



ENDURANCE
RESOURCES

December 31, 2013

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

Via Certified Mail

Re: Starcaster 18 Federal #4H Well Proposal
E/2E/2 of Section 18, T23S, R34E, NMPM
Lea County, New Mexico

Dear Mr. Levine,

Endurance Resources, LLC. ("Endurance"), hereby submits an Authority for Expenditure ("AFE"), for the drilling and completing of the Starcaster 18 Federal #4H Well ("Well") located on the lands referenced above. The estimated AFE cost for the Well is \$7,010,055.00. The Well will be drilled to an estimated total vertical depth of 10,444' 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' FNL and 660' FEL with a bottom hole location of 330' FSL & 660' FEL.

Endurance is also proposing to form a Joint Operating Agreement ("JOA") covering all of Section 18, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico, covering all depths, subject to a mutually acceptable JOA form. Endurance would serve as operator under the JOA.

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 a JOA to your attention for review if you elect to participate in the drilling and completing of the Well. Should you not want to participate in the drilling and completing of the Well, then Endurance would be interested in negotiating a Term Assignment covering all of Section 18, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico.

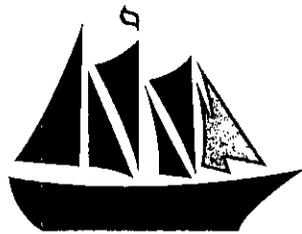
Should you have any questions, please do not hesitate to contact me at (432) 242-4683 or via email at Jason@enduranceresourcesllc.com.

Sincerely,

Endurance Resources, LLC.


Jason South, CPL
Landman

OCD Cases# 15074 & 15084
Endurance Resources, LLC
February 20, 2014
Ex# 2



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The undersigned elects the following election:

_____ Elect to participate in the drilling and completing of the Starcaster 18 Federal #4H Well

_____ Elect not to participate in the drilling and completing of the Starcaster 18 Federal #4H Well

By: _____

Title: _____

Company: _____

Date: _____

Endurance Resources LLC

Authority for Expenditure
Permian Basin Form

Date: Nov-19-2013
AFE Number: _____

Lease: Starcaster
Well No.: _____
Purpose: Drill 2rd Bone Spring Horizontal
Operation: Drill 2rd Bone Spring Horizontal & Frac in 11stages

County/State: Lea/NM
Tn. Rg. Sec.: T235-R34E Dec. 30
Location: _____
Rig: _____

Capital Cost:

	amount:	unit	unit cost	cost / unit	Dry Hole Costs	Completion Costs	Total Completed
Casing Surface (13-3/8" 54.5#)	1250	ft	\$34.61	\$/ft	\$43,262.50	\$0.00	\$43,262.50
Casing Intermediate (9-5/8" 40#)	5100	ft	\$26.85	\$/ft	\$136,935.00	\$0.00	\$136,935.00
Production Casing (5.5" 20#)	14900	ft	\$17.60	\$/ft	\$262,240.00	\$0.00	\$262,240.00
Permanent Lateral Assembly	0	assem	\$0.00	\$/assem		\$0.00	\$0.00
Casing Heads	1	ea	\$30,000.00	\$/ea		\$30,000.00	\$30,000.00
Wellhead w/ Valves & Fittings	0	ea	\$0.00	\$/ea		\$0.00	\$0.00
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	\$110,000.00	\$/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		\$10,000.00	\$/ea		\$10,000.00	\$10,000.00
Sales Tax @ 8.5%	1		8.50%		\$37,607.19	\$76,507.40	\$114,114.58

Total Capital Cost > **\$480,044.69** **\$976,594.40** **\$1,456,639.08**

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	\$90,000.00	\$/ea	\$90,000.00		\$90,000.00
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	\$12,000.00	\$/ea	\$24,000.00		\$24,000.00
Casing Crews-Surface	1	ea	\$7,000.00	\$/ea	\$7,000.00		\$7,000.00
Cement Surf Casing(w/float equip)	1	ea	\$50,000.00	\$/ea	\$50,000.00		\$50,000.00
Drilling Fluids	1	ea	\$90,000.00	\$/ea	\$90,000.00		\$90,000.00
Water -Drilling(Fresh & Brine)	1	bbl(s)	\$70,000.00	\$/bbl	\$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	2	ea	\$12,000.00	\$/ea	\$24,000.00		\$24,000.00
Mud Logging(2 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	1	ea	\$20,000.00	\$/ea	\$20,000.00		\$20,000.00
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)	\$19,000.00	\$/day	\$475,000.00		\$475,000.00
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	\$210,000.00	\$/ea	\$210,000.00		\$210,000.00
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	\$18,000.00	\$/ea		\$18,000.00	\$18,000.00
Cement Prod. Casing(w/float equip)	1	ea	\$160,000.00	\$/ea		\$160,000.00	\$160,000.00
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		\$85,000.00	\$85,000.00
Composite Plugs RBP Packers	1	ea	\$65,000.00	\$/ea		\$65,000.00	\$65,000.00
Stimulation - Acid.	1	ea	\$15,000.00	\$/ea		\$15,000.00	\$15,000.00
Rental Surface Equip.	1	4 dymn	\$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	bbl(s)	\$2.15	\$/bbl		\$215,000.00	\$215,000.00
Trucking - Stim Water	0	hrs	\$0.00	\$/hr		\$0.00	\$0.00
Stimulation -Frac 11 stages	1	ea	\$2,400,000.00	\$/ea		\$2,400,000.00	\$2,400,000.00
Rental 4.5" DP + DH Motors & S	25	day(s)	\$4,000.00	\$/day		\$100,000.00	\$100,000.00
Wellsite Consulting-Completion	3	day(s)	\$1,100.00	\$/day		\$3,300.00	\$3,300.00
Contingencies @ 10 %	1		10%		\$148,920.00	\$335,780.00	\$484,700.00
Sales Tax @ 8.5%	1		8.50%		\$1,576.85	\$3,139.54	\$4,716.40

Total Intangible Cost > **\$1,856,697** **\$3,696,720** **\$5,553,416.40**

Total Project Cost > **\$2,336,742** **\$4,673,314** **\$7,010,055**

Dry Hole Costs	Completion Costs	Total Completed

Operator WI: _____ % Operator Approval: _____

Operator's Share: \$0.00 Date: _____

Partner WI: 20.95375 % Partner Approval: _____

Partner's Share: \$1,468,869.40 Date: _____