



ENDURANCE  
RESOURCES

January 7, 2014

Chevron U.S.A. Inc.  
1400 Smith St.  
Houston, TX 77002  
Attn: Jason Levine

*Via Certified Mail*

Re: Nocaster 19 Federal #4H Well Election  
E/2E/2 of Section 19, T23S, R34E, NMPM  
Lea County, New Mexico

Dear Mr. Levine,

Endurance Resources, LLC. ("Endurance"), hereby submits an Authority for Expenditure ("AFE") to Chevron U.S.A. Inc. ("Chevron"), for the drilling and completion of the Nocaster 19 Federal #4H Well ("Well") located on the lands referenced above. The estimated AFE cost for the Well is \$7,398,310.00. The Well will be drilled to an estimated total vertical depth of 10,587' to test the Second Bone Spring Interval with an estimated total measured depth of 14,800'. The Well will have a surface location of 330' FSL and 660' FEL with a bottom hole location of 330' FNL & 660' FEL.

Endurance is also proposing to form a Joint Operating Agreement ("JOA") covering the E/2 of Section 19, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico, from 8,614' to the base of the Bone Spring Formation, with Endurance serving as operator. Endurance proposes using the same JOA that Chevron and Endurance executed in Section 29, T23S, R34E, NMPM, Lea County, New Mexico in which Endurance serves as operator of the E/2 of said section and Chevron owns a non-operated working interest.

Please return a fully executed AFE and a signed copy of this letter indicating your election to this proposal by signing and returning to the undersigned. I will send the JOA to your attention if you elect to participate in the drilling of the Well. Should you not want to participate in the drilling of the Well, then Endurance would be interested in negotiating a Term Assignment covering the E/2 of Section 19, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico.

Should you have any questions, please do not hesitate to contact me at (432) 242-4683 or via email at [Jason@enduranceresourcesllc.com](mailto:Jason@enduranceresourcesllc.com).

Sincerely,

Endurance Resources, LLC.

Jason South, CPL  
Landman

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BEFORE THE OIL  
CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. 5

Submitted by: CHEVRON USA INC.  
Hearing Date: February 20, 2014

203 WEST AVALL SUITE 1000 MIDLAND, TEXAS 79701

PHONE: 432-242-4680 WWW.ENDURANCERESOURCESLLC.COM



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The undersigned elects the following election:

\_\_\_\_\_ Elect to participate in the Nocaster 19 Federal #4H Well

\_\_\_\_\_ Elect not to participate in the Nocaster 19 Federal #4H Well

By: \_\_\_\_\_

Title: \_\_\_\_\_

Company: \_\_\_\_\_

Date: \_\_\_\_\_

**Endurance Resources LLC**

Authority for Expenditure  
Permian Basin Form

Date: Jan-06-2014  
AFE Number: 19-4H-001

Lease: Nocaster 19 Fed  
Well No.: 4H  
Purpose: Drill 2rd Bone Spring Horizontal  
Operation: Drill 2rd Bone Spring Horizontal & Frac in 14 stages

County/State: Lea/NM  
Tn. Rg. Sec.: T23S-R34E Sec. 19  
Location: 330' FSL 660' FEL  
Rig: \_\_\_\_\_

**Capital Cost:**

	amount:	unit	unit cost	cost / unit	Dry Hole Costs	Completion Costs	Total Completed
Casing Surface (13-3/8" 54.5#)	1115	ft	\$34.61	\$/ft	\$38,590.15	\$0.00	\$38,590.15
Casing Intermediate (9-5/8" 40#)	5100	ft	\$26.85	\$/ft	\$136,835.00	\$0.00	\$136,835.00
Production Casing (5.5" 20#-Tejas Ends)	14900	ft	\$21.46	\$/ft	\$319,754.00	\$0.00	\$319,754.00
Permanent Lateral Assembly	0	assem	\$0.00	\$/assem		\$0.00	\$0.00
Casing Heads	1	ea	\$10,000.00	\$/ea		\$10,000.00	\$10,000.00
Wellhead w/ Valves & Fittings	1	ea	\$30,000.00	\$/ea		\$30,000.00	\$30,000.00
Tubing 2 7/8" 6.0# L-80	11100	ft	\$5.03	\$/ft		\$55,833.00	\$55,833.00
Tubing Anchor	1	ea	\$1,100.00	\$/ea		\$1,100.00	\$1,100.00
Sucker Rods	1	ft	\$48,000.00	\$/ft		\$48,000.00	\$48,000.00
Subsurface Pump	1	ea	\$7,500.00	\$/ea		\$7,500.00	\$7,500.00
Pumping Unit	1	ea	\$110,000	\$/ea		\$110,000.00	\$110,000.00
Flowline	3500	ft	\$13.00	\$/ft		\$45,500.00	\$45,500.00
Tank Battery	1	ea	\$552,154.00	\$/ea		\$552,154.00	\$552,154.00
Gas Meter Run	1	ea	\$10,000.00	\$/ea		\$10,000.00	\$10,000.00
Electric Service Install	1	ea	\$15,000.00	\$/ea		\$15,000.00	\$15,000.00
Elec Panel & motor	1	ea	\$15,000.00	\$/ea		\$15,000.00	\$15,000.00
Misc. Materials	1	ea	\$10,000.00	\$/ea		\$10,000.00	\$10,000.00
Sales Tax @ 8.5%	1		8.50%		\$42,098.73	\$77,357.40	\$119,456.12

**Total Capital Cost** > **\$537,377.88**    **\$987,444.40**    **\$1,524,822.27**

**Intangible Cost:**

	amount:	unit	unit cost	cost / unit	Dry Hole Costs	Completion Costs	Total Completed
Survey Location	1	ea	\$6,000.00	\$/ea	\$6,000.00		\$6,000.00
Surface Damages	1	ea	\$6,500.00	\$/ea	\$6,500.00		\$6,500.00
Caliche	0		\$0.00		\$0.00		\$0.00
Build Location / Road	1	ea	\$67,000.00	\$/ea	\$67,000.00		\$67,000.00
Pit Liner/Pit Fence	0	ea	\$0.00	\$/ea	\$0.00		\$0.00
Mouse/Rat Hole + Conductor	1	ea	\$50,000.00	\$/ea	\$50,000.00		\$50,000.00
Bit -(17.5"/12.25") Surface/Intermediate Hole	2	ea	\$13,000.00	\$/ea	\$26,000.00		\$26,000.00
Casing Crews-Surface	1	ea	\$6,000.00	\$/ea	\$6,000.00		\$6,000.00
Cement Surf Casing(w/float equip)	1	ea	\$52,000.00	\$/ea	\$52,000.00		\$52,000.00
Drilling Fluids	1	ea	\$60,000.00	\$/ea	\$60,000.00		\$60,000.00
Water -Drilling(Fresh & Brine)	1	bb(s)	\$70,000.00	\$/bb	\$70,000.00		\$70,000.00
Trucking - Surface Casing	0	loads	\$0.00	\$/load	\$0.00		\$0.00
Bits-(8.75") Production Vertical Hole	2	ea	\$12,000.00	\$/ea	\$24,000.00		\$24,000.00
Bits-(8.75") Lateral Hole	1	ea	\$12,500.00	\$/ea	\$12,500.00		\$12,500.00
Mud Logging( 3 man )	10	day(s)	\$1,710.00	\$/day	\$17,100.00		\$17,100.00
Open Hole Log-Intermediate Section	0	ea	\$0.00	\$/ea	\$0.00		\$0.00
Open Hole Log-Deep Section	0	ea	\$20,000.00	\$/ea	\$0.00		\$0.00
Sidewall Coring Minimum Setup Charge	0	ea	\$0.00	\$/ea	\$0.00		\$0.00
DST	0	ea	\$0.00	\$/ea	\$0.00		\$0.00
Rig Mobilization	1	ea	\$125,000.00	\$/ea	\$125,000.00		\$125,000.00
Drilling Daywork + Top Drive	25	day(s)	\$19,100.00	\$/day	\$477,500.00		\$477,500.00
Drilling Fuel	1	day(s)	\$140,000.00	\$/day	\$140,000.00		\$140,000.00
Rotary Steerable	0	day(s)	\$0.00	\$/day	\$0.00		\$0.00
Directional tools for Curve	1	day(s)	\$200,000.00	\$/day	\$200,000.00		\$200,000.00
Wellsite Consulting-Drilling	28	day(s)	\$2,200.00	\$/day	\$61,600.00		\$61,600.00
Operator Overhead	1	ea	\$9,000.00	\$/ea	\$9,000.00		\$9,000.00
Casing Crews-Intermediate	1	ea	\$7,000.00	\$/ea	\$7,000.00		\$7,000.00
Cement Intermediate Casing(w/float equip)	1	ea	\$70,000.00	\$/ea	\$70,000.00		\$70,000.00
Cement for Plugging	0	ea	\$0.00	\$/ea	\$0.00		\$0.00
Cement Lateral Curve Casing(w/float equip)	0	ea	\$0.00	\$/ea	\$0.00		\$0.00
Trucking - Production Casing	0	loads	\$0.00	\$/load		\$0.00	\$0.00
Casing Crews-Production	1	ea	\$11,000.00	\$/ea		\$11,000.00	\$11,000.00
Cement Prod. Casing(w/float equip)	1	ea	\$200,000.00	\$/ea		\$200,000.00	\$200,000.00
Anchors	1	set	\$5,000.00	\$/set		\$5,000.00	\$5,000.00
Pulling Unit	7	day(s)	\$4,500.00	\$/day		\$31,500.00	\$31,500.00
BOP Rental	7	min	\$800.00	\$/min		\$5,600.00	\$5,600.00
Roustabout / Welder	16	day(s)	\$6,600.00	\$/day		\$105,600.00	\$105,600.00
Cased Hole Log-Bond + GRN	1	ea	\$20,000.00	\$/ea		\$20,000.00	\$20,000.00
Perforating w/ Cased Hole Log	1	ea	\$85,000.00	\$/ea		\$0.00	\$0.00
Composite Plugs RBP Packers	1	ea	\$65,000.00	\$/ea		\$0.00	\$0.00
Stimulation - Acid	1	ea	\$15,000.00	\$/ea		\$15,000.00	\$15,000.00
Rental Surface Equip.(Frac Tanks)	1	4 dymin	\$120,000.00	\$/min		\$120,000.00	\$120,000.00
Frac Tank Trucking	8	ea	\$1,100.00	\$/ea		\$8,800.00	\$8,800.00
Water -Stimulation	100000	bb(s)	\$2.15	\$/bb		\$215,000.00	\$215,000.00
Trucking - Stim Water	0	hrs	\$0.00	\$/hr		\$0.00	\$0.00
Stimulation -Frac 14 stages	1	ea	\$3,054,000.00	\$/ea		\$3,054,000.00	\$3,054,000.00
Rental 4.5" DP + DH Motors & S	15	day(s)	\$4,000.00	\$/day		\$60,000.00	\$60,000.00
Wellsite Consulting-Completion	3	day(s)	\$1,100.00	\$/day		\$3,300.00	\$3,300.00
Contingencies @ 10 %	0		10%		\$141,020.00	\$385,480.00	\$526,500.00
Sales Tax @ 8.5%	0		8.50%		\$1,383.99	\$3,604.24	\$4,988.23

**Total Intangible Cost** > **\$1,829,604**    **\$4,243,884**    **\$6,073,488.23**

**Total Project Cost** > **\$2,166,982**    **\$5,231,329**    **\$7,398,310**

Dry Hole Costs	Completion Costs	Total Completed
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Operator WI: 50.00 %

Operator Approval: \_\_\_\_\_

Operator's Share: \$3,699,155.00

Date: \_\_\_\_\_

Partner WI: 20.25 %

Partner Approval: \_\_\_\_\_

Partner's Share: \$1,498,157.78

Date: \_\_\_\_\_