

Brooks, David K., EMNRD

From: Adam Rankin <AGRankin@hollandhart.com>
Sent: Friday, March 08, 2013 9:07 AM
To: Brooks, David K., EMNRD; Ezeanyim, Richard, EMNRD
Cc: Jeff Kendall; Ocean Munds-Dry
Subject: Case No. 14964 ConocoPhillips/VGEU

David and Richard,

Here is a breakdown of ConocoPhillips' analysis of the positive value of the proposed waterflood, as testified to yesterday by Mr. Doug Pecore:

Approximate Capital Costs:

1. Capital spent to date: \$4.8MM for conversion and reactivation work
 \$6.0MM for the 4 new drills
 Total = \$10.8MM total capital to date

2. Estimated future capital costs = \$20MM (\$1MM per year for 20 years as maintenance capital and excluding the cost of any additional injection conversions or new injection well drills)

Total Project Costs: \$81.4MM over a 20-year project life (\$4.7MM per year held flat)

Additional production expected due to waterflood activities: 6.7MM bbls of oil (from analog and reservoir simulation)

Total Value created from this additional production: \$536MM @ \$80/bbl oil price.

Please let me know if you need any additional information regarding ConocoPhillips' analysis of the cost/benefit of this project.

Very best,
Adam

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