

ATTACHMENT NO. 1

Positive and Negative ~Yates Determinations"

Well Data:

Initial Potential - 200 MCFPD and 5 BCPD (Positive)
Initial Potential - 50 MCFPD and 3 BCPD (Negative)
Well Operating Costs - \$1,500/month
Additional operating Costs (Compressor rental) - \$1,500/month
Total Operating Costs - \$3,000/month
Royalty rate - 12.5 percent
Severance tax rate - 6.0 percent
Ad valorem tax rate - 8.0 percent
Gas price - \$1.30/MCF
Condensate price - \$20.00/BBL

Positive "Yates Determination"

Calculations:

Monthly gas revenue - $200 \text{ MCFPD} * 1.30/\text{MCF} * 30 \text{ days} * 0.875 = \$6,825$
Monthly condensate revenue - $5 \text{ BCPD} * 20.00/\text{BBL} * 30 \text{ days} * 0.875 = \$2,625$
Severance taxes - $(\$6,825 + \$2,625) * 0.06 = \$567$
Ad valorem taxes - $(\$6,825 + \$2,625) * 0.08 = \$756$

Total monthly revenue = $\$6,825 + \$2,625 = \$9,450$
Total monthly expenses = $\$3,000 + \$567 + \$756 = \$4,323$
Total monthly cash flow = $\$9,450 - \$4,323 = \$5,127$

Negative "Yates Determination"

Calculations:

Monthly gas revenue - $50 \text{ MCFPD} * 1.30/\text{MCF} * 30 \text{ days} * 0.875 = \$1,706$
Monthly condensate revenue - $3 \text{ BCPD} * 20.00/\text{BBL} * 30 \text{ days} * 0.875 = \$1,575$
Severance taxes - $(\$1,706 + \$1,575) * 0.06 = \$197$
Ad valorem taxes - $(\$1,706 + \$1,575) * 0.08 = \$262$

Total monthly revenue = $\$1,706 + \$1,575 = \$3,281$
Total monthly expenses = $\$3,000 + \$197 + \$262 = \$3,459$
Total monthly cash flow = $\$3,281 - \$3,459 = -\$178$