

Beeman Oil & Gas, LLC respectfully requests approval to vent associated gas from the referenced well bore as an integral part of the ongoing oil production. Anticipated gas volume to be vented is approximately 3 MCF per day as shown on the attached metering table and would approximate the gas composition reflected on the attached sheet. Elevated hydrogen sulfide gas levels are not found within this field, and the gas from this well contains less than 1 ppm of hydrogen sulfide.

Details regarding Beeman's analysis of the economics of selling the gas produced by the wellfield that includes the Hubbs 1, Hubbs 2, Barbara 2, Gladys 1 and Gladys 2 wells was initially provided to COGCC in September, 2014. This analysis evaluated the economics of constructing a pipeline connecting the 5 wells to the existing Red Mesa Holdings pipeline at the Haun-Delaney 1 well and selling the gas at then-existing market prices. The analysis clearly demonstrated that the project is un-economic with a significantly negative Net Present Value and a negative Internal Rate of Return.

Since that analysis, construction costs have remained roughly flat, while two significant negative factors have arisen. First, wellhead raw natural gas prices have plummeted 39% (from \$3.73/MCF used in the analysis to \$2.28/MCF), and Red Mesa Holdings/O&G, LLC has filed for Chapter 7 protection in bankruptcy court and has ceased operations, making their pipeline a non-functioning facility. Therefore, there is currently no existing midstream infrastructure takeaway capacity from the field. These two factors make the previous cost/benefit analysis a moot point, and a BEST case, assuming that unlikely condition of a new operator emerging from the bankruptcy proceedings and resuming pipeline operations in 2016, and natural gas prices somehow amazingly returning to 2014 levels in 2016. It is safe to assume that these conditions will prevail throughout 2016.

Beeman Oil and Gas LLC will comply with Rule 805.b.(1.).

The wells are incapable of oil production without venting and will typically produce up to three days before oil production ceases. Wells are presently shut-in awaiting COGCC approval, expedited processing of this application is requested.

Table 1. Pipeline Construction Costs ¹

Item	Cost per Unit	Units	Total Cost
Excavation and Backfill	\$7.50 / foot	10,560 feet	\$ 79,200.00
2-inch yellow poly pipe	\$1.54 / foot	10,560 feet	\$ 16,262.40
Boring of road crossings	\$2,000 / crossing	2 crossings	\$ 4,000.00
Low volume gas meter (used)	\$7,500 / meter	5 meters	\$ 37,500.00
Valves and Regulators	\$5,200 lum sum	7 valves / 1 reg	\$ 5,200.00
Reclamation	\$0.43 / foot	10,560 feet	\$ 4,540.80
Surface Damage Agreement	\$2.42 / foot	10,560 feet	\$ 25,555.20
Project Landman (Terry Morris)	\$500.00 / day	5 days	\$2,500
Total Pipeline Costs			\$ 174,758.40

¹ Richards Construction estimated costs for 2-inch poly pipeline between the Beeman field and Hawn Delaney well connect (10,560 feet)

Table 2. Total Annual Revenues (Annual Per Well at \$2.28 gas price & 365 days/year)

Item	\$ per MCF	Units	Total Income (Expense)
Gas Sales Amount	\$ 2.28	3.2 MCF/day	\$ 2,663.04
Landowner Royalty	\$ 0.46	20% royalty	\$ (532.61)
Red Mesa gathering fee	\$ 0.76		\$ (887.68)
Annual operating cost (inspect, monitor, weeds)			\$ (750.00)
Total Annual Revenue per well			\$ 492.75

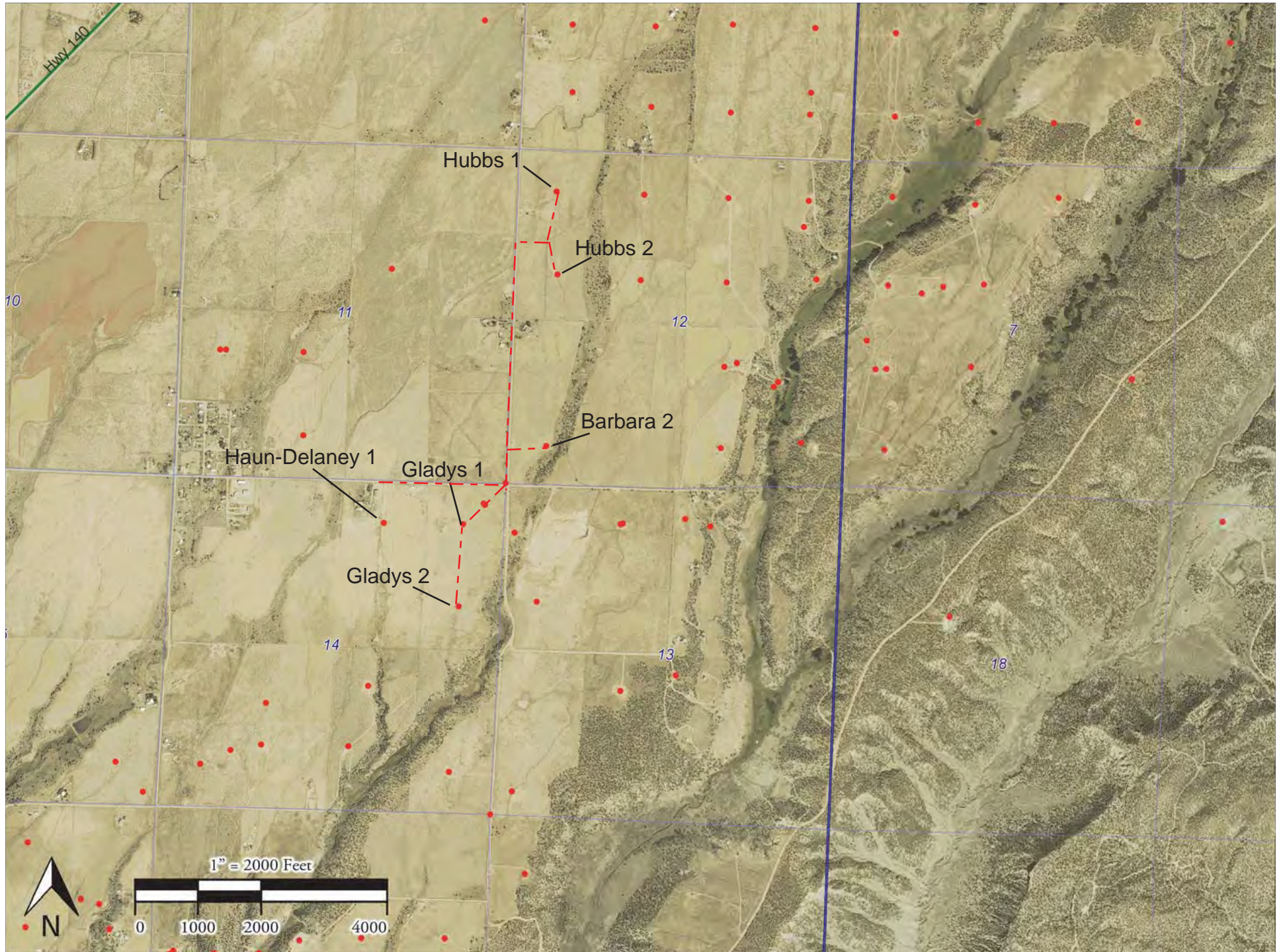
Table 3. Summary Evaluation

Item	\$ per Unit	Wells	Total Cost
Total Annual Revenue	\$ 492.75	4	\$ 1,971.01
Total Pipeline Costs			\$ 174,758.40
Estimate Payout			88.66

Estimated payout is 88 years

		Non-inflated	Inflated	<div><div>0.020</div><div>0.07</div></div>	Annual Inflation Rate	
Year	Expense	Income	Income		Interest Rate	
1	\$ (174,758)		\$ (174,758)			
2		\$ 1,971	\$ 2,010	(\$140,885)	20 year NPV @	7% interest rate
3		\$ 1,971	\$ 2,051		-10%	20 year IRR
4		\$ 1,971	\$ 2,092			
5		\$ 1,971	\$ 2,133	(\$135,128)	30 year NPV @	7% interest rate
6		\$ 1,971	\$ 2,176		-4%	30 Year IRR
7		\$ 1,971	\$ 2,220			
8		\$ 1,971	\$ 2,264			
9		\$ 1,971	\$ 2,309			
10		\$ 1,971	\$ 2,356			
11		\$ 1,971	\$ 2,403			
12		\$ 1,971	\$ 2,451			
13		\$ 1,971	\$ 2,500			
14		\$ 1,971	\$ 2,550			
15		\$ 1,971	\$ 2,601			
16		\$ 1,971	\$ 2,653			
17		\$ 1,971	\$ 2,706			
18		\$ 1,971	\$ 2,760			
19		\$ 1,971	\$ 2,815			
20		\$ 1,971	\$ 2,871			
21		\$ 1,971	\$ 2,929			
22		\$ 1,971	\$ 2,987			
23		\$ 1,971	\$ 3,047			
24		\$ 1,971	\$ 3,108			
25		\$ 1,971	\$ 3,170			
26		\$ 1,971	\$ 3,234			
27		\$ 1,971	\$ 3,298			
28		\$ 1,971	\$ 3,364			
29		\$ 1,971	\$ 3,432			
30		\$ 1,971	\$ 3,500			

Beeman Venting Pipeline Area



Beeman Oil Gas LLC
418 Cottonwood Lane
Moab UT 84532

Kiva Measuring
33 CR 5476
Farmington NM 87401
970-632-5972
c-505-860-0702
Brad Bagshaw

24 hour Chart Meter ¼" Orifice

Metered by Paul Greer

County	API	Well	Chart Date
	67	9070 HUBBS 1	4/12/2014
	67	9390 HUBBS 2	4/13/2014
	67	9071 BARBARA 2	4/16/2014
	67	9099 GLADYS 1	4/9/2014
	67	9363 GLADYS 2	4/10/2014

Taken to:
R & L Charts
110 N 4th St
Bloomfield NM 87413
Lea Smith
505-632-9625

Charts did not have enough to measure.

The bumps in charts may be due to high wind gusts.

Beeman Oil Gas LLC
418 Cottonwood Lane
Moab UT 84532

Second meter Info

B697W 54887G005
AM-250-MAOP5PSI
25 0 CFH@ 1/2" Diff
ANSI Class 2
American Meter CO S/N 01b507761

Metered by Paul Greer
Verified By Alberta Blake

County	API	Well	On Date	Off Date	On Time	Off Time	Days	Start Reading	Off Reading	CF	Per Day
67	9070	HUBBS 1	5/22/2014	5/23/2014	9:35 AM	9:23 AM	1	4212	4242	3000	3000
67	9390	HUBBS 2	5/23/2014	5/24/2014	9:33 AM	9:25 AM	1	4242	4264	2200	2200
67	9071	BARBARA 2	5/26/2014	5/27/2014	9:39 AM	9:33 AM	1	4312	4312	0	0
67	9099	GLADYS 1	5/21/2014	5/22/2014	9:35 AM	9:27 AM	1	4159	4212	5300	5300
67	9363	GLADYS 2	5/24/2014	5/26/2014	9:35 AM	9:30 AM	2	4264	4312	4800	2400
NOTE: Gladys 2 metered two days due to weather.										12900 CF per day	



2030 Afton Place
Farmington, NM 87401
(505) 325-6622

Analysis No: BB140001
Cust No: 12250-10015

Well/Lease Information

Customer Name: BEEMAN OIL & GAS
Well Name: GLADYS #1
County/State: LA PLATA NM
Location: T14-33N-12W
Field:
Formation:
Cust. Stn. No.:

Source: N/A
Pressure: 39 PSIG
Sample Temp: DEG. F
Well Flowing: Y
Date Sampled: 03/05/2014
Sampled By: BOB DURBIN
Foreman/Engr.: BOB BEEMAN

Remarks:

Analysis

Component::	Mole%:	**GPM:	*BTU:	*SP Gravity:
Nitrogen	0.519	0.0570	0.00	0.0050
CO2	1.795	0.3080	0.00	0.0273
Methane	72.507	12.3430	732.32	0.4016
Ethane	12.980	3.4860	229.71	0.1348
Propane	6.911	1.9120	173.89	0.1052
Iso-Butane	0.931	0.3060	30.28	0.0187
N-Butane	2.342	0.7410	76.40	0.0470
I-Pentane	0.549	0.2020	21.96	0.0137
N-Pentane	0.526	0.1910	21.09	0.0131
Hexane Plus	0.940	0.4210	49.55	0.0311
Total	100.000	19.9670	1335.19	0.7975

* @ 14.730 PSIA DRY & UNCORRECTED FOR COMPRESSIBILITY

**@ 14.730 PSIA & 60 DEG. F.

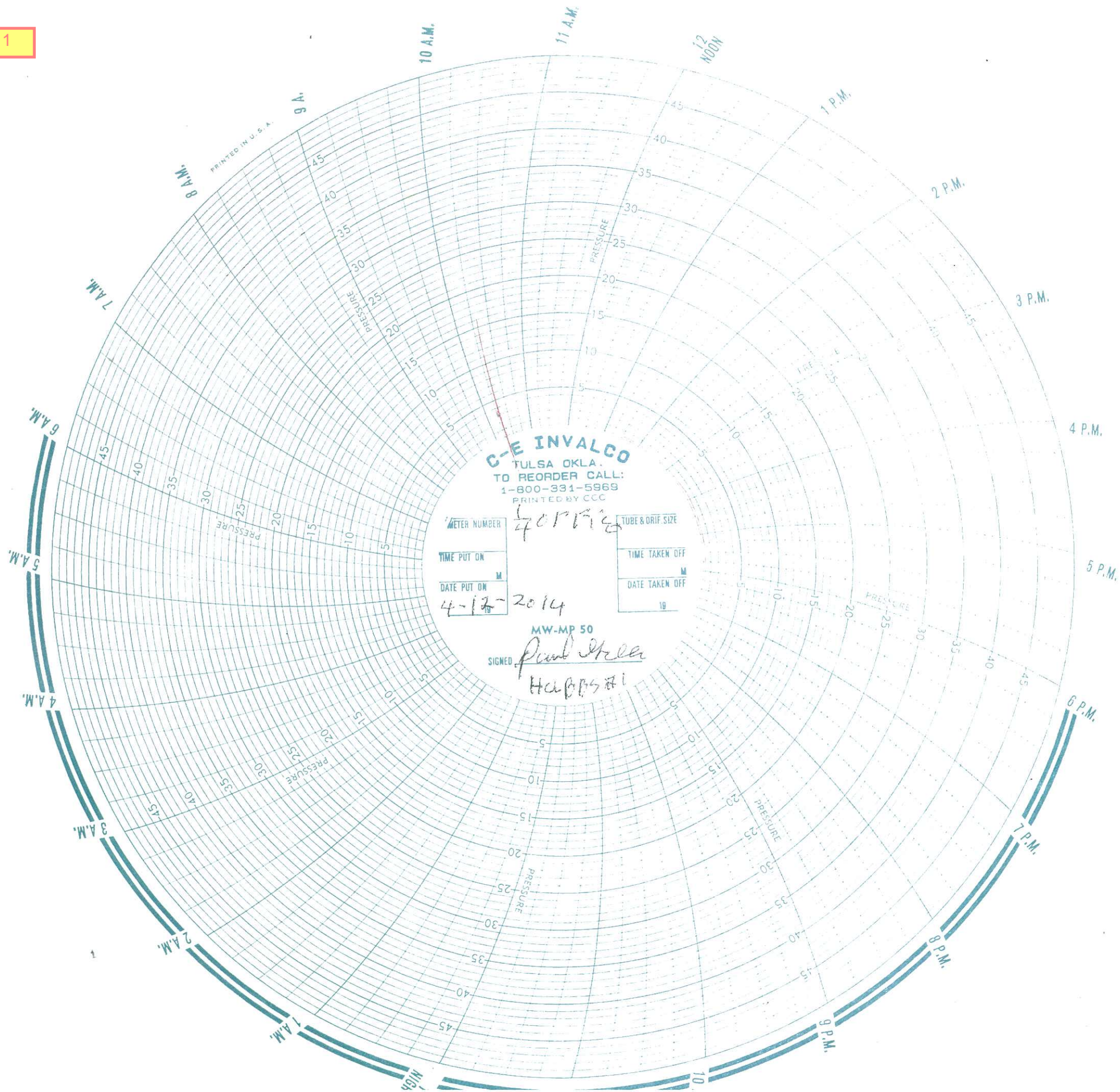
COMPRESSIBILITY FACTOR (1/Z): 1.0044
BTU/CU.FT (DRY) CORRECTED FOR (1/Z): 1344.2
BTU/CU.FT (WET) CORRECTED FOR (1/Z): 1320.8
REAL SPECIFIC GRAVITY: 0.8007

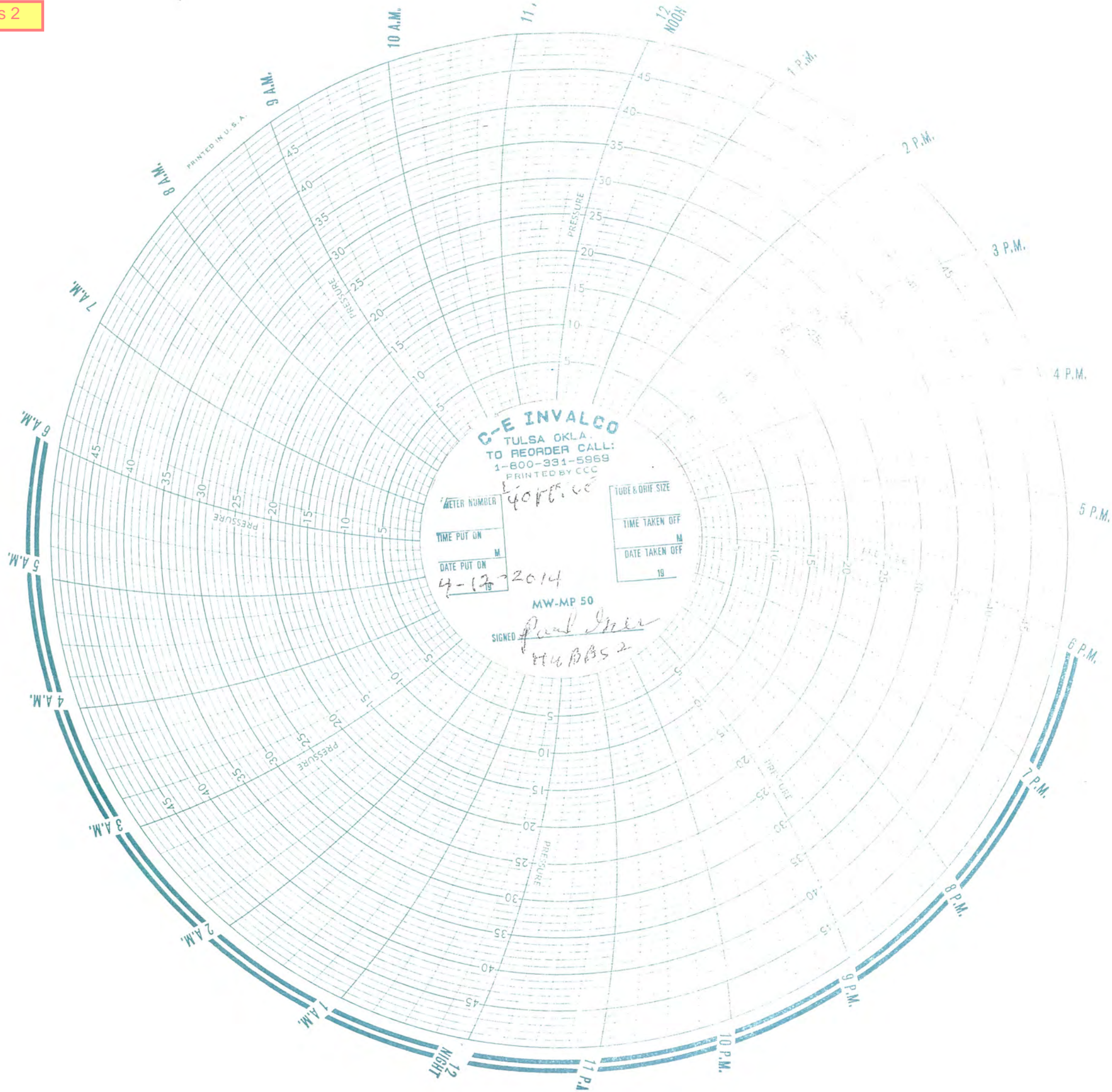
GPM, BTU, and SPG calculations as shown
above are based on current GPA factors.

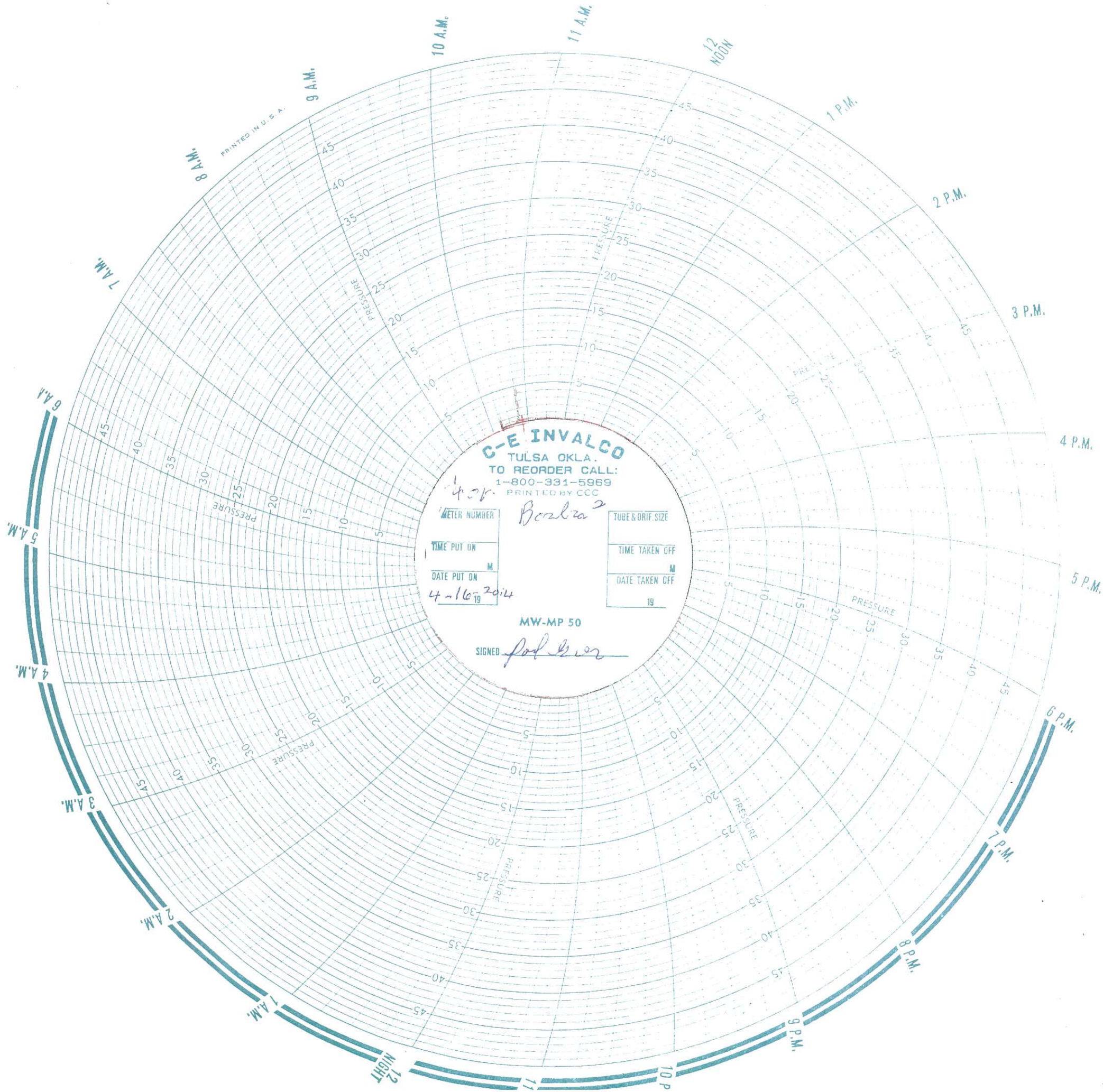
DRY BTU @ 14.650: 1336.9
DRY BTU @ 14.696: 1341.1
DRY BTU @ 14.730: 1344.2
DRY BTU @ 15.025: 1371.1

CYLINDER #: W1A-1595
CYLINDER PRESSURE: 39 PSIG
DATE RUN: 3/5/14 10:15 AM
ANALYSIS RUN BY: LOGAN CHENEY

Hubbs 1







Gladys 1

