

Assumptions for model of costs of gas sales delay

Status Quo Assumptions



1. 12% discount rate for operator
2. Land is already leased over attractive prospect
3. Seismic data over prospect is already owned
4. 1st exploration well cost = \$35 MM*
5. 3 well delineation program cost = \$45 MM*
6. PPT credits and taxes apply to onshore gas
7. Flat, nominal gas price of \$6 used to evaluate economics
8. 6 years from drilling to 1st gas sale, assuming no access delays

***Undiscounted expense in today's dollars, before any tax credits or incentives**

Defined Variables



1. 40% = Probability 1st exploration well finds gas (geologic success)
2. 60% = Probability delineation drilling program is success

Explorer's Decision Tree

