

Office: 575-736-3535

Post Office Box 210 Artesia, New Mexico 88211-0210

Certified Return Receipt

June 5, 2013

Chevron USA Inc. 1400 Smith Street Houston, TX 77002 The Allar Company PO Box 1567 Graham, TX 76450

Attn: Mr. Austin Brown

Attn: Mr. John C. Graham

RE: Well Proposal
Madera 17 Federal 1H
330' FNL 380' FEL Section 17
T-24S R-34E NMPM
Lea County, New Mexico

#### Gentlemen,

Regeneration Energy Corp. would propose the drilling of the above described well. Enclosed for your review is an AFE and replacement pages for the previously submitted JOA. We would like to schedule this well for the third quarter of this year. We would prefer to have a larger interest in this project and as such we would make the following offers to you:

- Carry you for a 50% interest in the drilling of the first well for an amount equal to \$1,000.00 per acre times the net acres assigned to us (1/2 of your interest) with Regeneration receiving an assignment at your full net revenue interest.
- Purchase 50% of your interest at an 82.5% net revenue interest for \$900.00 per net acre.
- Purchase all of your interest for \$1,000.00 per net acre for your full net revenue interest.

Hearing Date: October 31, 2013

The BLM and OCD have now approved our Application to Drill at this location.

Our offers are extended to you for a period of 30 days from the date of this letter. If you wish to participate with your full interest please sign and return the AFE and signature page to my attention.

Additionally if Chevron would trade 50% of your acreage position to Concho, we would be agreeable to Concho operating and drilling this well.

We went thru an extended discussion with Chevron previously and could never get anything finalized on the property and well proposal and as such if we do not hear from you within 30 days we plan to go forward with a compulsory pooling for this well. If you need more information regarding Regeneration or the well proposal please contact me.

Sincerely,

Raye Miller

Ray Miller

President

Authority	or Expenditure	Well:	Madera 17 F	ed 1H			AFE No.:	2013-001	
Authority	or Experioritore	Footage:	330' FNL, 380		4-20-3		Date:	5-Jun-13	
Regenerat	ion Energy Corp	Section:	17	1.757	•	*			
PO Box 21		Township:	24s						
	M 88211-0210	Range:	34e						
		County:	Lea,				7		
Prepared 6	By: Raye Miller	State:	NM				1		
Descriptio	n: Drill horizontal well i	n Bone Sprin	g Avaion Form	ation	e iii e ee	-			
							<u>.</u>		
	Plan to run 5 1/2" pr	oduction csg	with plug/pe	rf completion.			<u> </u>		
						·i	:		
TD:	16300' MD Est. Days	30 days dr	illing rig				4		
		4							
		hereases and a	Dry Hole	Compl	eted		ļ		
Intangible	Drilling Costs:		<u> </u>		: -		ļ	: 	
		-	ļ ļ.				4	L	
	Permit/ROW		15,000		000		<u> </u>	<u> </u>	
	Location Construction		155,000	155,			÷	·	
	Conductor/RH/MH		10,000	, 10,	000			ļ	
	Drilling, WSU	+	0		000		+	ļ	
	Drilling Daywork, d @ 19000/d	+	570,000	570,					
	Mob/Demob		80,000		000		<u>.</u>	4	L
	Fuel		160,000	160			<del></del>	<del></del>	
	Mud		100,000	100,			+	+	
	Chemicals		5,000		000		÷		
	Water	<b></b>	60,000		000		÷	+	
	Closed Loop Pkg	4	60,000		000			<del></del>	
	Solids/Mud Disposal		120,000	120, 140				· · · · ·	
	Bits	+	140,000	100				<u> </u>	
ļ	Tool Rental	+	100,000 75,000		,000		•		
	Motor Rental		28,000		.000		<u> -</u>		
	Communication Eqpt		325,000		,000			+	
	Directional Services	+	125,000		000		+		
	Misc Rental Fishing Services	+	125,000	. 123	0				•
	Mudlogging		83,000	83	.000		1		
	Wireline/Logging	-4	25,000		.000		+		
	Cementing		200,000		.000			+	
	Csg Prep/Crew/Laydown		45,000		000	the state of the s	†		•
	TruckingTransportation		50,000		.000		1		<del>t</del>
	Tank Rental	· · · · · ·	10,000	10	000	1	1		
	Wellsite Supervision	-	67,500		500		†		
	DP/DC Inspection		25,000		.000				
	Welders		5,000	5	,000				
	BOP Testing	1	6,000	6	000				
	Admin/Overhead	***************************************	10,000	10	,000				
	Plug and Abandonment	*	50,000		0				
	Other		100,000	100	000				
							4		
	Total IDC:		2,804,500	2,764	500		*		
		1			-				•
	Intangible Completion Costs:								·
								4	
	Anchors/Loc Prep		0		000			į	
	WSU	<del>-</del>	0	and the second s	,000	-			•
	BOP/Eqpt Rental		. 0		,000			1	ļ
ļ	Tank Rental		0		,000			-	
	Reverse Unit Pkg	-	0		,000		÷		
	Water/Mud		0	and the second s	000		+		
	Fluid/Solids Removal		0		000	<u>.</u>	<u> </u>		
	Kill/Transp/Vac Truck		0	15	000		<del></del>	-	
	Tubing Testing Packer Rental/Service	<u> </u>	0		0	·	·		
	Trucking/Transportation	<del></del>	0	75	,000			1	
	Wireline/Perforating/Logging		0		,000			*	<b></b>
Ì	Acidizing		0		,000	······································		•	
	Fracing		0'	3,600		:	1		
	Cementing	+	0		0		:		
	Coiled Tubing	:	0	60	000			1	
	Wellsite Supervision		0	<b>F</b> ****	.000		T		
	Admin and Overhead	***************************************	0		,000			-	
	Misc. Rentals		0		.000	T		-1-	
	Misc. Services	1	0		000		1		,
	Fishing Services		0	ja	0	1		-	
	Roustabouts		0	10	,000	-			
	Battery Construction	-	0	75	000				:
	Other	•	0	100	000				,
						į			

Total ICC:	0	4,956,000		
Tangibles:		·· +	•	and the second
Conductor 0' @ 100/ft	0	0:		1
Surface Csg 900' 13-3/8" @ 41.42/ft	0	38,000		
Intermediate Csg 5200' 9-5/8" @ 41.67/ft	0	217,000		1
Intermediate Csg 0' @ 0/ft	. 0	0	· · · · <del>•</del> · · · · · · · <del>• · · · · · · · · · · · </del>	
Production Csg 0' @ 0/ft	. 0	0		
Production Csg 13500' 5-1/2"@ 35.15/ft	0	475,000		
Tubing 9000' 2-7/8"@ 6.78/ft	0,	61,000		
Float Egpt, Etc.	. 0	35,000		
Wellhead Egpt	20,000	35,000		
Packer Egpt	0	0		The state of the s
Other	5,000	10,000		
- Joures 4	1 3,000	10,000	· · •	
Total Tangible:	25,000	871,000	· · · · · · · · · · · · · · · · · · ·	
Total langible:	25,000	8/1,000		
La contraction of the contractio	÷ +			
Lease and Production Equipment:	+	· ·		
		7F 000		
Tanks	0	75,000	-	<del></del>
Heater Treater	. 0	35,000		
Separator/Stackpack	. 0	35,000		
Dehy/H2S Treater	0	. 0		
Compressor	0	0		
Meters	0	5,000		
Flowlines	0	25,000		
Valves/Fittings	0	98,000		1
Electrical Hookup	0	115,000		
Artificial Lift	0	150,000		
Rods/Pump	0	65,000		
Other	0	25,000		
Total Lease/Production Eqpt:	0	628,000		
Total Costs:	2,829,500	9,219,500		
AFE is an estimate of expected costs. Actual costs incur	red in drilling, comp	pleting and equipping v	vell will likely vary from	AFE.
Well participants agree to pay their share of the actual	costs incurred in dri	illing, completing, equit	ping and otherwise ma	king the
well ready for production.				- T
		. 10	, , , , , , , , , , , , , , , , , , ,	1 1
Operator: Regeneration Energy Corp	Approved: 72	ay Miller	Title: Presi	dent
Aber and the second second				
	Decimal Working	Interest: , 125	Date: 6/5/1	3
	TOTALIS TOTALIS			<del></del>
Partner:	Approved:		Title:	
rollie.	Approveu.	<del></del>	TILLE.	
	Decimal Working	Interact	Date:	
L L L L L L L L L L L L L L L L L L L	Decimal Working	HILCIESE.	Date.	<del></del> -

Regeneration Energy Corp Section: PO Box 210 Township: 2 Artesia, NM 88211-0210 Range: 3 County: L Prepared By: Raye Miller State: N  Description: Drill horizontal well in Bone Spring Avalon of the production csg with plut  TD: 16300' MD Est. Days: 30 days drilling rig  Dry Hole Intangible Drilling Costs:  Permit/ROW 15,0 Location Construction 155,0	/perf completion.	mpleted	AFE No.: Date:	2013-001 5-Jun-13
Regeneration Energy Corp PO Box 210 Artesia, NM 88211-0210 Range: 3 County: L Prepared By: Raye Miller State: N  Description: Drill horizontal well in Bone Spring Avalon Plan to run 5 1/2" production csg with plu TD: 16300' MD Est. Days: 30 days drilling rig  Dry Hole Intangible Drilling Costs:  Permit/ROW 15,0 Location Construction 155,0	17 4s 4e ea M Formation t/perf completion.	Accesses to the second		
PO Box 210 Township: 2 Artesia, NM 88211-0210 Range: 3 County: L Prepared By: Raye Miller State: N  Description: Drill horizontal well in Bone Spring Avalor of Plan to run 5 1/2" production csg with plus  TD: 16300' MD Est. Days: 30 days drilling rig  Dry Hole Intangible Drilling Costs:  Permit/ROW 15,0 Location Construction 155,0	4s 4e ea M M -ormation t/perf completion.	Accesses to the second		
County: L Prepared By: Raye Miller State: N  Description: Drill horizontal well in Bone Spring Avalor of Plan to run 5 1/2" production csg with plug  TD: 16300' MD Est. Days: 30 days drilling rig  Dry Hole  Intangible Drilling Costs:  Permit/ROW 15,0 Location Construction 155,0	eal M Formation t/perf completion.	Accesses to the second		
Prepared By: Raye Miller State: N  Description: Drill horizontal well in Bone Spring Avalor of Plan to run 5 1/2" production csg with plug  TD: 16300' MD Est. Days: 30 days drilling rig  Dry Hole  Intangible Drilling Costs:  Permit/ROW 15,0 Location Construction 155,0	M formation c/perf completion.	Accesses to the second	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	
Description: Drill horizontal well in Bone Spring Avalor of Plan to run 5 1/2" production csg with plus TD: 16300' MD Est. Days: 30 days drilling rig Dry Hole Intangible Drilling Costs:  Permit/ROW 15,0 Location Construction 155,0	ormation /perf completion.	Accesses to the second		
Plan to run 5 1/2" production csg with plui  TD: 16300' MD Est. Days: 30 days drilling rig  Dry Hole  Intangible Drilling Costs:  Permit/ROW 15,0 Location Construction 155,0	/perf completion.	Accesses to the second		
Plan to run 5 1/2" production csg with plui TD: 16300' MD Est. Days: 30 days drilling rig  Dry Hole Intangible Drilling Costs:  Permit/ROW 15,0 Location Construction 155,0	/perf completion.	Accesses to the second		+
TD: 16300' MD Est. Days: 30 days drilling rig  Dry Hole  Intangible Drilling Costs:  Permit/ROW 15,0  Location Construction 155,0		Accesses to the second		
TD: 16300' MD Est. Days: 30 days drilling rig  Dry Hole  Intangible Drilling Costs:  Permit/ROW 15,0  Location Construction 155,0		Accesses to the second		
Dry Hole Intangible Drilling Costs:  Permit/ROW 15,0 Location Construction 155,0	Con	moleted	. and make	† · · · · ·
Dry Hole Intangible Drilling Costs:  Permit/ROW 15,0 Location Construction 155,0	Con	moleted		
Intangible Drilling Costs:  Permit/ROW 15,0 Location Construction 155,0	Con	moleted		
Permit/ROW 15,0 Location Construction 155,0	-			
Location Construction 155,0				
Location Construction 155,0				
	1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -	25,000		
		155,000		
Conductor/RH/MH 10,0		10,000		+
Drilling, WSU	0 .	570,000		+
Drilling Daywork, d @ 19000/d 570,0  Mob/Demob 80,0		80,000		
the contract of the contract o		160,000		
Fuel 160,0 Mud 100,0	and the second	100,000		A CONTRACTOR OF THE PARTY OF TH
Chemicals 5,0		5,000		
Water 60,0		60,000		
Closed Loop Pkg 60,0		60,000		
Solids/Mud Disposal 120,0		120,000		
Bits 140,0	00 1	140,000		
Tool Rental 100,0		100,000	_	<u></u>
Motor Rental 75,0	THE RESERVE OF THE PARTY OF THE	75,000		ļ
Communication Eqpt 28,0		28,000		
Directional Services   325,0		325,000 125,000		
Misc Rental 125,0 Fishing Services	00 1	0		
Mudlogging 83,0	00	83,000		1 1
Wireline/Logging 25,0		25,000		
Cementing 200,0		200,000	-	
Csg Prep/Crew/Laydown 45,0		45,000		
TruckingTransportation 50,0	00	50,000		
Tank Rental 10,0		10,000		
Wellsite Supervision 67,5		67,500		
DP/DC Inspection 25,0		25,000		
Welders 5,0 BOP Testing 6,0		5,000 6,000		. +
BOP Testing 6,0 Admin/Overhead 10,0		10,000		
Plug and Abandonment 50,0	recovered	0		
Other 100,0		100,000		
	1			
Total IDC: 2,804,5	00 2,7	764,500		
	1			
Intangible Completion Costs:				
			į	<u></u>
Anchors/Loc Prep	0	3,000		
WSU BOP/Egpt Rental		30,000 10,000	i	†
Tank Rental	4 . +	25,000	1	+
Reverse Unit Pkg		15,000		
Water/Mud		183,000		
Fluid/Solids Removal		300,000		
Kill/Transp/Vac Truck		15,000		
Tubing Testing	0	0		
Packer Rental/Service	0	75,000		.1
Trucking/Transportation Wireline/Perforating/Logging		75,000		1
Wireline/Perrorating/Logging Acidizing		175,000 100,000	<del></del>	
Fracing		500,000	.,,	† † · · · ·
Cementing	0 - :	0		
Coiled Tubing	1	60,000		
Wellsite Supervision	0	20,000		
Admin and Overhead	The transfer of the section of the s	10,000	The second secon	
Misc. Rentals		50,000		
Misc. Services		100,000	· januari	
Fishing Services	0	10.000		
Roustabouts  Rattery Construction		10,000 75,000		
Battery Construction Other	The second secon	100,000	-	
				-

Actor 0' @ 100/ft	Surface Csg 900' 13-3/8" @ 41.42/ft         0         38,000           Intermediate Csg 5200' 9-5/8" @ 41.67/ft         0         217,000           Intermediate Csg 0' @ 0/ft         0         0           Production Csg 0' @ 0/ft         0         0           Production Csg 0' @ 0/ft         0         475,000           Tubing 9000' 2-7/8" @ 6.78/ft         0         61,000           Float Eqpt, Etc.         0         35,000           Wellhead Eqpt         20,000         35,000           Packer Eqpt         0         0           Other         5,000         10,000           Total Tangible:         25,000         871,000           Lease and Production Equipment:         25,000         871,000           Lease and Production Equipment:         0         75,000           Heater Treater         0         35,000           Separator/Stackpack         0         35,000           Dehy/H25 Treater         0         0           Compressor         0         0           Meters         0         5,000           Flowlines         0         25,000           Valves/Fittings         0         98,000           Electrical Hookup         0<	:ODI leteT	0	4,956,000		
Actor 0' @ 100/ft	Conductor 0' @ 100/ft         0         0           Surface Csg 900' 13-3/8" @ 41.42/ft         0         38,000           Intermediate Csg 5200' 9-5/8" @ 41.67/ft         0         217,000           Intermediate Csg 0' @ 0/ft         0         0           Production Csg 0' @ 0/ft         0         0           Production Csg 13500' 5-1/2"@ 35.15/ft         0         475,000           Tubing 9000' 2-7/8" @ 6.78/ft         0         61,000           Float Eqpt, Etc.         0         35,000           Wellhead Eqpt         20,000         35,000           Packer Eqpt         0         0           Other         5,000         10,000           Total Tangible:         25,000         871,000           Lease and Production Equipment:         25,000         871,000           Lease and Production Equipment:         0         75,000           Heater Treater         0         35,000           Separator/Stackpack         0         35,000           Dehy/H2S Treater         0         0           Compressor         0         0           Neters         0         25,000           Valves/Fittings         0         98,000           Electrical Hoo	information and a second a second and a second a second and a second a second and a	÷			7
Treater	Surface Csg 900' 13-3/8" @ 41.42/ft	Tangibles:				
Treater	Surface Csg 900' 13-3/8" @ 41.42/ft	<u> </u>				
nediate Csg 5200' 9-5/8" @ 41.67/ft	Intermediate Csg 5200 9-5/8" @ 41.67/ft		0	0		1
nediate Csg 0' @ 0/ft	Intermediate Csg 0' @ 0/ft	Surface Csg 900' 13-3/8" @ 41.42/ft		38,000		
nediate Csg 0' @ 0/ft	Intermediate Csg 0' @ O/ft		0	217,000		
Cition Csg 0' @ 0/ft	Production Csg 0' @ 0/ft         0         0           Production Csg 13500' S-1/2"@ 35.15/ft         0         475,000           Tubing 9000' 2-7/8"@ 6,78/ft         0         61,000           Float Eqpt, Etc.         0         35,000           Wellhead Eqpt         20,000         35,000           Packer Eapt         0         0           Other         5,000         10,000           Total Tangible:         25,000         871,000           Lease and Production Equipment:		0	0		
ction Csg 13500' 5-1/2''@ 35.15/ft 0 475,000 g 9000' 2-7/8''@ 6.78/ft 0 61,000 Eqpt, Etc. 0 35,000 a 20,000 35,000 a 20,000 a 20,	Production Csg 13500" 5-1/2"@ 35.15/ft         0         475,000           Tubing 9000" 2-7/8"@ 6.78/ft         0         61,000           Float Eqpt, Etc.         0         35,000           Wellhead Eqpt         20,000         35,000           Packer Eqpt         0         0           Other         5,000         10,000    Total Tangible:  25,000  871,000  Lease and Production Equipment:  Tanks  0 75,000 Heater Treater 0 35,000 Separator/Stackpack 0 35,000 Dehy/H2S Treater 0 0 0 Compressor 0 0 0 Compressor 0 0 0 Meters 0 5,000 Flowlines 0 25,000 Flowlines 0 25,000 Valves/Fittings 0 98,000 Electrical Hookup 0 115,000 Artificial Lift 0 150,000 Rods/Pump 0 65,000 Other 0 25,000  Total Lease/Production Eqpt: 0 628,000		and the second second second	0		
g 9000 2-7/8"@ 6.78/ft	Tubing 9000' 2-7/8"@ 6.78/ftt 0 61,000 Float Eqpt, Etc. 0 35,000 35,000 Packer Eqpt 20,000 35,000 Development 5,000 10,000 Total Tangible: 25,000 871,000 Separator/Stackpack 0 35,000 Dehy/H2S Treater 0 35,000 Dehy/H2S Treater 0 0 0 0 Compressor 0 0 0 Meters 0 5,000 Separator/Stackpack 0 5,000 Separator/Stackpack 0 5,000 Dehy/H2S Treater 0 0 0 0 Compressor 0 0 0 0 Separator/Stackpack 0 0 5,000		0	475,000		
Eapt, Etc. 0 35,000 20,000 35,000 7 Eapt 20,000 35,000 7 Eapt 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Float Eqpt, Etc.   0   35,000		0	manufacture and the second		
ead Eqpt 20,000 35,000 r Eqpt 0 0 0 0 10,000	Wellhead Eqpt         20,000         35,000           Packer Eqpt         0         0           Other         5,000         10,000           Total Tangible:         25,000         871,000           Lease and Production Equipment:	According to the contract of t	A CONTRACTOR OF THE PARTY OF TH	and the second s		•
Tangible: 25,000 871,000  Tangible: 25,000 871,000  and Production Equipment:  0 75,000  or Treater 0 35,000  ator/Stackpack 0 35,000  H2S Treater 0 0 0  ressor 0 0 0  ressor 0 0 0  ressor 0 0 5,000  ris 0 98,000  ical Hookup 0 115,000  ical Lift 0 150,000  Pump 0 65,000  Pump 0 65,000	Packer Eqpt         0         0           Other         5,000         10,000           Total Tangible:         25,000         871,000           Lease and Production Equipment:	The state of the s			***	1
5,000   10	Other         5,000         10,000           Total Tangible:         25,000         871,000           Lease and Production Equipment:		1 20,000		10 m	
Tangible: 25,000 871,000  and Production Equipment:  0 75,000  or Treater 0 35,000  ator/Stackpack 0 35,000  (H25 Treater 0 0 0  or ss 0 5,000  ines 0 25,000  s/Fittings 0 98,000  ical Hookup 0 115,000  ical Hookup 0 65,000  Pump 0 65,000	Total Tangible:         25,000         871,000           Lease and Production Equipment:         0         75,000           Tanks         0         75,000           Heater Treater         0         35,000           Separator/Stackpack         0         35,000           Dehy/H2S Treater         0         0           Compressor         0         0           Meters         0         5,000           Flowlines         0         25,000           Valves/Fittings         0         98,000           Electrical Hookup         0         115,000           Artificial Lift         0         150,000           Rods/Pump         0         65,000           Other         0         25,000	1	5.000			
and Production Equipment:  0 75,000  or Treater 0 35,000  ator/Stackpack 0 35,000  H2S Treater 0 0 0  ressor 0 0 0  rs 0 5,000  nes 0 25,000  syfittings 0 98,000  ical Hookup 0 115,000  idal Lift 0 150,000  Pump 0 65,000  0 25,000	Lease and Production Equipment:         0         75,000           Tanks         0         75,000           Heater Treater         0         35,000           Separator/Stackpack         0         35,000           Dehy/H2S Treater         0         0           Compressor         0         0           Meters         0         5,000           Flowlines         0         25,000           Valves/Fittings         0         98,000           Electrical Hookup         0         115,000           Artificial Lift         0         150,000           Rods/Pump         0         65,000           Other         0         25,000	Other	5,000	10,000		-
and Production Equipment:  0 75,000  or Treater 0 35,000  ator/Stackpack 0 35,000  H2S Treater 0 0 0  ressor 0 0 0  rs 0 5,000  nes 0 25,000  syfittings 0 98,000  ical Hookup 0 115,000  idal Lift 0 150,000  Pump 0 65,000  0 25,000	Lease and Production Equipment:         0         75,000           Tanks         0         75,000           Heater Treater         0         35,000           Separator/Stackpack         0         35,000           Dehy/H2S Treater         0         0           Compressor         0         0           Meters         0         5,000           Flowlines         0         25,000           Valves/Fittings         0         98,000           Electrical Hookup         0         115,000           Artificial Lift         0         150,000           Rods/Pump         0         65,000           Other         0         25,000					
0   75,000	Tanks         0         75,000           Heater Treater         0         35,000           Separator/Stackpack         0         35,000           Dehy/H2S Treater         0         0           Compressor         0         0           Meters         0         5,000           Flowlines         0         25,000           Valves/Fittings         0         98,000           Electrical Hookup         0         115,000           Artificial Lift         0         150,000           Rods/Pump         0         65,000           Other         0         25,000	Total Tangible:	25,000	871,000		+
0   75,000	Tanks         0         75,000           Heater Treater         0         35,000           Separator/Stackpack         0         35,000           Dehy/H2S Treater         0         0           Compressor         0         0           Meters         0         5,000           Flowlines         0         25,000           Valves/Fittings         0         98,000           Electrical Hookup         0         115,000           Artificial Lift         0         150,000           Rods/Pump         0         65,000           Other         0         25,000	4				
rr Treater 0 35,000 ator/Stackpack 0 35,000 (H2S Treater 0 0 0 0 oressor 0 0 5,000 ores 0 25,000 ores 0 98,000 ores 0 115,000 ores 0 15,000 ores 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Heater Treater	Lease and Production Equipment:				
rr Treater 0 35,000 ator/Stackpack 0 35,000 (H2S Treater 0 0 0 0 oressor 0 0 5,000 ores 0 25,000 ores 0 98,000 ores 0 115,000 ores 0 15,000 ores 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Heater Treater					1
rr Treater 0 35,000 ator/Stackpack 0 35,000 (H2S Treater 0 0 0 0 oressor 0 0 5,000 ores 0 25,000 ores 0 98,000 ores 0 115,000 ores 0 15,000 ores 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Heater Treater	Tanks	0	75,000		
ator/Stackpack   0   35,000	Separator/Stackpack         0         35,000           Dehy/H2S Treater         0         0           Compressor         0         0           Meters         0         5,000           Flowlines         0         25,000           Valves/Fittings         0         98,000           Electrical Hookup         0         115,000           Artificial Lift         0         150,000           Rods/Pump         0         65,000           Other         0         25,000	and the second control of the second control	0			
H25 Freater	Dehy/H2S Treater         0         0           Compressor         0         0           Meters         0         5,000           Flowlines         0         25,000           Valves/Fittings         0         98,000           Electrical Hookup         0         115,000           Artificial Lift         0         150,000           Rods/Pump         0         65,000           Other         0         25,000           Total Lease/Production Eqpt:         0         628,000	and the state of t	0	to be the property of the contract of the cont		
ressor 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Compressor         0         0           Meters         0         5,000           Flowlines         0         25,000           Valves/Fittings         0         98,000           Electrical Hookup         0         115,000           Artificial Lift         0         150,000           Rods/Pump         0         65,000           Other         0         25,000           Total Lease/Production Eqpt:         0         628,000	and an and a superior of the second of the s	0	0		
15	Meters         0         5,000           Flowlines         0         25,000           Valves/Fittings         0         98,000           Electrical Hookup         0         115,000           Artificial Lift         0         150,000           Rods/Pump         0         65,000           Other         0         25,000           Total Lease/Production Eqpt:         0         628,000	4 Canada composition (Control of Control	0	0		
10	Flowlines   0   25,000			5,000		
s/Fittings 0 98,000	Valves/Fittings         0         98,000           Electrical Hookup         0         115,000           Artificial Lift         0         150,000           Rods/Pump         0         65,000           Other         0         25,000           Total Lease/Production Eqpt:         0         628,000					
ical Hookup 0 115,000 ial Lift 0 150,000 Pump 0 65,000 0 25,000	Electrical Hookup	* · · · · · · · · · · · · · · · · · · ·			-	
Tial Lift 0 150,000 Pump 0 65,000 0 25,000	Artificial Lift         0         150,000           Rods/Pump         0         65,000           Other         0         25,000           Total Lease/Production Egpt:         0         628,000	and the second s				
Pump 0 65,000 0 25,000	Rods/Pump         0         65,000           Other         0         25,000           Total Lease/Production Eqpt:         0         628,000		4	produced to the second		
0 25,000	Other         0         25,000           Total Lease/Production Eqpt:         0         628,000	and the second of the second	and the second second			
	Total Lease/Production Egpt: 0 628,000	A CONTRACTOR OF THE CONTRACTOR	0	44		
Page/Production First: 0 628,000		Other	0	25,000		
Jease/Production Eggt: 0 628,000						
Least, reduction tape	Total Costs: 2,829,500 9,219,500	Total Lease/Production Eqpt:	0	628,000		
	Total Costs: 2,829,500 9,219,500					
		Total Costs:	2,829,500	9,219,500		
Costs: 2,829,500 9,219,500						
acost 1 reaction expr.		Rods/Pump Other Total Lease/Production Eqpt:	0	65,000 25,000 628,000		
		Total Costs:	2,829,500	9,219,500		
Costs: 2,829,500 9,219,500	the second of th	a second				
e of expected costs. Actual costs incurred in drilling, completing and equipping well will likely vary from AFE.			osts incurred in dr	illing, completing, equip	ping and otherwise mak	ng the
	ticipants agree to pay their share of the actual costs incurred in drilling, completing, equipping and otherwise making the	y for production.				
e of expected costs. Actual costs incurred in drilling, completing and equipping well will likely vary from AFE.  agree to pay their share of the actual costs incurred in drilling, completing, equipping and otherwise making the	ticipants agree to pay their share of the actual costs incurred in drilling, completing, equipping and otherwise making the ly for production.		\C	0.00	1	, ,
e of expected costs. Actual costs incurred in drilling, completing and equipping well will likely vary from AFE.  agree to pay their share of the actual costs incurred in drilling, completing, equipping and otherwise making the oduction.	ly for production.	Regeneration Energy Corp	Approved: 72	are Miller	Title: Preci	dent
e of expected costs. Actual costs incurred in drilling, completing and equipping well will likely vary from AFE.  agree to pay their share of the actual costs incurred in drilling, completing, equipping and otherwise making the oduction.	y for production.	The state of the s		7 1100		1
e of expected costs. Actual costs incurred in drilling, completing and equipping well will likely vary from AFE.  agree to pay their share of the actual costs incurred in drilling, completing, equipping and otherwise making the oduction.  Approved: Paye Miller Title: Precident	y for production.  Regeneration Energy Corp  Approved: Raye Milles Title: Precident	* * * * * * * * * * * * * * * * * * * *	Decimal Working	Interest: 155	Date: 10/5/13	5
e of expected costs. Actual costs incurred in drilling, completing and equipping well will likely vary from AFE.  agree to pay their share of the actual costs incurred in drilling, completing, equipping and otherwise making the oduction.  Approved: Ray Miles Title: Preciden	y for production.  Regeneration Energy Corp  Approved: Raye Milles Title: Precident		Decimal Working	interest: 1/ < 3	Date: GIST'S	2
e of expected costs. Actual costs incurred in drilling, completing and equipping well will likely vary from AFE.  agree to pay their share of the actual costs incurred in drilling, completing, equipping and otherwise making the oduction.	regeneration Energy Corp  Approved: Raye Milles Title: Preciden		1			
e of expected costs. Actual costs incurred in drilling, completing and equipping well will likely vary from AFE.  agree to pay their share of the actual costs incurred in drilling, completing, equipping and otherwise making the oduction.  Approved:  Decimal Working Interest: 125  Date: 4/5/13	Regeneration Energy Corp  Approved: Regeneration Energy Corp  Decimal Working Interest: 125  Date: 6/5/13		Approved:		Title:	
e of expected costs. Actual costs incurred in drilling, completing and equipping well will likely vary from AFE.  agree to pay their share of the actual costs incurred in drilling, completing, equipping and otherwise making the oduction.  Approved: Raye Meller Title: Preciden	y for production.  Regeneration Energy Corp  Approved: Regeneration Energy Corp  Decimal Working Interest: 125  Date: 6/5/13		1			
e of expected costs. Actual costs incurred in drilling, completing and equipping well will likely vary from AFE.  agree to pay their share of the actual costs incurred in drilling, completing, equipping and otherwise making the oduction.  Approved: Ray Meles Title: Precident  Decimal Working Interest: 125 Date: 4/5/13	Approved: Page Miller Title: Precident  Decimal Working Interest: 125  Date: 6/5/13		Decimal Working	1-1	Date:	1

2	ARTICLE V. OPERATOR
3 4 5	A. Designation and Responsibilities of Operator:
6	
7	
8	required by, and within the limits of this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall
9	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.
11	
13	B. Resignation or Removal of Operator and Selection of Successor:
14	
	If Operator 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
17	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
8	affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" remaining
19	
20	
21	
22	
24	
25	
26	2. Selection of Successor Operator. Upon the resignation or removal of Operator, a successor Operator shall be selected by
27	the parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor
28	Operator is selected. The successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest
29	
30 31	,
32	on ownership as shown on Exhibit A Temanning and excluding the voting interest of the Operator that was removed.
33	C. Employees:
34	
35	The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor and the
36	compensation for services performed shall be determined by Operator, and all such employees shall be the employees of Operator.
57 58	D. Drilling Contracts:
19	
Ю	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
Н	
12	
13 14	such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of in-
15	dependent contractors who are doing work of a similar nature.
16	
17	
8	
19	ARTICLE VI.
1	DRILLING AND DEVELOPMENT
	A. Initial Well:
3	
4	On or before the 30th day of September , (seer) 2013 , Operator shall commence the drilling of a well for
6	oil and gas at the following location: Mader: 17 Federal IH Section 17 7-248 R-34E
7	Section 17 Y-245 R-34E
	and shall thereafter continue the drilling of the well with due diligence to
9	Test the Bone Spring Formation
0	
2	
	unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is en-
	countered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.
5	The state of the s
6	Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and
7	gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which

### **EXHIBIT "A"**

Attached to a made a part of that certain Joint Operating Agreement dated July 10, 2012, by and between Regeneration Energy Corp., as Operator, and The Allar Company, et al, as Non-Operators.

# I. CONTRACT AREA/DEPTH RESTRICTIONS:

Township 24 South, Range 34 East, N.M.P.M.

Section 17: ALL

Township 25 South, Range 34 East, N.M.P.M.

Section 11: S/2 Section 12: ALL

Section 13: NE/4, E/2NW/4

# II. NAME, WORKING INTEREST PERCENTAGES, AND ADDRESSES OF THE PARTIES FOR NOTICE PURPOSES:

Working Interest

Regeneration Energy Corp.

.125

P.O. Box 210

Artesia, NM 88211-0210

.125

The Allar Company PO Box 1567

Graham, TX 76450

Chevron USA Inc.

PO Box 2100

Houston, TX 77252-2100

.75

## III. OIL AND GAS LEASES SUBJECT TO THE AGREEMENT:

Federal Lease Number:

NM 113418

Lease Date:

March 1, 2005

Lessor:

Lessee:

United States of America The Allar Company

Federal Lease Number:

NM 113419

Lease Date:

March 1, 2005

Lessor:

United States of America

Lessee:

The Allar Company