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Jason A. Levine
Land Representative
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MidContinent Business Unit
Chevron North America Exploration and
Production Company,
a division of Chevron U.S.A. Inc.
1400 Smith Street, Room 40006
Houston, Texas 77002

VIA E-MAIL AND CERTIFIED MAIL – RETURN RECEIPT REQUESTED

September 30, 2013

✓ Regeneration Energy Corp. ("Regeneration")
Post Office Box 210
Artesia, New Mexico 88211-0210
Attn: Mr. Raye Miller

The Allar Company ("Allar")
Post Office Box 1567
Graham, Texas 76450
Attn: Mr. John C. Graham

**Re: Well Proposal for Prodigal Sun 17-24-34 #1H ("PS-1")
E/2E/2 of Section 17, T24S, R34E, NMPM Lea County, New Mexico**

Gentlemen:

Chevron U.S.A. Inc. ("Chevron") hereby proposes to operate PS-1 for oil production from the second Bone Spring Sands formation of the Red Hills North Pool. PS-1 will comprise a one-hundred sixty (160) acre non-standard unit in the E/2E/2 of Section 17, T24S, R34E, NMPM Lea County, New Mexico.

The surface location of PS-1 would be 330 feet from the north line and 380 feet from the east line. The bottom hole location would be 330 feet from the south line and 380 feet from the east line. Chevron expects to navigate PS-1 through the following depths:

- TD Pilot MD (TVD) = 12,173 feet
- TD Lateral MD (TVD) = 15,250 feet
- Landing MD (TVD) = 11,010 feet

With respect to the E/2E/2 of Section 17, T24S, R34E, public records indicate that Chevron owns a seventy-five percent (75%) working interest, Regeneration owns a twelve and one-half percent (12.5%) working interest, and Allar owns a twelve and one-half percent (12.5%) working interest. I have enclosed an Authorization for Expenditure ("AFE"). The total estimated cost to drill, complete, and equip PS-1 is **\$11,943,660.40** divided as follows:

- Drilling = \$3,758,487.00
- Completions = \$2,812,088.00
- Facilities = \$5,373,085.40
- **Total = \$11,943,660.40**

Oil Conservation Division
Case No. 4/15043
Exhibit No. 1

September 30, 2013

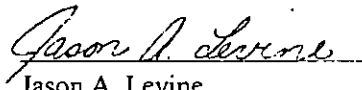
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Please indicate whether you elect to participate in PS-1 by marking your election in the space provided on the next page. Please also sign your counterpart on the next page and return it to me at your earliest convenience. Chevron's Joint Operating Agreement will be furnished if requested prior to your election.

I encourage you to contact me at either 713-372-5313 or jlevine@chevron.com if you have any questions about this matter.

Sincerely,

CHEVRON U.S.A. INC.

A handwritten signature in cursive script, reading "Jason A. Levine", written over a horizontal line.

Jason A. Levine

Land Representative

Regeneration Energy Corp. elects:

☐ Not to Participate in PS-1.

☐ To Participate in PS-1 at 12.50% for \$1,492,957.55.

By: _____
Raye Miller

Date: _____

Its: President

The Allar Company elects:

☐ Not to Participate in PS-1.

☐ To Participate in PS-1 at 12.50% for \$1,492,957.55.

By: _____
John C. Graham

Date: _____

Its: President

Field / Area	Well Name: Prodigal Sun 17-24-34 #1H				Intangible	Tangible	DRILLING
Cost Element	Description						
74400001	Rig - Daywork	days	29.54	rate 25000 \$/day	738,622		738,622
74400002	Drilling Rig-Footage/Turnkey	feet		rate \$/day	0		0
74400003	Rig Up/ Rig Down				0		0
71050200	Fuel-Purchased Natural Gas & Propane				0		0
71290100	Fuel - Diesel / Motor Fuels				137,921		137,921
71290300	Utilities - Other (potable water)				0		0
74500023	Mobilization / De-Mobilization	Rig Days	5	RigTrucking 100000	225,000		225,000
	Rig Costs Total - Intangible				1,181,543	0	1,181,543
66010100	Company Supervision	days	34.54	rate 4500 \$/day	155,452		155,452
70000300	Contract Project Supervision	days	34.54	rate 900 \$/day	31,090		31,090
	Supervision Total - Intangible				186,542	0	186,542
68200100	Onshore Catering				0		0
68250100	Offshore Catering				0		0
68730100	Employee Personal and Business Expense				0		0
70000100	Contract Labor Surface				0		0
70000200	Contract Labor Casual				0		0
76150500	Communications - Radio				0		0
76150900	Communications - Telephone -CITC				0		0
76200100	Communications- Cellular				0		0
76200300	Communications-Other				2,940		2,940
	Other People Costs Total - Intangible				2,940	0	2,940
74400004	Drilling Fluids				86,697		86,697
71901900	Drill and Completion Fluids (not Service)						0
71900500	Materials, Supply, Repair Parts				10,000		10,000
	Mud, Materials Total - Intangible				96,697	0	96,697
72300100	Surface Equipment Rentals				378,516		378,516
72300200	Well Service Equipment Rentals				107,272		107,272
72300300	Motor Vehicle Rentals						0
73200200	Marine Transportation-Allocated						0
73400300	Other Transportation Services				75,000		75,000
73400400	Air Transportation allocated Adj						0
73400700	Hauling Services (Not Freight)						0
74400005	Directional Survey and Service Costs				249,728		249,728
74400007	Drill String Rentals and Mills				13,825		13,825
71901800	Drill Bits				73,000		73,000
74400009	Coil Tubing						0
74400010	Stimulation / Gravel Pack Materials & Service						0
74400011	Pumping Services						0
74400014	Perforating & Electric Line Services						0
74400015	Slickline Services						0
74500100	Contract Equipment & Services						0
	Contract Rentals & Services Total - Intangible				897,340	0	897,340
74500105	Services- Non Taxable Materials				0		0
74500200	Technical Services				0		0
75100500	HES Permit Costs & Fees				0		0
75100501	Surface Regulatory & HES Inspection				0		0
75590200	Other Professional Services & Fees				0		0
75900800	Misc. Services and Fees				0		0
	Other Services Total - Intangible				0	0	0
74200300	Solid Waste Disposal				125,000		125,000
74200600	Waste Water Disposal				10,000		10,000
	Waste Disposal Total - Intangible				135,000	0	135,000
74400017	Coring				0		0
74400018	Testing				0		0
74400019	Logging Wireline				0		0
74400020	LWD (Logging While Drilling)				0		0
74400021	Logging - Mud	22.38	days @	1250 \$ per day	27,975		27,975
	Formation Evaluation Total - Intangible				27,975	0	27,975
71900022	Well Pipe Casing	Size	Feet	\$/foot			605,309
	Conductor					0	
	Surface	13-3/8"	1350	33.58		45,333	
	Intermediate 1	9-5/8"	5300	27		143,100	
	Intermediate 2					0	
	Drilling Liner					0	
	Production	5-1/2"	15350	16.93		259,876	
	Production Liner					0	
	Centralizers & Float Equipment						
	Conductor						
	Surface					3000	
	Intermediate 1					5000	
	Intermediate 2						
	Whipstock					104000	
	Production					45000	
	Packers/Sleeves						
71900020	Well Pipe - Tubing Under 2" OD	Size	Feet	\$/foot			0
						0	
						0	
71900021	Well Pipe - Tubing 2" OD and over	Size	Feet	\$/foot			0
						0	
						0	
71900100	Well Equipment / Materials					0	0
71900110	Wellhead / Xmas Tree	Size	Cost			110,000	110,000
	"A"		110000				
	"B"					0	
	"C"					0	
	Tubing Head					0	
	Xmas Tree					0	
71900120	Submersible Pumps & Equipment					0	0
71500100	Surface Lifting Equipment / Materials						0
	Rod String	Size	Feet	\$/foot			
						0	
						0	
	Production Pkr.						
	Well Pump.						
	Other						

	Equipment Total - Tangible			0	715,309	715,309
74400024	Cement & Cementing					208,000
	Conductor	Size:	Sacks:	Cost	0	
	Surface	Size:	13-3/8"	Sacks:	Cost 18000	18000
	Intermediate 1	Size:	9-5/8"	Sacks:	Cost 45000	45000
	Intermediate 2	Size:		Sacks:	Cost	0
	Pilot Plug Back	Size:	2-7/8"	Sacks:	Cost 50000	50000
	Production	Size:	5-1/2"	Sacks:	Cost 95000	95000
	Production Liner	Size:		Sacks:	Cost	0
	Squeeze Jobs	Size:		Sacks:	Cost	0
	Squeeze Jobs	Size:		Sacks:	Cost	0
	Squeeze Jobs	Size:		Sacks:	Cost	0
	Cement Total -- Intangible			208,000	0	208,000
74400013	Equipment Lost in Hole			0		0
74400025	Fishing Costs			0		0
74500021	Site Work / Roads / Locations			30,000		30,000
	Unanticipated & Location Total - Intangible			30,000	0	30,000
	Sub Total Cost Estimate			2,686,037	715,309	3,401,346
94100700	Contingency 0.0%			0	0	0
	Sub Total Cost Estimate w/ G&A			2,686,037	715,309	3,401,346
94100700	Capitalized G&A 10.5%			282,034	75,107	357,141
	TOTAL COST ESTIMATE w/ Contingencies			2,968,071	790,416	3,758,487

Version 1.1	COMPLETION -- WELL APPROPRIATION -- DETAIL OF COST ESTIMATE					
Field / Area:	Well Name: Prodgal Sun 17-24-34 #1H					
Cost Element	Description				Intangible	Tangible
74400001	Rig - Daywork	days	4.000000	rate 6500 \$/day	26,000	
74400002	Drilling Rig-Footage/Turnkey	feet		rate \$/day	0	
74400003	Rig Up/ Rig Down				5,000	5,000
71050200	Fuel-Purchased Natural Gas & Propane				0	0
71290100	Fuel - Diesel / Motor Fuels				0	0
71290300	Utilities - Other (potable water)				11,000	11,000
74500023	Mobilization / De-Mobilization	Rig Days		RigTrucking	0	0
		Rig Costs Total -- Intangible			42,000	0
66010100	Company Supervision	days	0.000000	rate \$/day	75,125	75,125
70000300	Contract Project Supervision	days	0.000000	rate \$/day	50,083	50,083
		Supervision Total -- Intangible			125,208	0
68200100	Onshore Catering				0	0
68250100	Offshore Catering				0	0
68730100	Employee Personal and Business Expense				0	0
70000100	Contract Labor Surface				0	0
70000200	Contract Labor Casual				0	0
76150500	Communications - Radio				0	0
76150600	Communications - Telephone -CITC				0	0
76200100	Communications- Cellular				0	0
76200300	Communications-Other				0	0
		Other People Costs Total -- Intangible			0	0
74400004	Drilling Fluids				0	0
71901900	Drill and Completion Fluids (not Service)				214,500	214,500
71900500	Materials, Supply, Repair Parts				0	0
		Mud, Materials Total -- Intangible			214,500	0
72300100	Surface Equipment Rentals				430,317	430,317
72300200	Well Service Equipment Rentals				0	0
72300300	Motor Vehicle Rentals				0	0
73200200	Marine Transportation-Allocated				0	0
73400300	Other Transportation Services				0	0
73400400	Air Transportation allocated Adj				0	0
73400700	Hauling Services (Not Freight)				0	0
74400006	Directional Survey and Service Costs				0	0
74400007	Drill String Rentals and Mills				35,000	35,000
71901800	Drill Bits				0	0
74400009	Coil Tubing				171,667	171,667
74400010	Stimulation / Gravel Pack Materials & Service				1,085,000	1,085,000
74400011	Pumping Services				0	0
74400014	Perforating & Electric Line Services				135,000	135,000
74400015	Slickline Services				0	0
74500100	Contract Equipment & Services				0	0
		Contract Rentals & Services Total -- Intangible			1,856,983	0
74500105	Services- Non Taxable Materials				0	0
74500200	Technical Services				0	0
75100500	HES Permit Costs & Fees				0	0
75100501	Surface Regulatory & HES Inspection				0	0
75590200	Other Professional Services & Fees				0	0
75900800	Misc. Services and Fees				0	0
		Other Services Total -- Intangible			0	0
74200300	Solid Waste Disposal				0	0
74200600	Waste Water Disposal				20,000	20,000
		Waste Disposal Total -- Intangible			20,000	0
74400017	Coring				0	0
74400018	Testing				0	0
74400019	Logging Wireline				5,000	5,000
74400020	LWD (Logging While Drilling)				0	0
74400021	Logging - Mud	days @		\$ per day	0	0
		Formation Evaluation Total -- Intangible			5,000	0
71900022	Well Pipe Casing	Size	Feet	\$/foot		0
	Conductor					0
	Surface					0
	Intermediate 1					0
	Intermediate 2					0
	Drilling Liner					0
	Production					0
	Production Liner					0
	Centralizers & Float Equipment					
	Conductor					
	Surface					

	Intermediate 1			
	Intermediate 2			
	Drilling Liner			
	Production			
	Production Liner			
71900020	Well Pipe - Tubing Under 2" OD			0
	Size	Feet	\$/foot	
				0
				0
71900021	Well Pipe - Tubing 2" OD and over			60,000
	Size	Feet	\$/foot	
	2.875	7500	8	60,000
				0
71900100	Well Equipment / Materials			0
				0
71900110	Wellhead / Xmas Tree	Size	Cost	80,000
	"A"			0
	"B"			0
	"C"			0
	Tubing Head			0
	Xmas Tree		80000	80,000
71900120	Submersible Pumps & Equipment			0
				0
71500100	Surface Lifting Equipment / Materials			20,000
	Rod String	Size	Feet	\$/foot
				0
				0
	Production Pkr:			20,000
	Equipment Total -- Tangible		0	160,000
				160,000
74400024	Cement & Cementing			0
	Conductor	Size:	Sacks:	Cost
				0
	Surface	Size:	Sacks:	Cost
				0
	Intermediate 1	Size:	Sacks:	Cost
				0
	Intermediate 2	Size:	Sacks:	Cost
				0
	Drilling Liner	Size:	Sacks:	Cost
				0
	Production	Size:	Sacks:	Cost
				0
	Production Liner	Size:	Sacks:	Cost
				0
	Squeeze Jobs	Size:	Sacks:	Cost
				0
	Squeeze Jobs	Size:	Sacks:	Cost
				0
	Squeeze Jobs	Size:	Sacks:	Cost
				0
	Cement Total -- Intangible		0	0
				0
74400013	Equipment Lost in Hole			0
74400025	Fishing Costs			0
74500021	Site Work / Roads / Locations			0
				0
	Unanticipated & Location Total -- Intangible		0	0
				0
	Sub Total Cost Estimate		2,263,692	160,000
				2,423,692
94100700	Contingency	5.0%	113,185	8,000
				121,185
	Sub Total Cost Estimate w/ G&A		2,376,876	168,000
				2,544,876
	Capitalized G&A	10.5%	249,572	17,640
				267,212
	TOTAL COST ESTIMATE w/ Contingencies		2,626,448	185,640
				2,812,088

Facilities Costs

	Prodigal Sun 17-24-34 #1H	
	Quant	Cost
SUB-TOTAL (for all items)	---	\$ 3,743,280.00
Contingency	20%	\$ 748,656.00
Tax	8.25%	\$ 370,584.72
G&A	10.5%	\$ 510,564.68
GRAND TOTAL (for all items)	---	\$ 5,373,085.40
Battery	1	\$ 2,115,000.00
- Civil	---	\$ 80,000.00
- Goldilocks Battery (Equip.)	---	\$ 1,020,000.00
- Goldilocks Battery (Install.)	---	\$ 800,000.00
- Electrical (EDS)	---	\$ 15,000.00
- Commingle Mods	---	\$ 200,000.00
Dirt Work	1	\$ 112,800.00
- Supervision	---	\$ 30,000.00
- Land Damages	---	\$ 30,000.00
- Roads	---	\$ 52,800.00
- Frac Pond	---	\$ -
Compressor Station	---	
CAD drawings	---	
Vessels	---	
Dehy	---	
Fab/Construction	---	
I&E	---	
Well Sites	1	\$ 265,000.00
- Supervision	---	\$ 20,000.00
- Civil (includes caliche)	---	\$ 125,000.00
- Mechanical	---	\$ 20,000.00
- Flowline	---	\$ 88,000.00
- POC/Well Kill	---	\$ 12,000.00
-Gas Lift Flow Line	---	
Electrical Distribution	---	\$ 250,480.00
- Feed to Sections	---	\$ 235,480.00
- EDS per Section	---	\$ 15,000.00
- Generator Contingency	---	\$ -
Gas Takeaway	---	
- Targa Gas Take-away	---	\$ 1,000,000.00