

Authority for Expenditure		Well:	Madera 17 Fed 1H			AFE No.:	2013-001
		Footage:	330' FNL, 380' FEL			Date:	5-Jun-13
Regeneration Energy Corp		Section:	17				
PO Box 210		Township:	24s				
Artesia, NM 88211-0210		Range:	34e				
		County:	Lea				
Prepared By:	Raye Miller	State:	NM				
Description:		Drill horizontal well in Bone Spring Avalon Formation					
		Plan to run 5 1/2" production csg with plug/perf completion.					
TD:	16300' MD	Est. Days:	30 days drilling rig				
			Dry Hole		Completed		
Intangible Drilling Costs:							
	Permit/ROW		15,000		25,000		
	Location Construction		155,000		155,000		
	Conductor/RH/MH		10,000		10,000		
	Drilling, WSU		0		0		
	Drilling Daywork, d @ 19000/d		570,000		570,000		
	Mob/Demob		80,000		80,000		
	Fuel		160,000		160,000		
	Mud		100,000		100,000		
	Chemicals		5,000		5,000		
	Water		60,000		60,000		
	Closed Loop Pkg		60,000		60,000		
	Solids/Mud Disposal		120,000		120,000		
	Bits		140,000		140,000		
	Tool Rental		100,000		100,000		
	Motor Rental		75,000		75,000		
	Communication Eqpt		28,000		28,000		
	Directional Services		325,000		325,000		
	Misc Rental		125,000		125,000		
	Fishing Services		0		0		
	Mudlogging		83,000		83,000		
	Wireline/Logging		25,000		25,000		
	Cementing		200,000		200,000		
	Csg Prep/Crew/Laydown		45,000		45,000		
	Trucking/Transportation		50,000		50,000		
	Tank Rental		10,000		10,000		
	Wellsite Supervision		67,500		67,500		
	DP/DC Inspection		25,000		25,000		
	Welders		5,000		5,000		
	BOP Testing		6,000		6,000		
	Admin/Overhead		10,000		10,000		
	Plug and Abandonment		50,000		0		
	Other		100,000		100,000		
	Total IDC:		2,804,500		2,764,500		
Intangible Completion Costs:							
	Anchors/Loc Prep		0		3,000		
	WSU		0		30,000		
	BOP/Eqpt Rental		0		10,000		
	Tank Rental		0		25,000		
	Reverse Unit Pkg		0		15,000		
	Water/Mud		0		183,000		
	Fluid/Solids Removal		0		300,000		
	Kill/Transp/Vac Truck		0		15,000		
	Tubing Testing		0		0		
	Packer Rental/Service		0		0		
	Trucking/Transportation		0		75,000		
	Wireline/Perforating/Logging		0		175,000		
	Acidizing		0		100,000		
	Fracing		0		3,600,000		
	Cementing		0		0		
	Coiled Tubing		0		60,000		
	Wellsite Supervision		0		20,000		
	Admin and Overhead		0		10,000		
	Misc. Rentals		0		50,000		
	Misc. Services		0		100,000		

Total ICC:			0	4,956,000					
Tangibles:									
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:									
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 Lease/Production Eqpt:			0	628,000					
Total Costs:			2,829,500	9,219,500					

AFE is an estimate of expected costs. Actual costs incurred in drilling, completing and equipping well will likely vary from AFE.

Well participants agree to pay their share of the actual costs incurred in drilling, completing, equipping and otherwise making the well ready for production.

Operator: Regeneration Energy Corp	Approved: <u>Roy Miller</u>	Title: <u>President</u>
	Decimal Working Interest: <u>.125</u>	Date: <u>6/5/13</u>
Partner:	Approved: _____	Title: _____
	Decimal Working Interest: _____	Date: _____



Regeneration Energy Corp.

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:

1. 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.
2. Purchase 50% of your interest at an 82.5% net revenue interest for \$900.00 per net acre.
3. Purchase all of your interest for \$1,000.00 per net acre for your full net revenue interest.


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,

A handwritten signature in cursive script that reads "Raye Miller".

Raye Miller
President