



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
<b>Lease and Production Equipment:</b>			
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