

STATE OF
COLORADO

Schoepflin - DNR, Sharon <sharon.schoepflin@state.co.us>

Updated Exhibit 3 Spreadsheet

5 messages

Jason Harms <Jason@strachanexploration.com>

Fri, Dec 27, 2024 at 4:42 PM

To: "Schoepflin - DNR, Sharon" <sharon.schoepflin@state.co.us>

Hi Sharon – thanks for the quick chat and clarification.

Attached is the revised Exhibit 3 spreadsheet.

The total was \$1,313,369.08. Removing the gas gathering systems covered under Rule 703 brings the new total down to \$1,140,829.08.

Dividing by 62 wells, I'm getting \$18,400.47.

Let me know if this checks out on your end.

Thanks again for all your work on this!

Jason Harms

Strachan Exploration, Inc.

303-330-1921

**Exhibit 3 SEI Financial Warranty Calculations_All REVISED.xlsx**

272K

Schoepflin - DNR, Sharon <sharon.schoepflin@state.co.us>

Sat, Dec 28, 2024 at 8:00 AM

To: Jason Harms <Jason@strachanexploration.com>

Hi Jason, thank you for the quick turnaround.

Upon completion of the Director's initial demonstrated cost review, the Director contacted the Operator, as contemplated by Rule 702.e.(1).C., requesting the Operator acknowledge the submitted documentation supported a Location reclamation basis of \$21,183.37 instead of the \$15,451.40 proposed in the submitted Form 3.

Observations were as follows:

The Operator's Form 3 attachments provided substantive descriptions and analysis for reclamation calculations for each of the 62 wells subject to Rule 702, and related locations and facilities.

The Operator's total design costs, as detailed in Exhibit 3 SEI Financial Warranty Calculations_All, final tab labeled "Totals", presents the total proposed demonstrated reclamation costs to be \$1,313,369.08, adjusted to an average of \$15,451.40. This average is all the facilities detailed in each of the 67 tabs of the Excel workbook. For Form 3 purposes, the proposed demonstrated costs total would be divided by the 62 locations identified in the Form 3 to properly account for the "total" Location Reclamation Cost, changing the proposed average from \$15,451.40 to \$21,183.37 in order for the full \$1,313,369.08 supported demonstrated costs to be collected as presented.

It was observed that several gas facilities had been included in the Exhibit 3 tabs and therefore the total was inflated by Rule 703 facilities, resulting in this email with the revised Exhibit 3 attachment for further demonstrated cost review

The Director's second review finds a different total for removal of Gas Gathering/Gas Processing from your Exhibit 3 "Totals" tab, it appears the \$33,370 difference between your emailed revised spreadsheet and the Director's adjustments may be Facility ID# 429231, Green 1-7 Facility. This is not a gas related facility but rather a LOCATION related to Facility ID# 297227 PIT; therefore, not being covered under Rule 703 Financial Assurance, and should not be removed as the reclamation for this location is warranted.



In accordance with Rule 702.e.(1).C, the Director is extending the opportunity for acceptance of a revised reclamation total per the submitted supporting documentation, minus the 5 gas plant, gas gathering, and gas compressor stations totaling \$139,170.00, resulting a reduced total of \$1,174,199.08, which reconciles to your attached revised total of \$1,140,829.08, plus the \$33,370.00 that appears to have been deducted with your gas facilities adjustments.

The proposed acceptable reclamation total by supported demonstrated costs at \$1,174,199.08, divided by the 62 wells used as distribution for the submitted supporting total demonstrated costs, brings the Form 3 Location Reclamation cost to \$18,938.69. This will ensure proper calculation of the total demonstrated reclamation costs as submitted and adjusted.

If Strachan Exploration Inc. is amenable to this change, please reply granting permission for the adjustment to the Form 3 in order to move the file towards approval.

Please note: this will bring the amount needed for funding to \$150,709.94 for the required initial contribution, plus the replacement Darrah Oil contributions of \$131,500 per the Form 9 COA 3, requiring a total of \$282,209.94 within 90 days of the Form 3 approval.

Please let me know if you agree with this modification or if you have any questions.

Thanks,

Sharon Schoepflin

Financial Assurance & Audits Supervisor

Financial Assurance Plan Specialist



COLORADO
Energy & Carbon Management
Commission
Department of Natural Resources

C 720.467.4887

[Quoted text hidden]

Jason Harms <Jason@strachanexploration.com>

Sat, Dec 28, 2024 at 9:13 AM

To: "Schoepflin - DNR, Sharon" <sharon.schoepflin@state.co.us>

Hi Sharon,

I think we can work through the Green 1-7 location on a future Form 3. It is the same location as the Green 1-10 Well Battery, which should be already accounted for. I'll have to double check if the pit is on that Green 1-10 calculation.

Off the top of my head, the Green 1-7 was a proposed new drill filed by Foundation. But it seems it's showing up as the pit on the Green 1-10 battery. Some additional research/cleanup needs to be done there.

I propose we accept your changes below with the goal of getting this approved by 12/31/2024.

The Green 1-7 can be part of the Bailey cleanup that we discussed yesterday if that's ok?

We are good with moving forward with the \$1,174,199.08 total, \$18,938.69 per well.

Thanks Sharon!

Jason