

NMOCD Examiner Hearing September 16, 2010  
 Docket #3110  
 Case # 14540  
 Exhibit 5

**Authorization for Expenditures**

**MERRION OIL & GAS**

**Drilling and Completion Cost Estimate**

Prepared by Paul Thompson, Thompson Engineering and Production Corp.  
 AUTHORITY FOR EXPENDITURE

**Glade Park #1**

Location: NW1/4 Section 8, T29N, R13W, San Juan Co., CO  
 Proposed Depth: 1130' Objective: Pictured Cliffs and Fruitland Coal

	PTC	PC	Total
I. Tangible Drilling Costs (Does not include running production casing)			
Surface Casing (120' of 7" @ 14.25 Sft)	855	855	1,710
Casing Head	425	425	850
Total Tangible Drilling Cost	1,280	1,280	2,560

II. Intangible Drilling Costs (Does not include running production casing)

Survey and Permits	0	0	0
Title Opinion and Land Costs	3,410	3,410	6,820
Damages	25,000	25,000	50,000
Dirt Work	4,000	4,000	8,000
Pt. Line and Fence	0	0	0
Drill Conductor Hole	10,735	10,735	21,470
Drilling Footage @ \$19.00/ft	3,180	3,180	6,360
Rip Mob and Dismb	1,000	1,000	2,000
Fuel (Footage)	0	0	0
Water and Water Hauling	1,200	1,200	2,400
On-Off Mud	1,590	1,590	3,180
Air Pig & Nitrogen Unit	0	0	0
Drill Bits (Footage)	0	0	0
Cement Surface	1,575	1,575	3,150
Logs	3,425	3,425	6,850
Environmental Disposal	2,500	2,500	5,000
Miscellaneous & BOP Test	4,000	4,000	8,000
Trucking	1,000	1,000	2,000
Engineering/Supervision	2,000	2,000	4,000
Total Intangible Drilling Cost	68,935	68,935	137,870
Total Drilling Costs	70,215	70,215	140,430
10% Contingency	7,022	7,022	14,043
Grand Total Drilling Costs	77,237	77,237	154,473

III. Tangible Completion Costs

Production Casing (1130' of 4-1/2", 10.5# at 7.50 Sft)	4,240	4,240	8,480
Float Equipment	450	450	900
Tubing Head and Well Connection Fittings	675	675	1,350
Running (1050' of 2-3/8" @ 4.50 Sft.)	2,365	2,365	4,730
Tools, Pump, SB, PR, etc.)	1,800	1,800	3,600
Separation	1,500	1,500	3,000
Tanks and Fittings	2,500	2,500	5,000
Pumps and Motor	2,000	2,000	4,000
Pumps and Motor	13,000	13,000	26,000
Pipeline	41,250	41,250	82,500
Noise Abatement Building	18,925	18,925	37,850
Measurement Equipment	11,250	11,250	22,500
Total Tangible Completion Costs	101,955	101,955	203,910

IV. Intangible Completion Costs

Casing Crew	3,500	3,500	7,000
Production Casing	1,000	1,000	2,000
Simulation (Single PC & Single FTC)	3,500	3,500	7,000
Tool Rental (Frac Valve)	38,500	38,500	77,000
Frac Tank Rental	800	800	1,600
Completion Fluids & Disposal	1,500	1,500	3,000
Completion Rig (3 days at \$3000/day)	1,800	1,800	3,600
Blower	400	400	800
Pipeline Installation	3,000	3,000	6,000
Trucking	1,000	1,000	2,000
Restore Location	500	500	1,000
Engineering/Supervision	1,500	1,500	3,000
Total Intangible Completion Costs	61,500	61,500	123,000
10% Contingency	6,150	6,150	12,300
Total Completion Costs	67,650	67,650	135,300
Grand Total Well Costs	178,801	178,801	357,601

Prepared By: Paul C. Thompson, P.E.  
 Date: July 14, 2010  
 ESTIMATED COSTS ONLY--Each participating Owner to pay Proportional Share of Actual Well Costs Subject to Operating Agreement

Working Interest Owners  
 Approved \_\_\_\_\_ Date: \_\_\_\_\_  
 Co. \_\_\_\_\_

**MERRION OIL & GAS**

**Drilling and Completion Cost Estimate**

Prepared by Paul Thompson, Thompson Engineering and Production Corp.  
 AUTHORITY FOR EXPENDITURE

**Glade Park #2**

Location: SW1/4 Section 8, T29N, R13W, San Juan Co., CO  
 Proposed Depth: 1130' Objective: Pictured Cliffs and Fruitland Coal

	PTC	PC	Total
I. Tangible Drilling Costs (Does not include running production casing)			
Surface Casing (120' of 7" @ 14.25 Sft)	855	855	1,710
Casing Head	425	425	850
Total Tangible Drilling Cost	1,280	1,280	2,560

II. Intangible Drilling Costs (Does not include running production casing)

Survey and Permits	0	0	0
Title Opinion and Land Costs	3,410	3,410	6,820
Damages	25,000	25,000	50,000
Dirt Work	4,000	4,000	8,000
Pt. Line and Fence	0	0	0
Drill Conductor Hole	10,735	10,735	21,470
Drilling Footage @ \$19.00/ft	3,000	3,000	6,000
Rip Mob and Dismb	1,000	1,000	2,000
Fuel (Footage)	0	0	0
Water and Water Hauling	1,200	1,200	2,400
On-Off Mud	1,590	1,590	3,180
Air Pig & Nitrogen Unit	0	0	0
Drill Bits (Footage)	0	0	0
Cement Surface	1,575	1,575	3,150
Logs	3,425	3,425	6,850
Environmental Disposal	2,500	2,500	5,000
Miscellaneous & BOP Test	4,000	4,000	8,000
Trucking	1,000	1,000	2,000
Engineering/Supervision	2,000	2,000	4,000
Total Intangible Drilling Cost	68,935	68,935	137,870
Total Drilling Costs	70,215	70,215	140,430
10% Contingency	7,022	7,022	14,043
Grand Total Drilling Costs	77,237	77,237	154,473

III. Tangible Completion Costs

Production Casing (1130' of 4-1/2", 10.5# at 7.50 Sft)	4,240	4,240	8,480
Float Equipment	450	450	900
Tubing Head and Well Connection Fittings	675	675	1,350
Running (1050' of 2-3/8" @ 4.50 Sft.)	2,365	2,365	4,730
Tools, Pump, SB, PR, etc.)	1,800	1,800	3,600
Separation	1,500	1,500	3,000
Tanks and Fittings	2,500	2,500	5,000
Pumps and Motor	2,000	2,000	4,000
Pumps and Motor	13,000	13,000	26,000
Pipeline	41,250	41,250	82,500
Noise Abatement Building	18,925	18,925	37,850
Measurement Equipment	11,250	11,250	22,500
Total Tangible Completion Costs	101,955	101,955	203,910

IV. Intangible Completion Costs

Casing Crew	3,500	3,500	7,000
Production Casing	1,000	1,000	2,000
Simulation (Single PC & Single FTC)	3,500	3,500	7,000
Tool Rental (Frac Valve)	38,500	38,500	77,000
Frac Tank Rental	800	800	1,600
Completion Fluids & Disposal	1,500	1,500	3,000
Completion Rig (3 days at \$3000/day)	1,800	1,800	3,600
Blower	400	400	800
Pipeline Installation	3,000	3,000	6,000
Trucking	1,000	1,000	2,000
Restore Location	500	500	1,000
Engineering/Supervision	1,500	1,500	3,000
Total Intangible Completion Costs	61,500	61,500	123,000
10% Contingency	6,150	6,150	12,300
Total Completion Costs	67,650	67,650	135,300
Grand Total Well Costs	250,937	250,937	501,873

Prepared By: Paul C. Thompson, P.E.  
 Date: July 14, 2010  
 ESTIMATED COSTS ONLY--Each participating Owner to pay Proportional Share of Actual Well Costs Subject to Operating Agreement

Working Interest Owners  
 Approved \_\_\_\_\_ Date: \_\_\_\_\_  
 Co. \_\_\_\_\_