

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.
- 2. 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

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 for Expenditu	ıre	Well:	Madera 17	Fed 1H			AFE No.:	2013-001	
			330' FNL, 38	BO' FEL			Date:	į 5-Jun-13 į	
Regeneration Energy C	orp	Section:	17		 	:	ļ		-
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Artesia, NM 88211-021	· · · · · · · · · · · · · · · · · · ·	Range: County:	34e					-	
Prepared By:	Raye Miller	State:	NM			-:	·	†	
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	Intermediate Csg 0' @ 0/ft	0			
	Production Csg 0' @ 0/ft	0	0		
	Production Csg 13500' 5-1/2"@ 35.15/ft	0	475,000		
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Prepared By: Raye Miller	State	e: NM			·				******
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ı		ARTICLE V.							
2		OPERATOR							
4	۸.	Designation and Responsibilities of Operator:							
6	_	Regeneration Energy Corp shall be the							
7 8	req	entor of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and pired by, and within the limits of this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall							
10		e no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross ligence or willful misconduct.							
11	8.	Resignation or Removal of Operator and Selection of Successor:							
13 14		1. Resignation or Removal of Operator. Operator may resign at any time by giving written notice thereof to Non-Operators.							
15		operator terminates its legal existence, no longer owns an interest hereunder in the Contract Area, or is no longer capable of serving as							
16 17		trator, Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. Operator, be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the							
18		mative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" remaining							
19		r excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the							
20		day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action							
21		the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier e. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a cor-							
23		ate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not							
24	be (he basis for removal of Operator,							
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		rator 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		need itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based ownership as shown on Exhibit "A" remaining after excluding the voting interest of the Operator that was removed.							
32									
33 34	C.	Employees:							
35		The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor and the							
36	con	pensation for services performed shall be determined by Operator, and all such employees shall be the employees of Operator.							
37	D.	Dell'in Contract							
39	D.	Drilling Contracts:							
40		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							
41 42		ires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing							
43		s in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and twork shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of in-							
44		endent contractors who are doing work of a similar nature.							
45 46									
47									
48									
49 50		ARTICLE VI.							
51		DRILLING AND DEVELOPMENT							
52	A.	Initial Well:							
53 54		Considerate 20th day of Contember 2012 Company to the contember 10th of the contember 10							
55	oil a	On or before the 30th day of September , trees 2013, Operator shall commence the drilling of a well for and gas at the following location: Madera 17 Federa LIH							
56		nd gas at the following location: Maglera 17 Federa LH 336 FMI Section 17 1-245 R-34E							
57		abell the second section the 1200 second section is 1200 second section in the 1200 second section is							
58 59	ano	shall thereafter continue the drilling of the well with due diligence to Test the Bone Spring Formation							
60									
61									
62 63	unle	ss granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is en-							
64		ntered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.							
65									
66 67	975	Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which							
68		in quantities sufficient to test, unless this agreement shall be finished in its application to a specific formation or formations, in which this agreement may apply.							

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

The Allar Company 125

PO Box 1567 Graham, TX 76450

Chevron USA Inc. .75

PO Box 2100

Houston, TX 77252-2100

III. OIL AND GAS LEASES SUBJECT TO THE AGREEMENT:

Federal Lease Number: NM 113418

Lease Date: March 1, 2005
Lessor: United States of America
Lessee: The Allar Company

Federal Lease Number: NM 113419 Lease Date: March 1, 2005

Lessor: United States of America Lessee: The Allar Company