

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.
- 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.

BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Exhibit No. 4 Submitted by: <u>CHEVRON U.S.A. INC</u> <u>Case No. 15,058</u> Hearing Date: <u>October 31, 2013</u> 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,

Ray Miller

Raye Miller President

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Regenerati	or Expenditure		Well:	Madera 17					2013-001
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Intermediate Csg 5200' 9-5/8" @ 41.67/ft 0 217,000' intermediate Csg 0' @ 0/ft 0 <td< td=""><td></td></td<>	
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Production Csg 13500' 5-1/2"@ 35.15/ft 0: 475,000	
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the second s	
Other 5,000 10,000	· · · · · · ·
Total Tangible: 25,000; 871,000 /	
Lease and Production Equipment:	
Tanks 0 75,000	·····
and the many is the set of the se	· · · · · · · · · · · · · · · · · · ·
Separator/Stackpack 0 35,000	
Dehy/HZS 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 with	I likely vary from AFE.
Well participants agree to pay their share of the actual costs incurred in drilling, completing, equipping a	ind otherwise making the
well ready for production.	
Operator: Regeneration Energy Corp Approved: Taye Milles	Title: Precident
Decimal Working Interest: 125	Date: 65/13
	uale of JI is
han han har	
Partner:	Title:
Decimal Working Interest:	Date:

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I	ARTICLE V.
2	OPERATOR
3	A. Designation and Responsibilities of Operator:
5	Regeneration Energy Corpshall be the
7	Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liabilities are on liabilities of the other parties for losses sustained or liabilities incurred, except such as may result from gross
	8. Resignation or Removal of Operator and Selection of Successor:
14	I. Resignation or Removal of Operator. Operator may resign at any time by giving written notice thereof to Non-Operators.
	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
	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
18	affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the
20	
21	
22	date. 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	porate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not
24	be the basis for removal of Operator,
25	
26	 <u>Selection of Successor Operator</u> Upon the resignation or removal of Operator, a successor Operator shall be selected by the parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor
27 28	
29	
30	
31	on ownership as shown on Exhibit "A" remaining after excluding the voting interest of the Operator that was removed.
32	
	C. Employees:
34 35	The sumber of another and he Counter is and using counting beyonder their relation, and the term of labor and the
36	The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed shall be determined by Operator, and all such employees shall be the employees of Operator.
37	
38	D. Drilling Contracts:
39	
40 41	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 desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing
42	
43	
44	dependent contractors who are doing work of a similar nature.
45	
46	
47 48	
40	ARTICLE VI.
50	DRILLING AND DEVELOPMENT
51	
52	A. Initial Well:
53	
54 55	On or before theday ofSeptember, (nerr2013, Operator shall commence the drilling of a well for oil and gas at the following location:Madema 17 Federal 1H
56	oil and gas at the following location: Madem 17 Federal LH 300 FPL 360 FEL Section 17 1-245 R-34E
57	
58	and shall thereafter continue the drilling of the well with due diligence to
59	Test the Bone Spring Formation
60	
61 62	
63	unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is en-
64	countered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.
65	
66	Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and
67	gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which
68	event Operator shall be required to test only the formation or formations to which this agreement may apply,
69 70	
70	

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:

4

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. P.O. Box 210 Artesia, NM 88211-0210	.125
The Allar Company PO Box 1567 Graham, TX 76450	.125
Chevron USA Inc. PO Box 2100	.75

III. OIL AND GAS LEASES SUBJECT TO THE AGREEMENT:

Federal Lease Number: Lease Date: Lessor: Lessee:

Houston, TX 77252-2100

Federal Lease Number: Lease Date: Lessor: Lessee: NM 113418 March 1, 2005 United States of America The Allar Company

NM 113419 March 1, 2005 United States of America The Allar Company