



Production Facility Decommissioning Cost Estimate

Method 1 – Default Method

Production Facility Decommissioning Cost Estimates calculated using Method 1 will be generated consistent with section 1753.2.1 of the proposed regulations. What follows is a simplified workflow of that proposed methodology and steps the operator will follow.

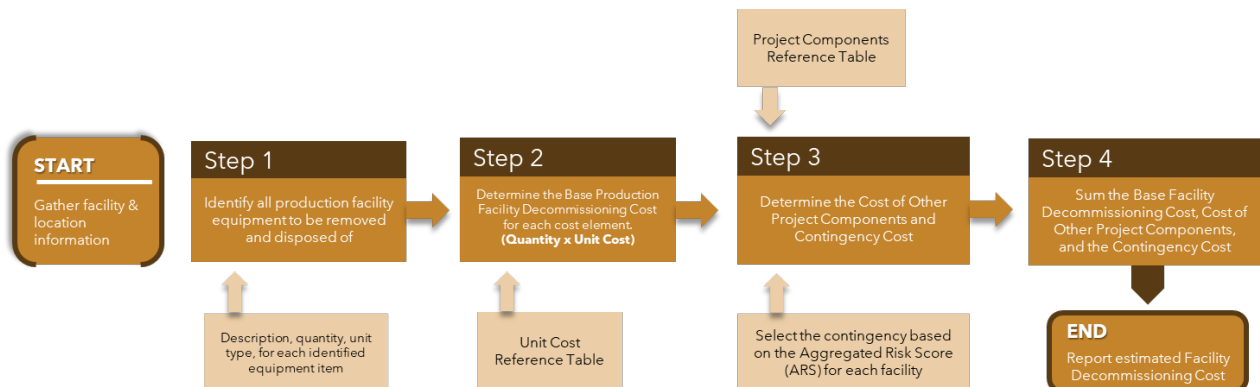
Step 1: Identification – For each Production Facility Decommissioning Cost Estimate, the operator will identify the lease where the production facility is located, list the production facility type, and quantity of all production facility equipment to be removed and disposed of.

Step 2: Unit Costs – The operator will multiply the quantity of Production Facility Types to be removed and disposed of by the Unit Costs provided in the Production Facility Decommissioning Unit Costs Table to calculate the Base Production Facility Decommissioning Cost of each cost element.

Step 3: Project Components – The operator will calculate the Cost of Other Project Components by summing the costs of: 1) Permitting and Regulatory Compliance, 2) Mobilization and Demobilization, and 3) Project Management and Engineering. Calculate the Contingency Cost based on the Aggregated Risk Score calculated for each production facility, which is based upon the specific characteristics of the production facility to be decommissioned.

Step 4: Production Facility Decommissioning Cost Estimate. The operator will sum the calculated amounts for the Base Facility Decommissioning Cost, Cost of Other Project Components, and the Contingency Cost.

Workflow Diagram for Production Facility Decommissioning Cost Estimate Method 1



Production Facility Decommissioning Cost Estimate

Method 2 - Optional Method

Production Facility Decommissioning Cost Estimates calculated using Method 2 will be generated consistent with section 1753.3.1 of the proposed regulations. What follows is a simplified workflow of that proposed methodology and steps the operator will follow. All price data must be described and supported by documentation as described in section 1753.1.1 of the proposed regulations.

Step 1: Identification – The operator will identify all production facility equipment that will be removed to complete the facility decommissioning consistent with regulations. The operator will provide a list of these items including description, quantity, unit type, and unit cost data for each activity.

Step 2: Production Facility Cost Estimates – The operator will generate and sum specific cost estimates for each item identified in Step 1 and further defined in section 1753.3.1 of the proposed regulations.

Step 3: Documentation – The operator will provide supporting documentation and data for all cost estimates used in the calculation of the Facility Decommissioning Cost Estimates. Acceptable documentation includes well and facility data, documented costs for comparable activities, published price lists available to the public, estimates and quotes from contractors and service professionals, and other verifiable documentation of applicable costs.

Workflow Diagram for Production Facility Decommissioning Cost Estimate Method 2

