

## **New life: Enhanced recovery coming to oil fields in Converse County**

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In an effort to tap an estimated 90 million unrecovered barrels of oil from existing fields around Glenrock, Colorado-based Rancher Energy Corporation is setting up to inject new life into three historic oil fields and have them producing by 2010.

Rancher is currently working with a partner to secure financing for the \$83.5 million project. Meanwhile, the company has signed a carbon dioxide (CO<sub>2</sub>) sale and purchase agreement with ExxonMobil Gas & Power Marketing Company to provide CO<sub>2</sub> to the fields.

Enhanced oil recovery is a relatively new technology in which an additional 30-60 percent of an oil reserve can be brought to the surface. Traditional oil pumping produces only about 10 percent of the underground reserve. CO<sub>2</sub> acts as a solvent which penetrates underground formations and makes the oil more pump-friendly.

The majority of Rancher investment capital will be used to pay for new operations, while slightly more than \$12.2 million will be used to transition existing debt. Closing of the transaction is scheduled to occur on or before April 30.

According to the terms of the proposed financing agreement, the industry partner “ whose identity remains undisclosed will earn up to a 55 percent working interest in Rancher Energy's Big Muddy, Cole Creek South and South Glenrock B fields.

The funding will be used for surface facilities, injection and infrastructure for the field, said Rancher Energy President and CEO John Works. We will secure additional financing for the CO<sub>2</sub> pipeline.

The CO<sub>2</sub> sale agreement states that ExxonMobil will provide Rancher Energy with 70 million standard cubic feet per day of CO<sub>2</sub> for an initial 10-year period, with an option for a second 10 years. The CO<sub>2</sub> will be supplied from ExxonMobil's LaBarge gas field.

Rancher Energy intends to pipe the CO<sub>2</sub> from existing sources to the three fields. Details of the pipeline funding and construction are not yet public, but they are pending, Works said.

This agreement with ExxonMobil is a major milestone in Rancher Energy EOR (enhanced oil recovery) program, giving us a reliable, cost-effective source of CO<sub>2</sub> with which to sustain long-term CO<sub>2</sub> injection operations at our three promising fields in the Powder River Basin, Works said.

A conservative estimate of recoverable oil in the three fields is 90 million barrels, Works said. That's only a portion of each of the fields. That is all the data we currently have, but there are several more horizons in each oil field that we expect to attack.

It's going to take a while to get all the surface facilities complete, but we expect to begin production from CO<sub>2</sub> injection in mid 2010, he said.