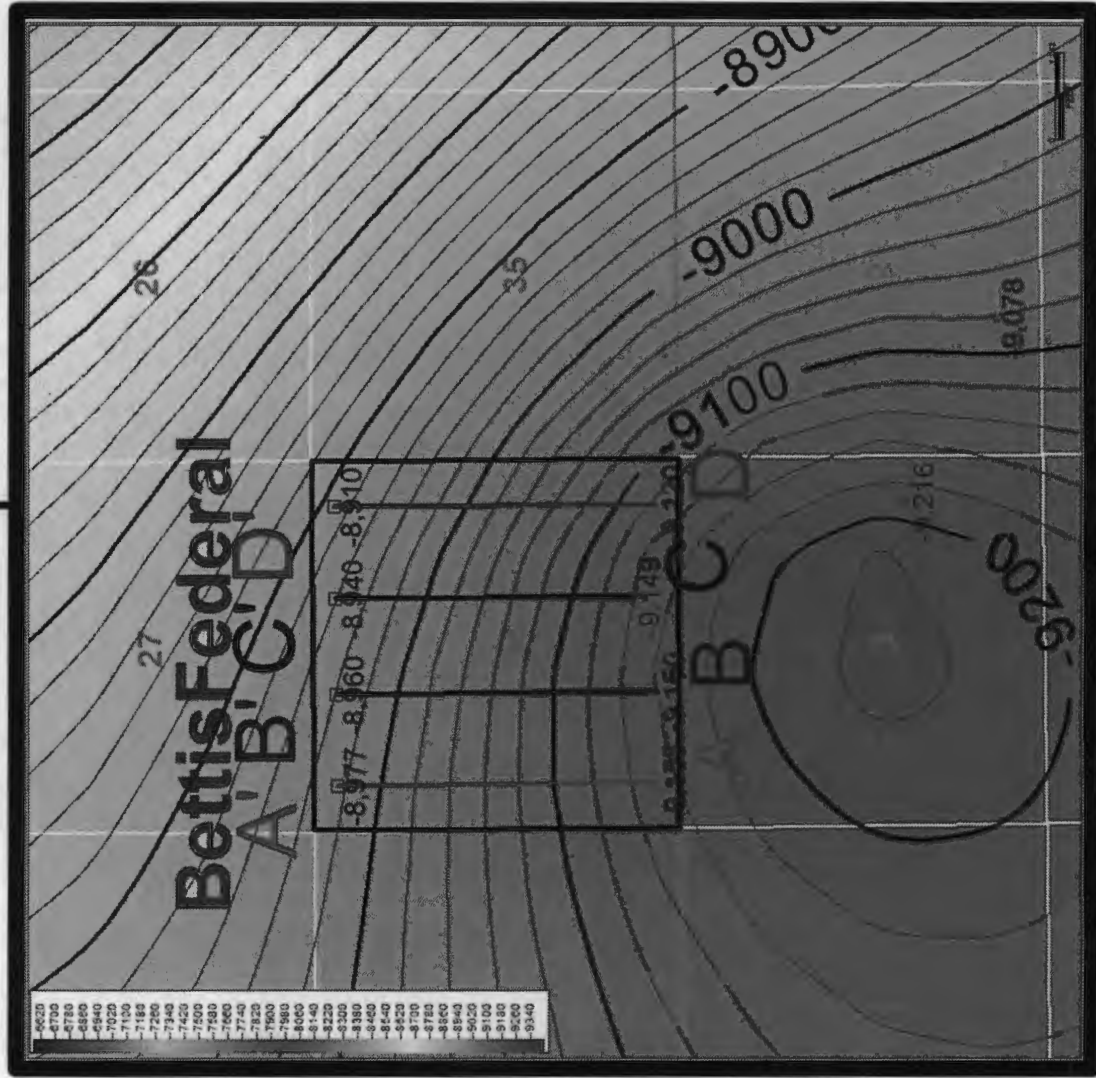




# 3rd BSS Contours




# Wolfcamp Contours



# Proposed Re-entry

ENDURANCE RESOURCES LLC					
Well Name: JAZZ BASS			Field:		
Location: 660' FSL & 1980' FEL; Sec 34-255-35E			County: LEA		State: NM
Elevation: 6165 GL; 3193 KB (28')			Spud Date: 9/18/82		Compl Date: 2/6/83
AP#: 30-025-27916	Prepared by: JOHN LOSEMANN		Date: 11/19/13	Rev: 11/19/13	



HOLE SIZE	CASING SIZE	DEPTH SET	CMT TOP
23"	20"	849'	SURFACE

HOLE SIZE	CASING SIZE	DEPTH SET	CMT TOP
17-1/2"	13-3/8"	5,176'	SURFACE

Proposed: Set Whipstock @ ~10,023' TVD

Proposed: CIBP

TOP OF LINER: PBR	
5.5"	12,177'

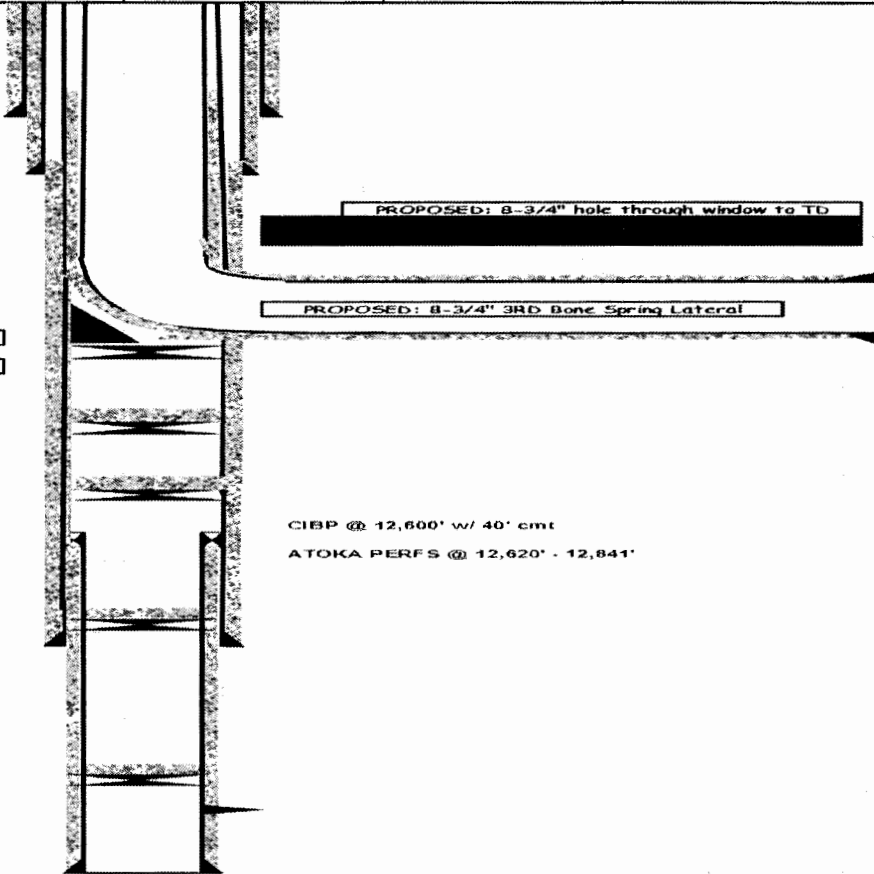
  

HOLE SIZE	CASING SIZE	DEPTH SET	CMT TOP
12-1/4"	9-5/8"	12,686'	8,130'

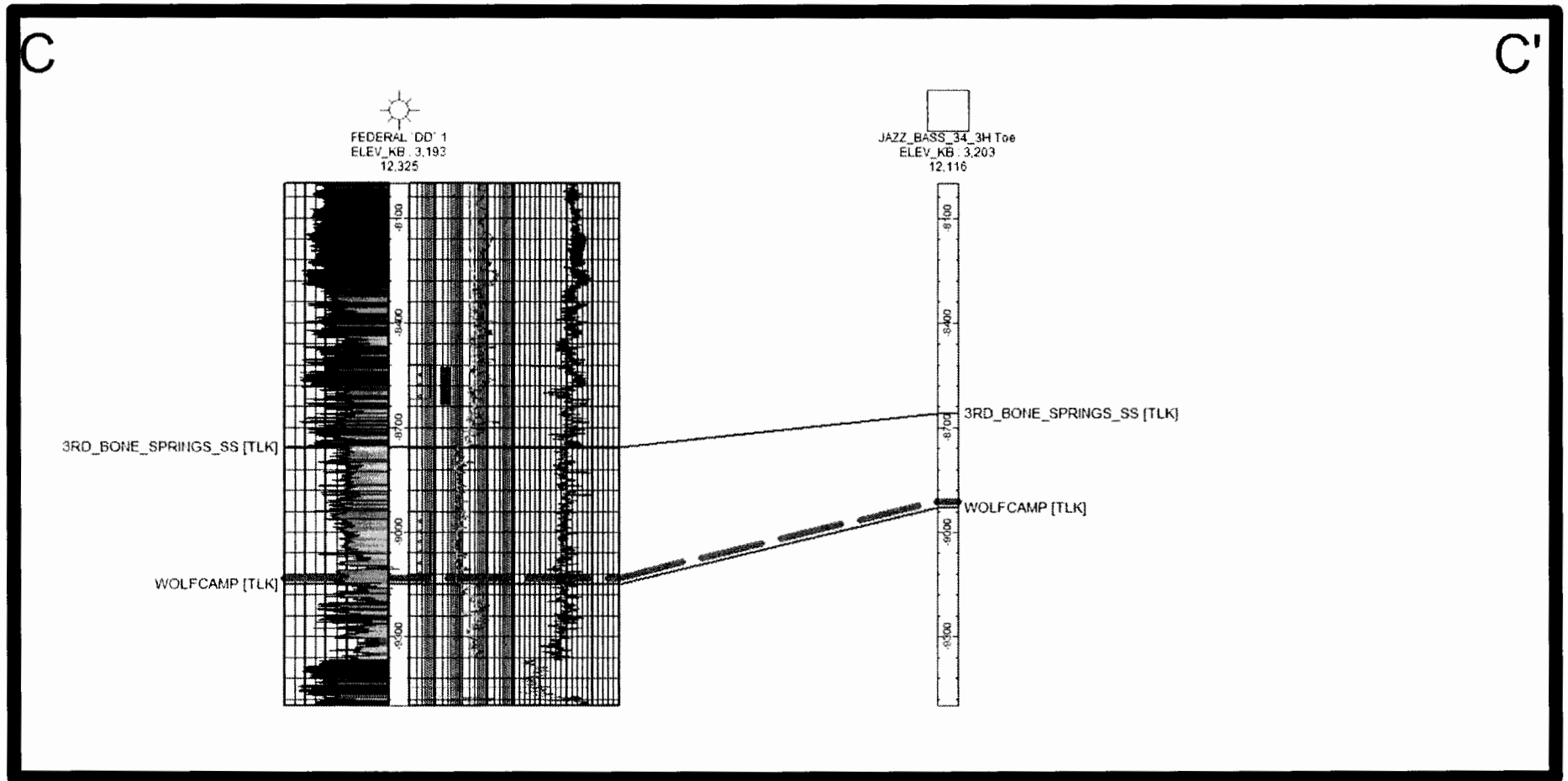
  

HOLE SIZE	CASING SIZE	DEPTH SET	CMT TOP
6-1/8"	5"	14,150'	TOL

CMT'D w/ 250 sxs



# Jazz Bass 34 3H 3<sup>rd</sup> BSS Target



# Bell Lake Area

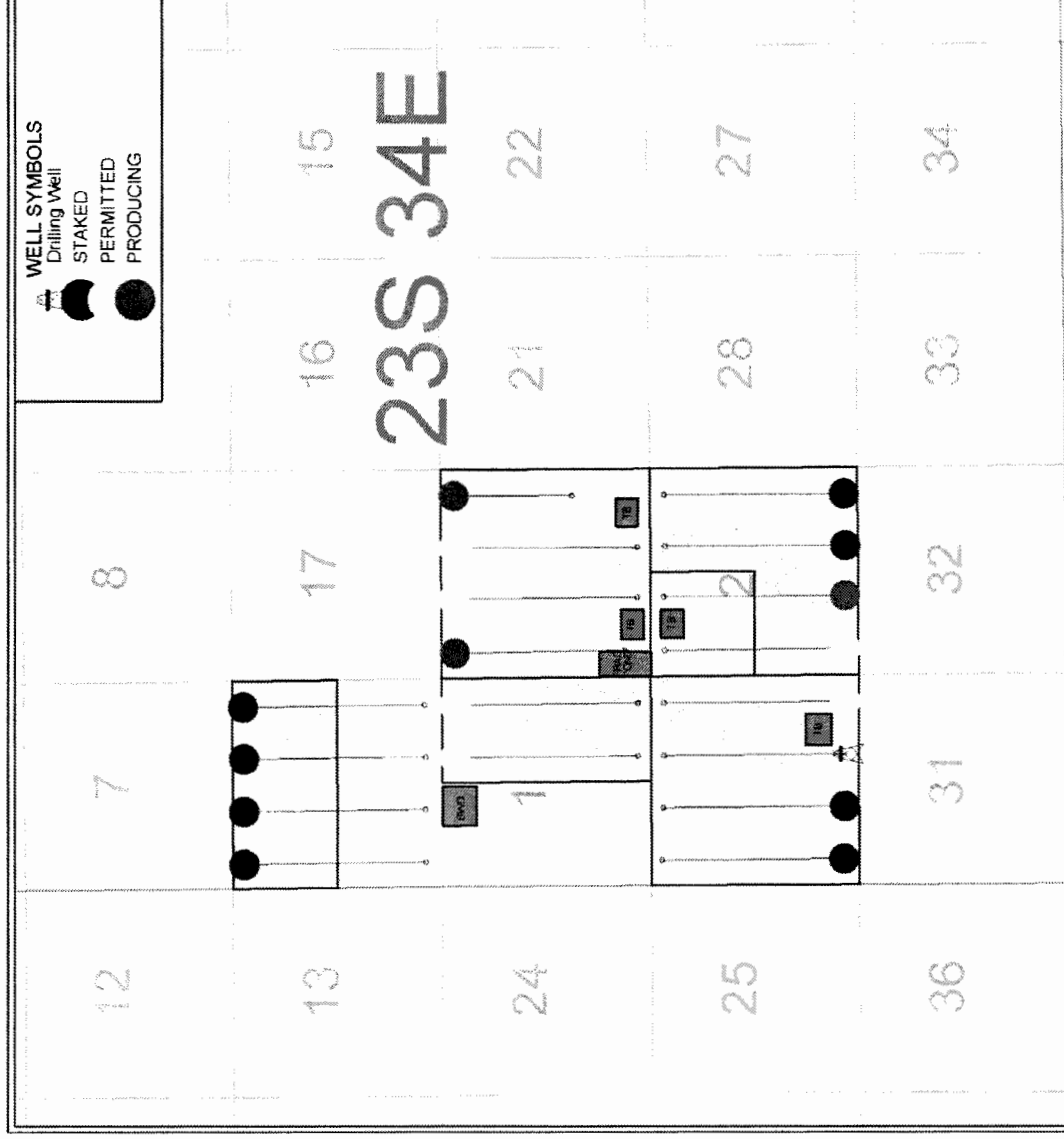
Endurance concentration of operations

Bell Lake Geology

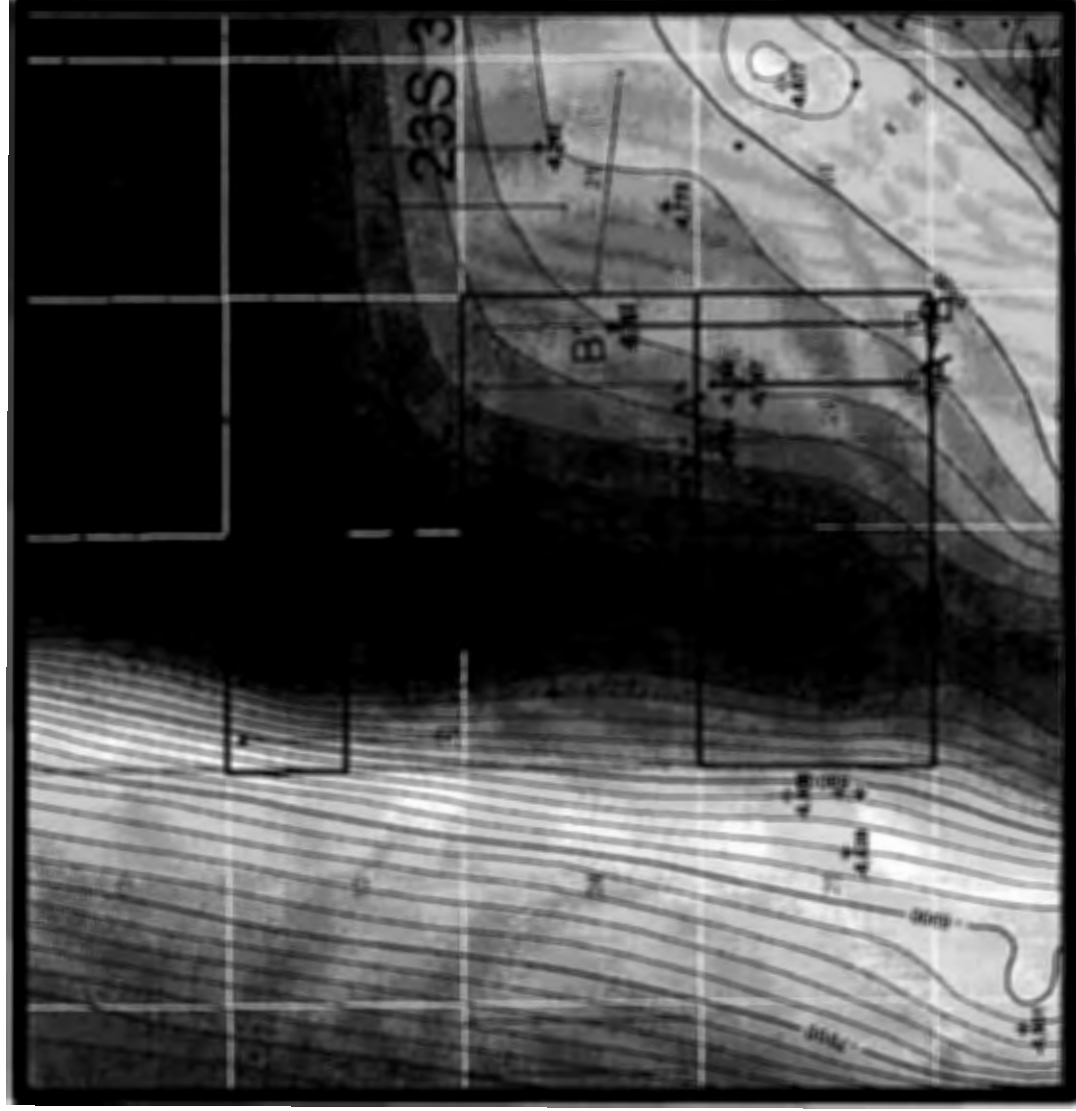
Drilling direction

Tank Battery Discussion

# Concentration of Operations

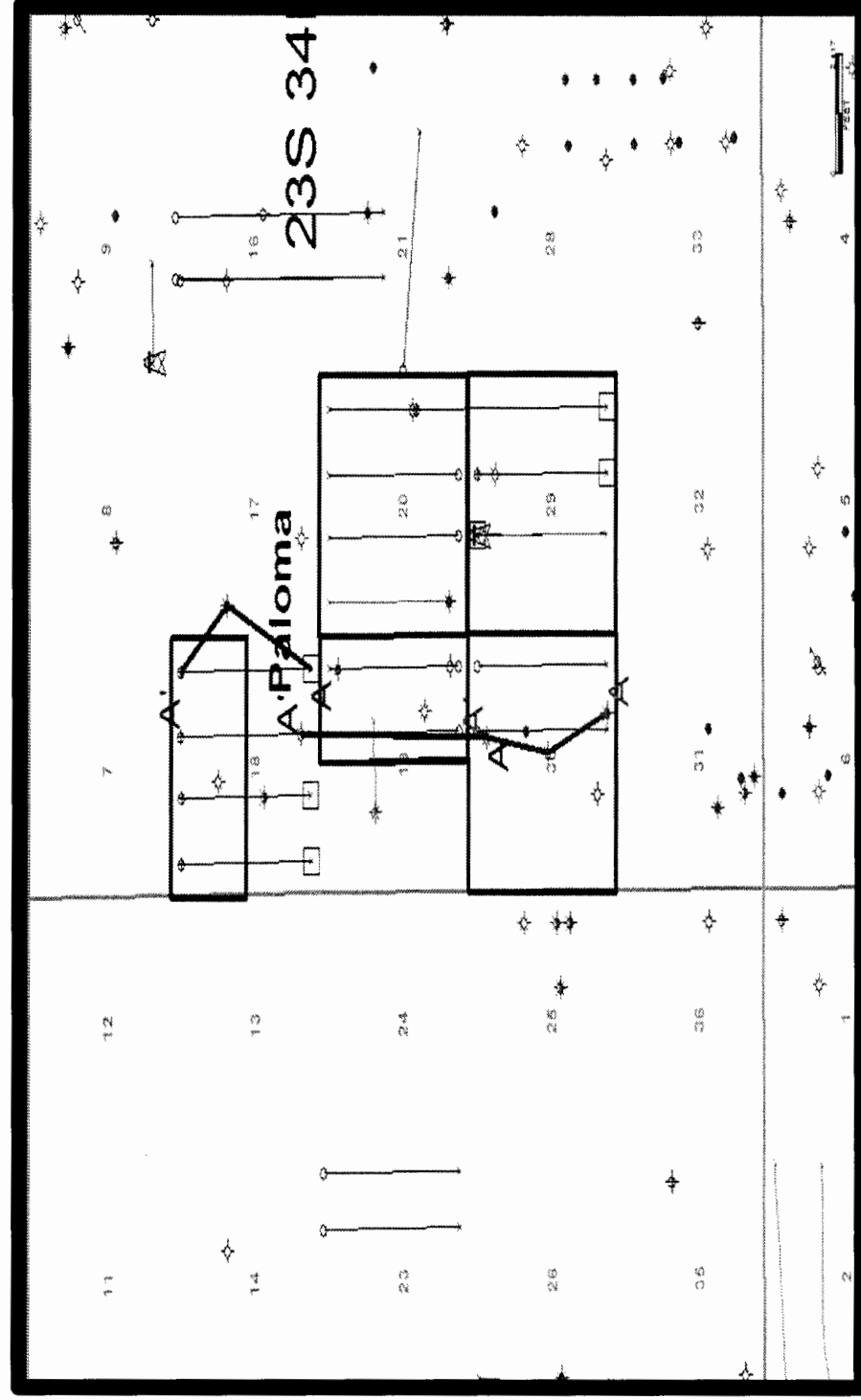


## 2nd BSS Contours

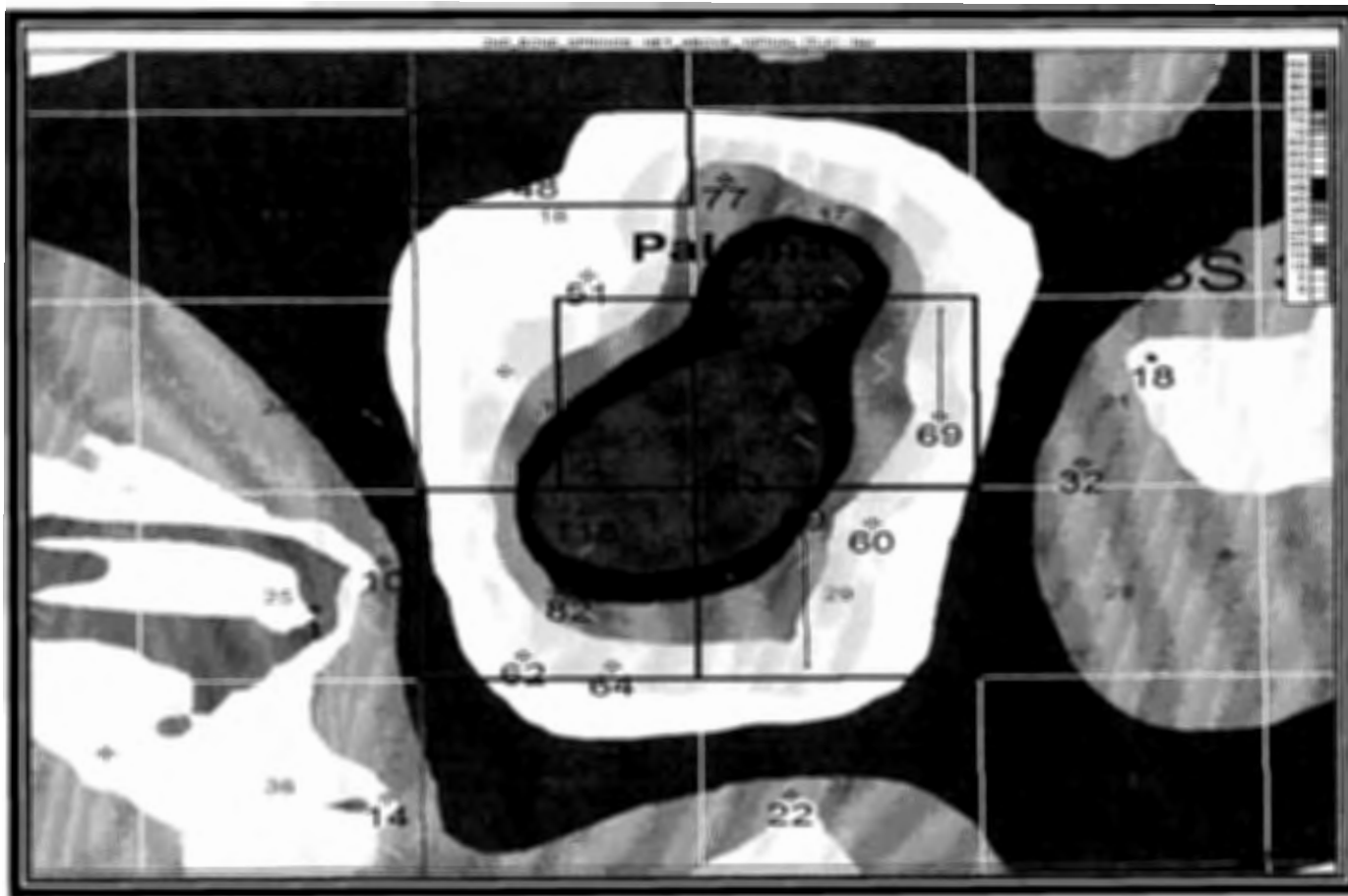




# AMI Overview



## 10% Porosity Map – “Caster” Area

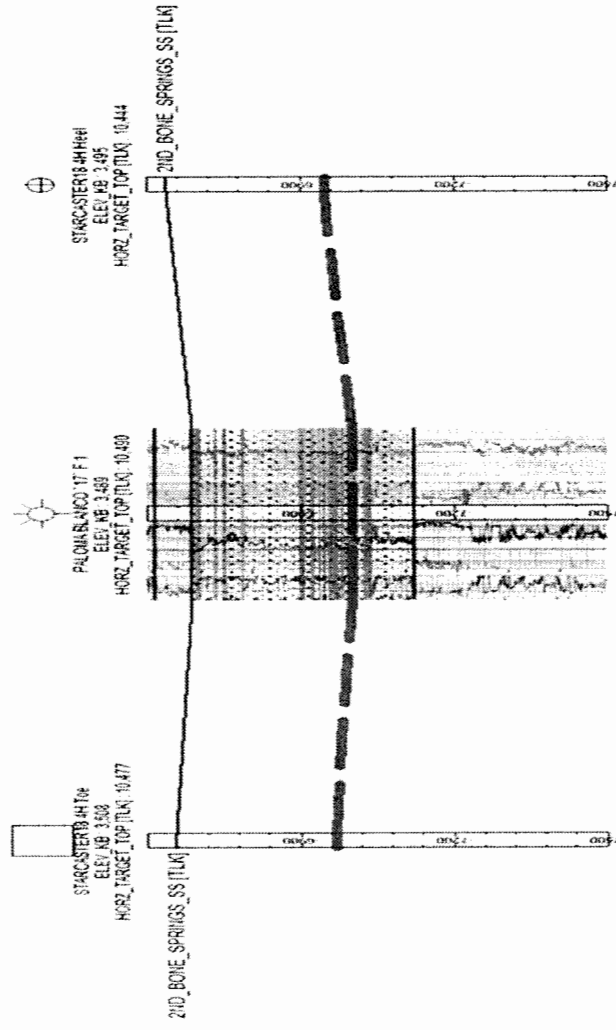


Significant advantage to drilling North- South

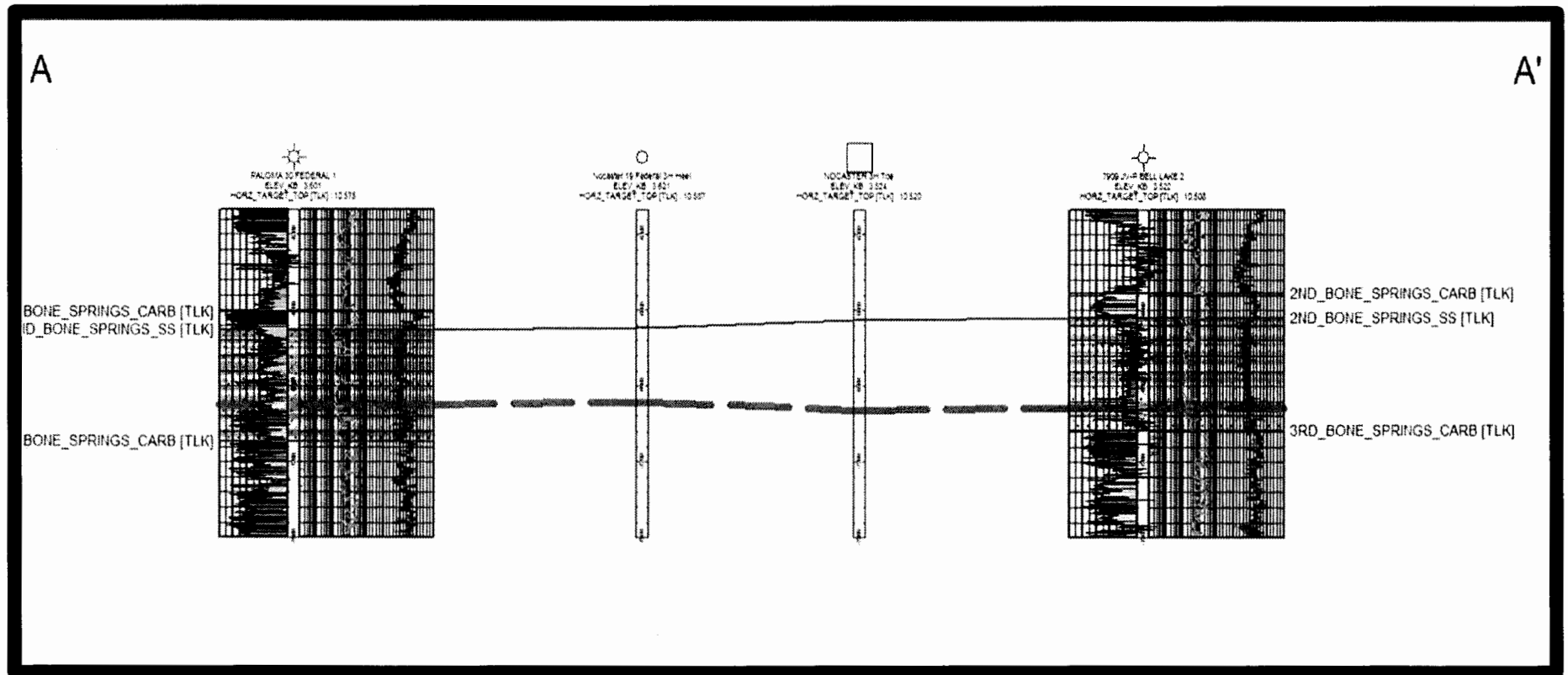
# Starcaster 18 Fed 4H Target

A

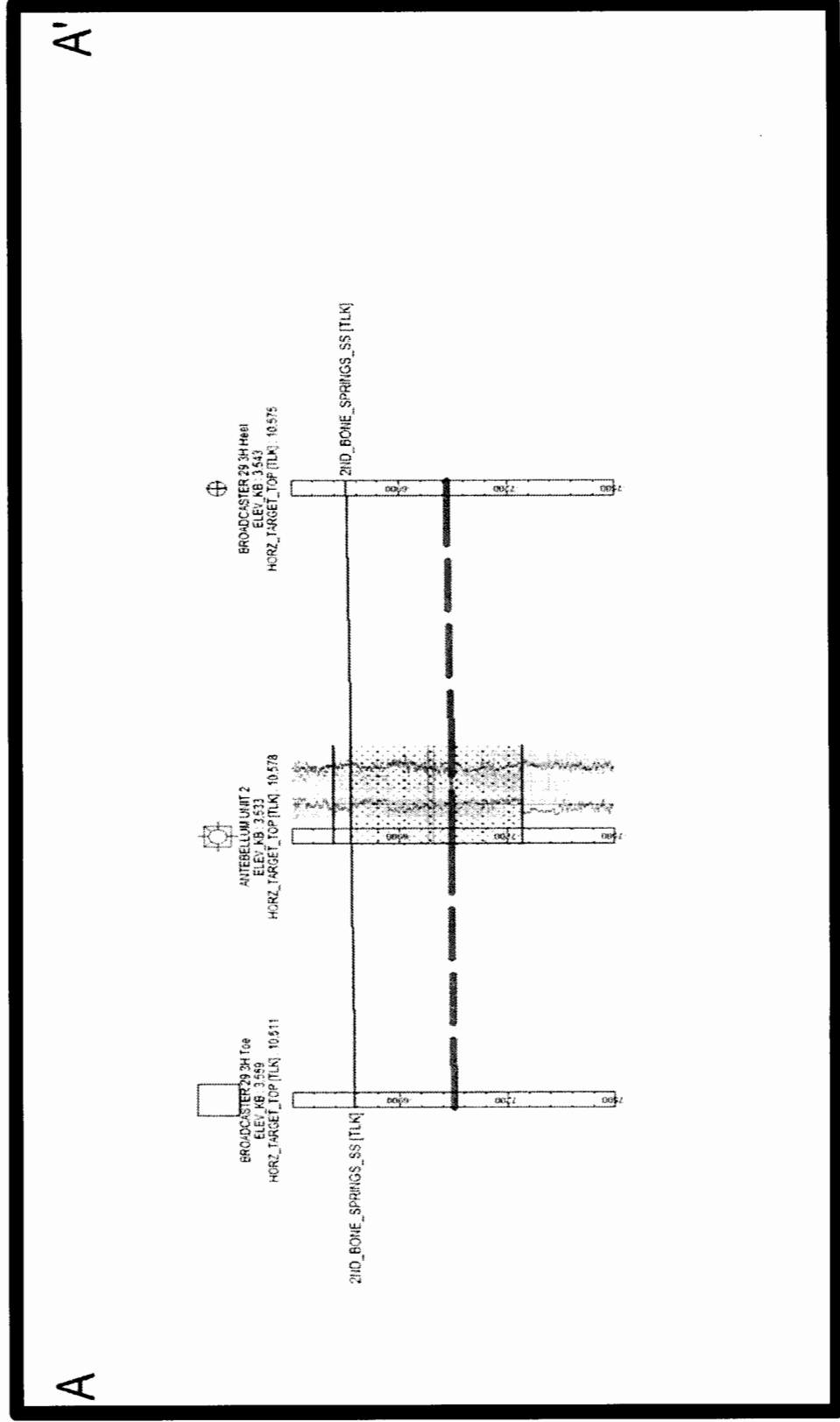
A'



# Nocaster 19 Fed 3H Target



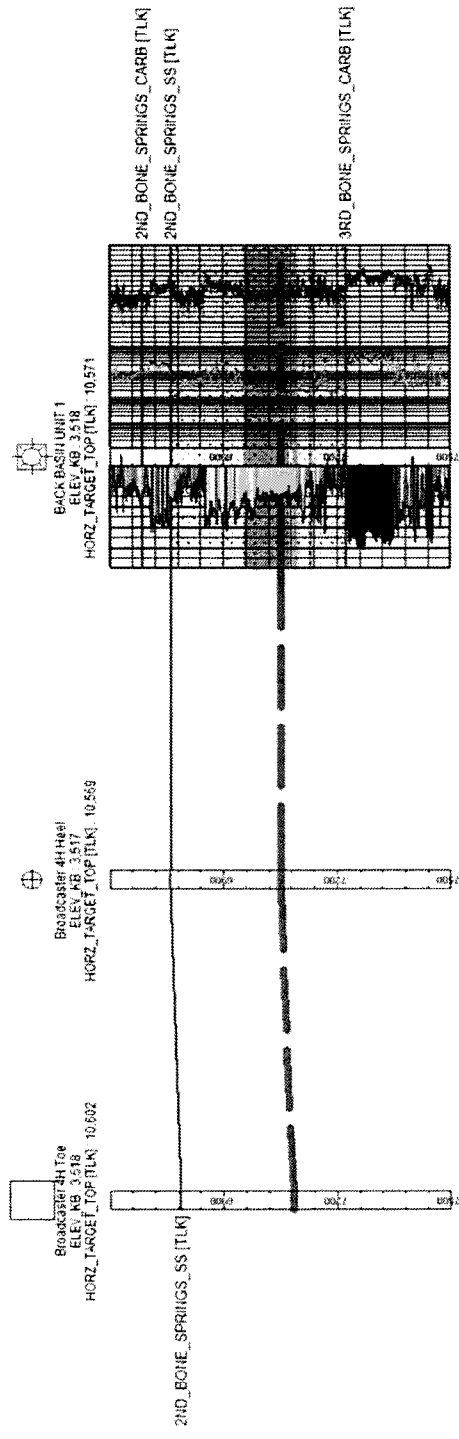
# Broadcaster 3H Target



# Broadcaster 4H Target

B

B'



# Endurance Tank Battery

Two well Battery

4 - 500 Oil tanks

2 - 500 Water tanks

Heater

Separator

Flare

Free water knock out

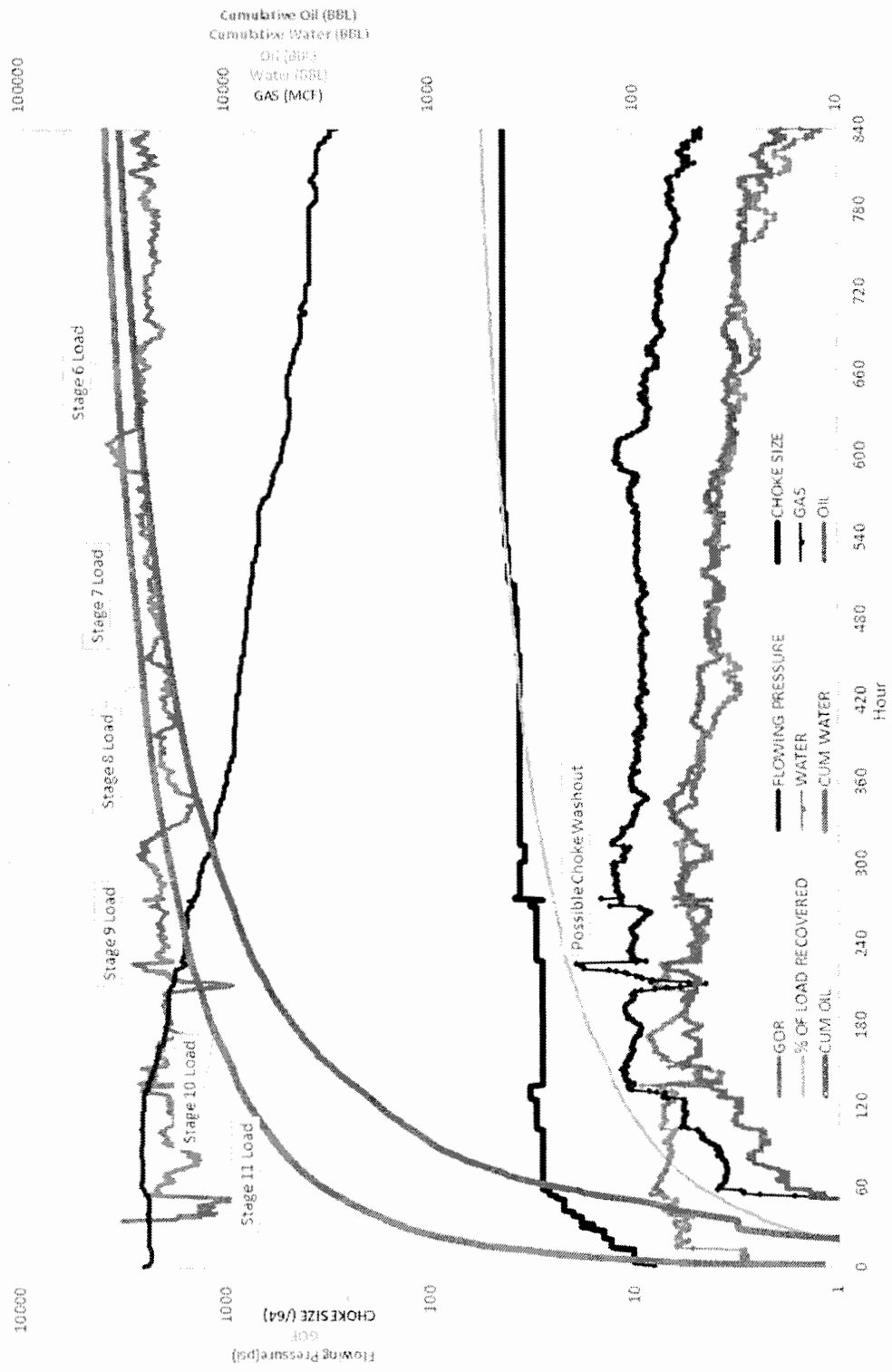
Vapor Recovery

\$650,000 Completely installed



Increase to 6 Oil for full section

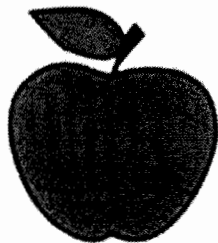
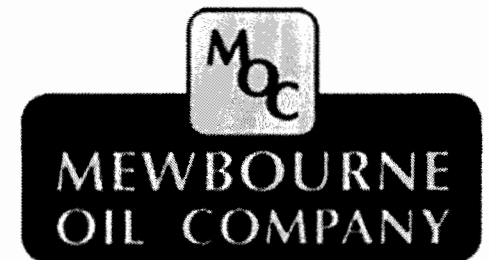
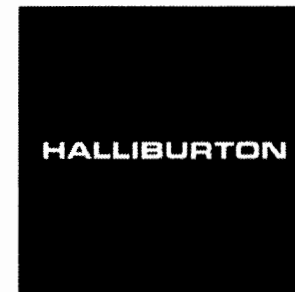
# Stratocaster 1H Flowback





# Partners/Strategic Suppliers

Endurance Resources current list of Working Interest Partners  
and Key Suppliers



Manzano, LLC  
Oil & Gas Exploration and Production



PATRIOT DRILLING, LLC

**Davidson, Florene, EMNRD**

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**From:** Schwartz, Kenneth M. <addi@chevron.com>  
**Sent:** Tuesday, December 03, 2013 8:08 AM  
**To:** Don Ritter - AOL  
**Cc:** Jason South  
**Subject:** Re: Followup and Wed/Thursday this week

Don,

Thanks for email. I will be out of the office Wednesday and Thursday, so unfortunately will not be able to meet up. We are reviewing the follow-up documentation. Keep the communication lines open, will get back to you. Thanks again.

Sent from my iPhone

On Dec 3, 2013, at 8:12 AM, "[stlritter@aol.com](mailto:stlritter@aol.com)" <[stlritter@aol.com](mailto:stlritter@aol.com)> wrote:

Ken,

Was great to meet with you and Jason last week. I believe we have sent the follow up information on the proposed JV and the associated AFE's. I'm going to be in Houston for the Spindletop Ball on Wednesday Eve, and thought I's offer to stop by Wednesday afternoon or Thursday AM if you would like to follow up our discussion in person.

If there is anything else you need from us, please let me know.

thx

Don