ConocoPhillips in Venezuela

International business Strategy for Non-Markets
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Executive Summary

Venezuela controls some of the largest proven oil reserves in the world, and as such has long been a favorite location of direct investment by foreign oil companies. However, with the rise to power of President Hugo Chavez, the risks of undertaking these investments have risen sharply. This is evident in the case with ConocoPhillips, an international energy company (see Appendix for company background information). This paper focuses on the challenges and risks that ConocoPhillips faces in its relationship with the Venezuelan government under an investment project aimed at developing the Corocoro oil deposit in the South American country.

Oil Scene in Venezuela

Venezuela is home to the Western Hemisphere's largest conventional proven oil reserves, at 77.8 billion barrels, as of January 2004.[1] After a strike that resulted in a near complete shutdown of the operations at Petroléos de Venezuela S.A. (PdVSA) in late 2002 and the early months of 2003 and in a loss of nearly half its employees, current oil production levels in Venezuela are a bit uncertain. While PdVSA insists that oil production has recovered to pre-strike levels, outside observers, as well as former PdVSA employees, claim that production remains considerably lower. The strike, which began on December 2, 2002, significantly affected PdVSA operations, causing total oil production in Venezuela to drop from 3.3 million barrels per day (bbl/d) in November 2002 to about 700,000 bbl/d in January 2003 (see Exhibit 1 for graphs of Venezuela's oil production and consumption).[2]

Since then, there has been substantive progress in restoring production, refining operations and exports, although there remains disagreement regarding the degree to which this has occurred. Some analysts have pointed out that the government's hurried restoration of PdVSA's production may have caused reservoir damage, potentially accelerating the rate of decline in PdVSA-operated fields in coming years. On the other hand, the loss of 18,000 employees who were fired for joining the anti-government strike could make it difficult for the company to counter normal oil production capacity depletion rates for Venezuela of an estimated 25% per year.

More critical to restoration of Venezuela's oil sector is the country's ability to attract foreign investment in order to compensate for a lack of domestic investment. Whether foreign companies invest in Venezuela's oil sector hinges partly on the country's political situation. In April 2004, the

[1] Energy Information Administration (EIA) of the United States Government
[2] Alexander's Gas & Oil Connections, News & Trends: Latin America

U.S. government's Overseas Private Investment Corporation (OPIC), a political risk insurance agency, indicated that it was unlikely to back new ventures in Venezuela. OPIC reportedly based its decision on PdVSA's decision to dissolve Intesa, a joint venture with U.S.-based Science Applications International Corporation (SAIC), after the Venezuelan government accused Intesa employees of helping to sabotage PdVSA computer systems during the strike.

In sum, the current status of PdVSA and Venezuela's oil industry remains unclear. According to many observers, it will most likely take PdVSA some time to restore fully its production activities on account of damage to reservoirs and equipment, lack of funds for sufficient investment, and the hiring of less experienced and qualified staff. On a positive note, joint-ventures operations, namely increased production from the Hamaca heavy crude operation and Corocoro could offset potential declines from PdVSA-operated fields.

SITUATIONAL ANALYSIS

ConocoPhillips in Venezuela

COP currently generates 7% of its worldwide production from Venezuela through its Gulf of Paria East, in which the company holds a 37.5% operating interest. The Corocoro development project, located on an adjacent block in Paria East, gives ConocoPhillips the chance to achieve an increase of about 70% in its share of daily crude oil output from Venezuela by 2007. This is undoubtedly an attractive prospect particularly in light of recent trends in energy prices.

In 1996, the Venezuelan Congress authorized profit sharing agreements (PSAs) under which private firms have the right to explore and develop new areas. Under the PSAs, the foreign companies bear all exploration costs, with a maximum nine-year exploration period (during which the company is obligated to spend a minimum of $40M to $60M per block). If a commercial deposit is discovered, a joint venture with PdVSA is formed (with PdVSA having up to 35% of the equity) to exploit the discovery. A foreign company's total tax burden under a PSA can range between 85% and 94%.[3]

COP was awarded the Gulf of Paria West block under a profit sharing agreement (PSA) with the Venezuelan state. According to the Corocoro project agreement, CVP (a subsidiary of PdVSA) has elected to acquire a 35% participating interest in the development. COP, the project's operator, has a 32.5% stake in the venture. Other partners include Italy's Eni SpA with a 26% stake and Taiwan's OPIC Karimun Corp. with a 6.5% stake.

[3] Larry Spancake, Energy Information Administration, March 1999

The total investment for the Corocoro Phase I development is estimated at $480M while the development is expected to achieve average annual oil production of 75,000 gross bbl/day by 2007. Additional phases will be considered based on the success of Phase 1.[4]

Given the attractiveness of this opportunity and the overwhelming non-market factors in the Venezuelan economy, we have undertaken an assessment of the major risks that COP potentially faces in the Corocoro project.

SPECIAL RISKS: CONTRACT RENEGOTIATION AND EXPROPRIATION

Land reform, unilateral decisions to hike taxes on foreign oil companies and the asset expropriation of Venepal (a bankrupt paper company) all point to changing "rules of the game" in Venezuela and to higher risks of doing business in the country. Conceivably, the risks are most significant where the stakes are highest. The petroleum industry is the mainstay for Venezuela's economy, accounting for more than three-quarters of total Venezuelan export revenues, about half of total government revenues, and about one-third of GDP.

Against the backdrop of the 2002 economic recession in Venezuela and the nation's enormous reliance on oil revenues, the monetization and allocation of economic benefits from this natural resource is clearly of utmost importance to the administration of President Chavez.

However, given the weak formal institutions in this emerging market economy, the biggest questions in terms of COP's proposed investment in Venezuela relate to contract enforcement and protection of property rights. Additionally, both of these issues are directly influenced by the personality and motivations of Chavez.

CONTRACTUAL ISSUES

Clearly, COP's site-specific investment in oil exploration and oil field development is of particular use to Venezuela and of less use to other countries. This has the effect of reducing COP's outside options. As soon as COP's investment is sunk, a fundamental transformation occurs, tilting bargaining power in favor of Venezuela. At this stage, it would be relatively easy for Venezuela to re-negotiate the initial contract in order to capture a larger share of future profits.

Although the focus of this project is on safeguarding COP's future investment in the development of the Corocoro Oil Project, it is important to point out that the Corocoro agreement

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[4] 04/10/03 News Release. www.conocophillips.com/newsroom/

has already seen a renegotiation subsequent to COP's initial investment in exploration work on the same project .

COP had planned to start drilling 14 wells in December 2004, but Venezuela put the project on hold based on a dispute over the company's business plan. Venezuelan officials complained last year that COP was not purchasing enough domestically produced equipment and supplies for the project, and also that the budget for the project was $200M above the original plan.[5] The Corocoro Oil Project finally got the go-ahead after an adjustment in royalties from 1% to 16.66%.

Tied to the issue of enforcing the Corocoro development agreement is the question of dispute resolution. To this extent, it is uncertain that judgment can be obtained and enforced against the Venezuelan government to uphold the agreement in future. Also, in a world where the control of oil flows represents significant leverage, it is again uncertain that Venezuela can be persuaded by international pressure to uphold the terms of the contract in order to protect its reputation.

EXPROPRIATION ISSUES

Worse than the risk of re-negotiation discussed above is the risk of outright expropriation of COP's investment by Venezuela. As indicated earlier, Venezuela has a history of expropriating assets of foreign companies. In light of the strategic position of crude oil as the core wealth of Venezuela, Chavez's socialist redistribution campaign and his Marxist association with Fidel Castro are strong indicators of the risk of possible future expropriation in the oil industry. In an extreme scenario, Chavez may decide to nationalize Conoco Venezuela C.A. (the Venezuelan unit of COP) along with the holdings of foreign oil firms. However, there are other more subtle methods by which the government of Chavez might carry out this expropriation including:

***Asset stripping**:* Orchestrating the sale of assets of the Corocoro joint venture to state owned enterprises at prices below market value.

***Transfer pricing**:* Using the power of the state to force COP to buy inputs and award construction/service contracts to state-owned enterprises above the market rates. COP's plan to import supplies for the Corocoro project instead of buying locally-produced parts and machinery had been one of the reasons cited for halting the project in 2004.

***Equity dilution**:* To participate in the Corocoro joint venture, CVP (a subsidiary of PdVSA) had exercised an option to purchase 35% participating interest in the development. CVP's election proportionately reduces the other partners' interests. The government may decide to raise its stake in the Corocoro project by forcing the joint venture to issue additional equity only to have them bought up by CVP at below market rates in a non-competitive bid.

[5] Dow Jones News, 01/13/2005: Conoco `Remains Committed' To Venezuela Corocoro Project

Underlying Motivations

While it may seem counter intuitive for a nation that seeks to increase its oil revenues to tighten production terms for foreign oil companies like COP, it is widely believed that Chavez is simply using the opportunity of currently high oil prices to get more favorable contracts from oil companies, given the increased leverage conferred on it as a major source of the high-priced commodity.

Apart from seeking more income from its resources, Venezuela is also looking for new markets and refining bases for its oil and has particular interest in reducing its dependence on the U.S. (more than half of Venezuela's crude oil output is shipped to the US). To this end, Russian oil giant LUKOIL plans to build a refinery in Venezuela and is considering supplying Venezuela's U.S. refineries with Russian crude. When Chavez visited Moscow at the end of 2004, LUKOIL said it was looking at investing up to $1B in oil projects in Venezuela.[6] COP owns 10% of LUKOIL and has plans to double its stake in the Russian oil major.

Finally, given the high level of corruption in the country as well as the somewhat autocratic leadership, the overwhelming obstacle to institutional change (such as is needed to guarantee the protection of COP's investment in a free market system) seems to be conflicting objectives and compensation. It can be expected that vested political and economic interests of individuals such as Chavez could prevent socially optimal change if they can not be compensated. To make matters more complex, these interests are not altogether homogenous or easy to define. For instance, Chavez is, on one hand, a populist who has promised to distribute national wealth to the common people of Venezuela. On the other hand, he remains a leader holding tenaciously to power amidst strong opposition. Either way, a significant measure of risk is presented to the freedom of enterprise in the Venezuelan business environment.

Costs and Payoff Diagrams

The decision trees in Exhibit 2 illustrate the payoffs to COP and the Venezuelan government in two possible scenarios. The calculations for these scenarios are displayed in Exhibit 3. In order to arrive at these numbers we have made several assumptions: that the flow of oil from the Corocoro field would remain constant at analysts' original estimate, that the net profit per barrel of the endeavor will be similar to a comparable recent effort by another firm, and that the profit per

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[6] LUKOIL mulls oil refining deals with Venezuela. Reuters , Wed Mar 2, 2005

barrel and the percentage ownership share adequately represent the total profits of both interested parties. Though the unpredictable state of the investment is certain to have significant impact on these numbers going forward, they should nonetheless be adequate to illustrate the magnitude of risk that COP is facing.

Scenario 1 illustrates the current case where the contract has been renegotiated such that COP has agreed to increase its royalty payments to the Venezuelan government from approximately 1% to approximately 16%. This shows the approximate loss ($106M/year) that COP suffers as a result of the expropriation. However, the payoff diagram still shows a profit to COP of $546M/year, so COP would be right to move forward with the project if they could assume that there would be no further expropriation. This, however, is a very large and risky assumption on their part. By moving forward, COP runs the risk of finding themselves stuck in a cycle of creeping expropriation, where they are continually held up by Venezuela as the contract is renegotiated again and again.

The worst case scenario for COP is one where they eventually end up in Scenario 2 and the Venezuelan government expropriates all of the profits from the Corocoro field. As the payoff diagram illustrates, in this scenario they not only do not make a profit, but they lose all their upfront investment of $48M. Clearly if COP was to face this payoff diagram in the initial phases of the project they would not move forward with it.

The complexity that COP faces is, oddly enough, found in-between these two diagrams. It is probably unlikely that Venezuela will attempt to expropriate the entire value of the project (though Chavez has become so unpredictable that it should not be ruled out entirely). On the other hand, history has taught him that he can get away with holding up his partners, and it seems a fair bet that this current renegotiation will not be the last one. Thus COP's final profitability will likely lie somewhere between the two scenarios listed. The decision on whether to go forward with the investment is based to a large degree on just how far to either side COP management believes they will end up.

POTENTIAL STRATEGIES

In such an unstructured investment environment as Venezuela, COP must pursue a strategy which mitigates the risk of expropriation while at the same time reduces the eventual cost of such an action if it were to occur. Below is a collection of possible strategies and accompanying considerations for COP. We found that the best of these investment strategies also addressed the concerns of the "Important Players" presented in the Appendix.

Brief Outline of All Possible Strategies

STRATEGY	CONSIDERATIONS
Integration	Attempt to integrate with PdVSA. Not a viable strategy given Chavez's control of PdVSA
Reputation	Create contract in which Venezuela would hurt its international reputation from non-performance. Not a sound strategy. Venezuelan oil deposits are too attractive an opportunity to keep companies from working with the government regardless of the government's reputation. Also, Chavez has not demonstrated any concern for his government's international reputation.
Technological Tricks	Worth investigating further. One trick would be to create less site specific investments by using mobile drilling platforms. A second trick could be to slowly phase-in the investments one platform at a time to take advantage of repeated plays with the government.
Political Leverage	This would involve developing relationships with the Venezuelan government to protect the company from renegotiation of contract. Given Chavez's hostility towards multinationals and the United States, this strategy would be futile.
International Institutional Leverage	Include a World Bank Group institution as an investor to create leverage against Chavez and protect COP's investments in-country.
Insure for Expropriation and Renegotiation Risks	Purchase expropriation insurance from MIGA or other quasi-government insurer

After reviewing the potential strategies listed above, we found that two of these held the most promise for safe-guarding COP's investments by reducing the risk of expropriation/renegotiation. The third strategy is merely to transfer the risk to an insurance agency which would result in lower margins with the benefit of eliminating the economic risk of expropriation.

Strategy A: Involve the World Bank Group to Avoid Expropriation of Assets

The first strategy for COP is to bring the World Bank's International Finance Corporation in as a third investor to develop the Corocoro oil deposit. The highest cost risk COP faces is the complete expropriation of its equipment and drilling platforms once it has invested its money and knowledge capital to complete the project. With only a bilateral agreement between COP and the

PdVSA, COP has no ability to prevent the Chavez government from seizing its assets and turning it over to local engineers. In fact, Chavez claimed that the original deal between the Venezuelan Government and COP was signed by the previous administration and was not drafted with the Venezuelan population's best interests at heart.

The International Finance Corporation would be a powerful addition to the negotiations. As noted above, the IFC already has over $400M invested in projects throughout Venezuela and its parent group, the World Bank, has plans to invest additional millions in the years to come. COP would have to highlight to the IFC the fact that the Chavez government has created an environment in which few private companies are willing to develop a vast oil deposit which will ultimately help the Venezuelan people. One obstacle COP would have to address is the IFC's stated purpose of diversifying the Venezuelan economy to reduce the country's dependence on oil exports (and therefore reduce the effects of the Dutch Disease).

The IFC's participation would greatly reduce the likelihood of expropriation of assets by the Chavez regime. Any rogue action by the Chavez government could completely shut-off future investment by the World Bank into Venezuela and current projects in the World Bank portfolio would be jeopardized by any such action. Having the IFC as an investor would mitigate the risk that Chavez would attempt future renegotiations once a new contract has been signed.

This strategy also addresses two other players. First, having the IFC as an investor would reduce COP's reliance on the United States for legal protection from the Chavez government. Disputes would be logically brought to the World Bank and likely be resolved in an equitable manner. Disputes brought to U.S. courts would likely draw the ire of Chavez and create an even more adversarial environment.

Second, Chavez himself would be much more careful when dealing the COP as long as the IFC was involved. Chavez's populist promises rest on his ability to gain international financing to support his social programs. Most of these programs have been financed by the World Bank and the IFC. This means that Chavez's desire to remain in power would be directly aligned with his ability to maintain a positive relationship with the IFC. By bringing the IFC to the table, COP could successfully align Chavez's incentives with those of the company.

Strategy B: Minimize or Eliminate Fundamental Transformation

A second option is to use a technological trick by creating less site specific investments. COP could look into using mobile offshore oil units like the ones currently used off the coast of Norway. This could be a viable way to reduce the risk of losing assets to expropriation by the

Venezuelan government. Trinidad and Tobago have similar oil deposits located adjacent to Venezuela's Corocoro oil deposits and so COP could hypothetically either move these units to open deposits or sell the units to a competitor with rights for one of the region's sub-aquatic oil fields.

Another viable alternative under this strategy is to make multi-stage investments. This would discourage the Venezuelan government from seizing assets as long the potential future COP investments give the government a higher payoff than the outright expropriation of current COP assets today. An example of this strategy is COP only building one off-shore drilling platform with a contract which allowed for the gradual addition of more drilling stations in the future. This would prevent COP from risking its entire investment at the outset of the contract term. Also, this would allow the firm time to assess the Chavez government's willingness to comply with the contract prior to making additional investments.

Strategy C: Sell Risk

A third option would be to purchase expropriation insurance from a third-party insurer such as OPIC or the World Bank's Multilateral Investment Guarantee Agency (MIGA). Since OPIC has already stated that they are unlikely to back new investments in Venezuela, MIGA may be the only potential insurer for a project of this magnitude. MIGA would provide insurance specific to the Corocoro project—conceivably a policy that protects against full or partial expropriation of profits or assets (including contract renegotiation – a form of "creeping expropriation"). This insurance is typically available at a cost of 1-2% of the investment.

Recommendations

Each of the strategies suggested would help lower the risk for COP in the Corocoro project. With Strategy A, COP would be sharing the risk with a partner whose interests are more closely aligned with the Venezuealan government's interests. This strategy should not only transfer some risk to a partner, but also lower risk by making it much more costly for Hugo Chavez or any subsequent administration to expropriate all or part of the profits/assets involved in the Corocoro project. Strategy B lowers risk substantially by eliminating the majority of the site specific assets. Building a mobile oil unit would be more costly in the initial construction phase and the operation phase, thereby having a net effect of lowering risk and profits. Finally, Strategy C would transfer risk to MIGA (if COP were successful in obtaining the insurance), but hereagain it would cost COP and other partners part of their profits to offload this risk.

The degree to which COP choses to offload/reduce risk should, to a large extent, depend on their risk tolerance; however, we do not suggest doing nothing because factoring even a small risk of expropriation into the financial projections for the project can quickly transform a positive NPV project into a negative NPV project. Although the aformentioned strategies are not mutually exclusive, we do not recommend pursuing all three simultaneously. In fact in this case some of the options may not be viable at all. Strategy B, for instance, may be extremely difficult to pursue at this stage given the diversity of partners and interests already involved in the joint venture. The greatest opposition would certainly come from PdVSA, who would have no interest in spending additional capital to have an oil rig that could be moved away from their reserves. The fact that PdVSA has a larger equity position than COP makes this option rather unlikely unless other minority partners could agree on terms and form a coalition to protect their interests.

The option to purchase insurance seems to be more viable, but again, not all investors would have an equal interest in buying a policy. It is possible that only the interests of the foreign partners could be insured, but this may not be an ideal structure in terms of aligning interests, and there is no guarantee that MIGA would insure the project to begin with. Instead, we would suggest pursuing a strategy that more closely aligns the interests and incentives of all major stakeholders. Accordingly, we would recommend bringing the IFC into the Corocoro project as a limited partner.

The IFC has over $400M at stake in Venezuela already, and when combined with the funds at stake and/or under consideration by the IFC's parent organization – the World Bank – the number rises to over $800M. These funds and the support of these organizations is critical to the Venezuelan economy and to Chavez's goals, and as previously outlined, the involvement of the IFC would provide a significant disincentive for Chavez to expropriate or unequitably renegotiate. Even a 5% stake in the project—which could be achieved with our without multilateral support—would likely be sufficient to protect the interests of all stakeholders. If COP is intent on moving forward with this partnership, we would strongly recommend that they bring the IFC into the deal to better align the interests of all major stakeholders, minimize risk of further expropriation, and increase their leverage in the event that some form of expropriation does occur under the Chavez administration or a subsequent regime. We feel that because the inclusion of the IFC aligns interests, the strategy will meet the least opposition from other stakeholders and will provide the greatest benefit at the lowest total cost to COP and other foreign partners.

APPENDIX

About ConocoPhillips (COP)

ConocoPhillips (hereafter COP) is the third largest integrated energy company (based on market capitalization, proven oil and gas reserves and production) and the largest refiner in the United States. Among worldwide non-government controlled companies, COP has the eighth largest total proven reserves and is the fourth largest refiner in the world. Headquartered in Houston, Texas, COP operates in more than 40 countries with approximately 35,800 employees worldwide and assets of $86 billion.

About Petroléos de Venezuela S.A. (PdVSA)

Venezuela nationalized its oil industry in 1975-1976, creating PdVSA, the country's state-run oil and natural gas company. Along with being Venezuela's largest employer, PdVSA accounts for about one-third of the country's GDP, 50% of the government's revenue and 80% of Venezuela's exports earnings. In recent years, under the influence of President Chávez, PdVSA's previous autonomy has been reduced.

IMPORTANT PLAYERS

ConocoPhilips must first identify the key institutions with the ability to influence the negotiations and then develop a sound strategy to create the best environment to investment in Venezuela.

One of the primary players in the background of the negotiations is the United States Government, whose involvement is both a blessing and a curse. On the diplomatic front, the U.S. has been a vocal critic of the Chavez Presidency. Secretary of State Condelezza Rice stated that President Chavez was "a negative force" in Latin America while CIA Director Porter Goss opined that Venezuela was a "possible source of instability in the region." (Quotes from Prensa Libre Article, 2/20/05). On the other hand, Venezuelan crude accounts for 14% of imported oil into the United States making Venezuela an important strategic partner for the U.S.[7]

The World Bank is another important player in the region. Despite Venezuela's rich oil reserves, 48.5% of the population lives in poverty (World Bank Website). In 2002, the World Bank completed an Interim Country Assistance Strategy (ICAS) report on Venezuela which proposed lending $300M aimed at economic growth and reducing poverty. This figure would be an addition

[7] http://www.thetimesharebeat.com/wash/crossings65.htm

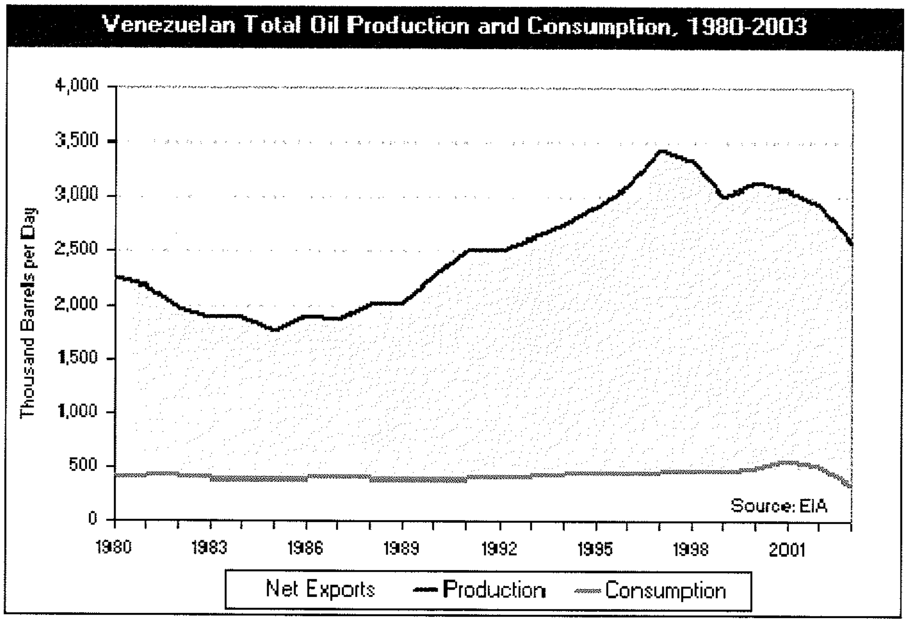
to the World Bank's current portfolio of projects totaling $116M .[8] Prior to Venezuela's 2002 referendum, Chavez promised $1B dollars in new initiatives – services his base of poor city and rural workers will soon come to expect. The World Bank may be one of only a few institutions willing to actually lend the Chavez government money to follow-thru on those promises.[9] Apart from the World Bank itself, the International Finance Corporation has an additional $408M invested in Venezuela for the states purpose of diversifying the Venezuelan economy.

The third player is the PdVSA. PdVSA plays an important role in Venezuelan politics. The PDVSA was previously viewed by the Chavez Government as a hostile entity run by the Venezuelan upper class. During the chaos of 2002, PDVSA employees held a two month strike with the stated purpose of weakening Chavez's Castro-like hold on the central government. The strike failed to remove Chavez from power and President Chavez has since moved to consolidate his office's control of PdVSA. Since taking office in 1998, Chavez has appointed five different directors of PdVSA. In recent months, Chavez has used the PdVSA for political purposes such as the expropriation of PdVSA information technology from a San Diego-based consulting firm.

The last and perhaps most important player is President Hugo Chavez himself. An ex-paratrooper, he was first legally elected to the office of President in 1999. As with many Latin American countries, a new constitution was drafted as Chavez took office. Since that time, Chavez has been an enigmatic leader often resorting to populist rhetoric to seize private assets and renegotiate state contracts with multinationals.

[8] World Bank website.
[9] Central Intelligence Agency website.

EXHIBIT 1: VENEZUELAN TOTAL OIL PRODUCTION AND CONSUMPTION



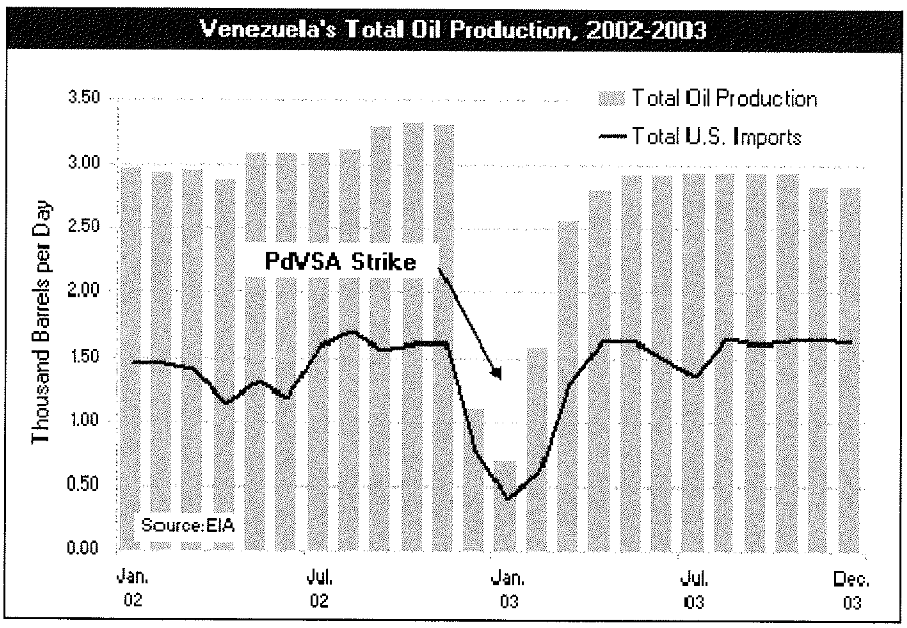
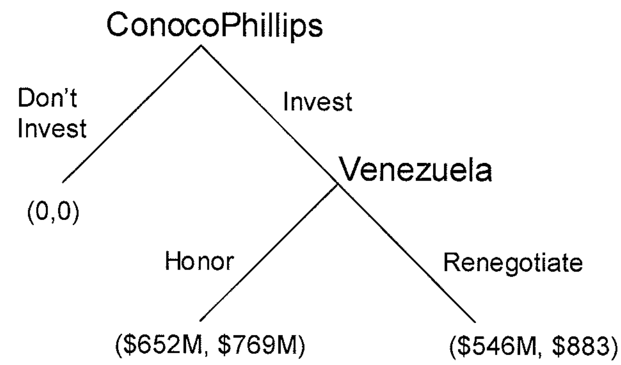


EXHIBIT 2: COSTS & PAYOFFS

Scenario 1

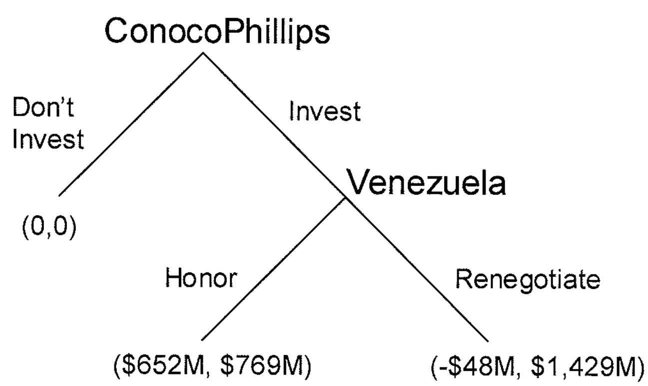
Oil field profitability – Corocoro Field Renegotiation



Assumes a 20-year agreement and constant oil flow and prices. Renegotiation represents a 15% increase in the "tax rate" Venezuela charges Conoco to operate on the field.

Scenario 2

Oil field profitability – Future Field Expropriation



Assumes similar field to Corocoro, but with complete expropriation from Venezuela such that they capture all the profits.

Exhibit 3: Financial Impact of Renegotiation and Expropriation

Corocoro Field

Est. Barrels/Day		70,000		
Barrels/Year		25,550,000		
Net profit per barrel (rough estimate)*		$10		
Total field profits/year		**255,500,000**		
		Conoco		**Venezuela**
Initial Investment		$48,000,000		
Share of the field		33%		35%
Previous royalty rate		1%		-1%
Profit per year - original estimates	$	82,207,125	$	90,319,250
NPV before renegotiation		**$651,875,597**		**$768,938,690**
New royalty rate		16%		-16%
Profit per year - after renegotiation	$	69,751,500	$	103,733,000
NPV after renegotiation		**$545,833,840**		**$883,137,505**
NPV (if fully expropriated)		**($48,000,000)**		**$1,428,971,345**

* Profit/barrel was estimated based on the experience of Sincor, a previous comparable endeavor in Venezuelan oil production. Please see http://www.energybulletin.net/3346.html