



CAPEX & OPEX

DEFINITION AND EXAMPLES



CAPEX

- ▶ Capital expenditures for projects/development/etc.
- ▶ CAPEX required for business growth
- ▶ CAPEX often makes up a large portion of annual budgets
- ▶ AFE typically required
- ▶ Examples: drilling, completions, production equipment, infrastructure

AFE - Drilling & Completion

Operator: ABC Exploration, LP		Prepared By: JRD		Tax Rate	
Well Name: Example #1-H		Field: Expl		Depth: 13,150'	
Legal:		Parish/County: Harrison		Days: 22	
Contractor: Nabors ???		State: TX		Spud Date: TBA	

Casing	Hole Size	Casing Size Weight, & Grade	Depth	Drilling Fluid	Formation Evaluation
Conductor		14" 3/8" Wall Welded	80'		
Surface	12 1/4"	9 5/8" 36 ppf JK-55 STC	2,850'	Spud	None
Intermediate	8 3/4"	7" 29 ppf N-80 BTC	7,900'	LSND	Triple Combo
1st Liner					
2nd Liner					
Production	6 1/4"	4 1/2" 11.6 ppf P-110	13,150'	LSND	LWD

Code	Item	Item Cost per Unit	Days/Units	Drilling Cost	Days/No.	Completion Cost	Total Cost
Capitalized Intangible Drilling & Completion Costs							
100 Site Preparation & Maintenance							
	Permits & Surveys			135,000			135,000
	Location, Roads, Pits	7,500	1	7,500			7,500
	Water/Water Well Plugging	75,000	1	75,000			75,000
	Conductor/Mousehole Installation	7,500	1	7,500			7,500
	Site Restoration & Land Use	25,000	1	25,000			25,000
	Wellsite Security	20,000	1	20,000			20,000
	Route/Tabouts & Labor						20,000
110 Title Opinion							
120 Drilling/Completion Rig							
	Mod/Deck			557,000			557,000
	Rig Rental	150,000	1	150,000			150,000
	Top Drive & Mousehole	18,500	22	407,000			407,000
	Additional Crew/CI Base pay						180,000
130 Engineering & Supervision							
	Wellsite Supervisor			78,100			78,100
	Engineering & Geology	3,000	22	66,000			66,000
	Rig Supervisor Camp				5	15,000	15,000
	Communications	400	22	8,800			8,800
	Facilities Supplies	150	22	3,300			3,300
140 Fuel							
150 Well Evaluation							
	Open Hole Logging	4,500	22	99,000			99,000
	Cased Hole Logging						8,800
	Mud Logging	25,000	1	45,900			45,900
	Core Analysis	7,500	1	7,500			7,500
	Drill Stem Testing	950	22	20,900			20,900
	Fluid Analysis				1	7,500	7,500
	Production Testing						25,000
160 Casing Services							
	Casing Crews & Rental Tools						7,500
	Route/Tabouts & Clearing						20,900
	Thread Specialist	10,000	2	20,000			20,000
170 Cementing Services							
	Primary Cementing			20,000			20,000
	Secondary Cementing				1	10,000	10,000
	Loss Circulation						10,000
	Squeeze Packers & Cementers	35,000	2	70,000			70,000
	Kick-Off Plugs						30,000
180 Drilling Tools							
	Drill Bits				1	35,000	35,000
	Core Bits						35,000
	Shakers/Reamers	40,000	1	49,000			49,000
	Performance Motors	1,500	5	7,500			7,500
	Turbines	15,000					15,000
	Shock Subs						1,500
	Production Testing	500	3	1,500			1,500
190 Drilling/Completion Fluids & Services							
	Drilling Fluid			102,300			102,300
	Completion Fluid						15,000
	Drilling Fluid						7,500
	Completion Fluid						15,000
	Drilling Fluid						1,500
	Completion Fluid						15,000
	Drilling Fluid						13,500
	Completion Fluid						1,500
	Drilling Fluid						115,800
	Completion Fluid						1,500



NOTES

- ▶ Discussed in investor relations
- ▶ Very important in budgeting
- ▶ Both need to be
 - ▶ Budgeted well
 - ▶ Capitially efficient
 - ▶ Monitored

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Legal:			Parish/County: Harrison			Days: 22		
Contractor: Nabors ???			State: TX			Spud Date: TBA		
Well Program								
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Conductor		14" 3/8" Wall Welded	80'					
Surface	12 1/4"	9 5/8" 36 ppf JK-65 STC	2,850'	Spud	None			
Intermediate	8 3/4"	7" 29 ppf N-80 BTC	7,900'	LSND	Triple Combo			
1st Liner								
2nd Liner								
Production	6 1/4"	4 1/2" 11.6 ppf P-110	13,150'	LSND	LWD			
Costs				8300		8500		
Code	Item	Item Cost per Unit	Days/Units	Drilling Cost	Days/No.	Completion Cost	Total	Cost
Capitalized Intangible Drilling & Completion Costs								
100 Site Preparation & Maintenance								
Permits & Surveys								
	Location, Roads, Pits	7,500	1	135,000				135,000
	Water/Water Well Plugging	75,000	1					75,000
	Conductor/Mousehole Installation	7,500	1					75,000
	Site Restoration & Land Use	25,000	1					25,000
	Wellsite Security	20,000	1					7,500
	Housitabouls & Labor							25,000
110 Title Opinion								
120 Drilling/Completion Rig								
Mob/Permiso								
	Rig Rental	150,000	1	557,000				
	Top Drive & Mousehole	18,500	22	150,000				557,000
	Additional Crew/CI Base pay			407,000				180,000
130 Engineering & Supervision								
Wellsite Supervisor								
	Engineering & Geology	3,000	22	78,100				
	Rig Supervisor Camp				5	15,000		93,100
	Communications	400	22	8,800				81,000
	Facilities Supplies	150	22	3,300				
140 Fuel								
150 Well Evaluation								
	Open Hole Logging	4,500	22					8,800
	Cased Hole Logging			99,000				3,300
	Mud Logging							8,800
	Core Analysis	25,000	1	45,900				99,000
	Drill Stem Testing	7,500						7,500
	Fluid Analysis	950	22					53,400
	Production Testing			20,900				25,000
160 Casing Services								
Casing Crews & Rental Tools								
	Reoutsabouls & Clearing							7,500
	Thread Specialist	10,000	2	20,000				20,900
170 Cementing Services								
	Primary Cementing			20,000				
	Remedial Cementing				1	10,000		30,000
	Loss Circulation							30,000
	Squeeze Packers & Cementers	35,000	2	70,000				70,000
	Click-Off Plugs							
180 Drilling Tools								
	Drill Bits							35,000
	Core Bit							105,000
	Subsiders/Reamers							35,000
	Performance Motors	40,000	1	49,000				
	Turbines							49,000
	Shock Subs	1,500	5					15,000
	190 Drilling/Completion Fluids & Services	15,000		7,500				
		500	3		1			15,000
				1,500				7,500
				102,300			13,500	115,800
				102,300			13,500	115,800

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