Petroleum Resource Management Corp
WPU-36-1V-H2 (API# 05-081-07799-02)
Flaring cost estimate and alternative recoveries cost estimates

The current estimate of first year average daily gas production is 2.343 MMCF/day based on the reserve forecast of Niobrara production. The anticipated sales gas BTU is 1100 and the current CIG Rockies natural gas forecast, net of pipeline gathering costs, yields a net wellhead price of $1.08/MCF. To get to sales specs the gas will shrink 25% so the flaring revenues lost will be $2,088 per day. The well will be produced for a period of 365 days at a **gas cost of $762,120**.

The alternative costs are estimated at:

1) **Gas processing unit (GPU)**: **$2,256,000.** Pioneer Energy quoted GPU costs in August 2019 of $183,000 per month to process the gas resulting in an annual fee of @2,196,000. There is also a one-time mobilization / setup fee of $ 60,000.
2) **Electric generation**: **$8,441,000.** The cost estimate was obtained from Yampa Valley Electric in August 2019. There is no 3-phase power available at the well site and 41 miles of overhead electric line (at $153,000/mile) would need to be constructed to tie into the nearest power line capable of handling the power generation output. The system will require transformers at a one-time cost of $1,568,000. Further it is estimated that the power line installation would require one year for permit approvals prior to beginning construction. The cost estimate assumes a leased portable natural gas turbine generator (at $50,000/month) feeding into the power line.
3) **Natural Gas Pipeline: $8,038,170.** The cost estimate is from W.C. Striegel, Inc. dated September 29, 2017. The pipeline will require Corps of Engineers permits for the stream crossings and a compressor station to bring the natural gas up to acceptable transmission line pressures. It is estimated that the necessary field surveys and environmental permits will require about a year for approval, plus there will be a tap fee for the natural gas transmission line.