From: "Wagner, John" [redacted]
To: "Tom Anderson" [redacted]
CC: [redacted]
Date: 11/7/2008 10:56 AM
Subject: RE: Meeting in Thermopolis

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Jim Ruby, Executive Secretary
Environmental Quality Council

Mr. Anderson:

By copy of this email, I'm forwarding your comments to Jim Ruby who is Executive Director of the Environmental Quality Council. Mr. Ruby will forward your comments to Mr. Morris and/or add your comments to the record as appropriate.

Thanks for your comments and input into the process.

John F. Wagner

Administrator

Water Quality Division

Wyoming Department of Environmental Quality

jwagne@wyo.gov

[redacted]

From: Tom Anderson [redacted]
Sent: Friday, November 07, 2008 8:07 AM
To: Wagner, John
Subject: Meeting in Thermopolis

Mr. Wagner

My name is Tom Anderson and I presented some testimony as to the cost of injection of produced water and how it affects oil reserves in the US. Mr Morris had some questions about the cost and did not understand the shut in rate on the graph for the $.25/barrel cost for injection. His basic question was how come the well was shut in making about 10 barrel oil per day with the cost to inject at $.25/bbl. As I stated the average well was making about 10.5 BOPD and 750 BWPD. If you multiply .25 x 750 = $187.50 per day increase in the cost. $187.50/day increase in cost equates to $5625/month increase in operating expenses, that coupled with the $2500 per month normal cost of operating a well is $8125/month operating cost. This $8125/month is = $270 in operating costs. The case I showed used $40/bbl oil, so the well would have to make 6.7 bopd just to cover the operating cost. All wells in the state pay about 13% in ad valorem and severance taxes, so at 10 BOPD and $40/bbl price the oil company is paying an additional $52 in state and county taxes. This $52 needs another 1.3 bbls/day to pay for that. The 1.3 bbl added to the 6.7 bbl for operating cost now equals 8 BOPD needed to pay for operating costs and ad valorem and severance taxes.

There are now wells in my experience that do not have an overriding royalty interest owner whether it is the federal government, or the state, or fee owner, or other companies, so most wells have about an 80% net revenue interest that goes to the well being produced. That means you receive 80% of the money generated by the well to pay for the well, operating costs, and taxes. 80% of 10 BOPD is equal to 8 BOPD, so you can see that the shut in is 10 BOPD, cost equal income at that rate.

If you or any one has any questions at all you can contact me tom.gvllc@rtconnect.net or call me at 307-864-3754. I would be happy to go over theses data sets any time you would wish.

If you could forward this note to Mr. Morris I would greatly appreciate this kindness.

Tom Anderson