

Statement of Qualifications – Project Profiles

Project: Liability Quantification Russian Oil and Gas Company

TREC developed Shape or “top down” Annual, Five Year and Twenty Year budget estimates for the environmental operations of the second largest oil and gas company in Russia. TREC has also developed legacy remediation and decommissioning budgets for Upstream and Downstream businesses that included fifteen Upstream performance units, eight refineries and five Marketing performance units. These budget estimates have been on the order of nearly \$1 bln USD. TREC personnel developed the individual estimates based on their site visits to all stream business units, interviews with regional HSE staff and collection of quantity and unit cost data from the business units and other Russian and Western oil and gas businesses.

SERVICES PROVIDED:

- Liability cost estimates in accordance with US GAAP
- Total environmental budget development
- Terms and definitions for provisions aligned with US GAAP
- Project proposal review and endorsement

Management / Control of Cost:	Stream-HSE Directed		Environment Total (\$)		Stream-HSE Directed		Corporate HSE Controlled		Stream-HSE Directed		Stream-HSE Influenced		Stream-HSE Influenced	
	Industrial Safety Total (\$)		Environmental Operations and Remediation of Non-Legacy Issues (\$)		Environmental Sanctions (\$)		Provisioning and Decommissioning of Legacy (Provisional and Head Office) (\$)		HSE Directed CAPEX (\$)		HSE Influenced CAPEX - Gas Utilization (\$)		HSE Influenced CAPEX - Other (\$)	
	2005-2009 Estimate	2006-2010 Estimate	2005-2009 Estimate	2006-2010 Estimate	2005-2009 Estimate	2006-2010 Estimate	2005-2009 Estimate	2006-2010 Estimate	2005-2009 Estimate	2006-2010 Estimate	2005-2009 Estimate	2006-2010 Estimate	2005-2009 Estimate	2006-2010 Estimate
HSE Total Company	713.4	866.8	225.0	351.6	488.4	535.2	266.6	169.9	23.8	14.5	198.0	238.1	113.0	239.3
Upstream	409.4	487.7	100.0	179.1	309.4	306.7	177.6	122.4	23.8	13.2	108.0	121.1	52.0	239.3
Refining	184.3	192.2	34.0	49.1	150.3	143.1	73.4	42.0	10.1	3.4	66.8	70.8	26.9	13.4
Production	52.2	75.9	12.0	30.4	40.2	45.5	19.0	14.8	4.4	6.3	16.9	17.0	7.3	41.2
Marketing	42.2	55.9	8.0	18.6	34.2	37.3	23.9	9.5	0.4	1.8	10.0	17.1	8.9	27.7
Other	46.9	36.7	12.0	8.9	24.0	27.6	26.4	17.8	3.0	0.6	5.4	4.3	8.2	0.6
Offshore	83.9	92.1	34.0	43.1	49.9	39.9	35.0	23.2	5.9	1.1	9.0	12.0	3.6	195.1
Other	0.0	30.0	0.0	15.0	0.0	15.0	0.0	15.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	15.0	0.0	15.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Offshore Services (10)	50.0	75.0	50.0	57.0	0.0	8.0	0.0	8.0						4.0
Home Office Costs	40.0	46.7	0.0	0.0	40.0	46.7	0.0	0.0	0.0	0.0	40.0	46.7		
Downstream	214.0	277.3	75.0	105.8	139.0	171.8	89.0	39.2	0.0	1.3	50.0	70.3		15.9
Refining	134.5	205.0	39.5	86.0	95.0	119.0	75.0	34.7	0.0	1.3	20.0	33.1		49.9
Production	61.0	77.4	17.0	31.2	44.0	40.2	35.0	12.9	0.0	0.0	8.0	5.9		2.4
Marketing	34.0	42.8	13.0	21.6	21.0	21.2	17.0	8.6	0.0	1.0	4.0	4.5		7.2
Other	20.0	30.4	7.0	12.6	19.0	19.8	13.0	4.2	0.0	0.0	6.0	8.7		2.8
Other	0.0	13.8	0.0	10.5	0.0	3.1	1.3	0.0	0.0	0.0	0.0	0.0		1.8
Other	9.0	13.1	2.0	7.4	7.0	5.7	6.0	2.3	0.0	0.0	1.0	1.5		0.0
Other	0.0	4.5	0.0	1.2	0.0	3.3	1.5	0.0	0.0	0.0	0.0	0.0		0.0
Other	4.5	6.4	0.5	1.5	4.0	4.9	3.0	1.5	0.0	0.0	1.0	1.6		1.8
Other	0.0	16.8	0.0	0.0	0.0	16.8	0.0	0.5	0.0	0.3	0.0	10.0		6.1
Marketing	75.0	62.7	35.0	10.0	40.0	52.8	10.0	4.5	0.0	0.0	30.0	37.2		11.1
STL	4.5	3.0	0.5	0.5	4.0	0.0	4.0	0.0	0.0	0.0	0.0	0.0		2.9

Notes:
 * This summary is developed from detailed cost estimates consisting of data obtained by regional site visits by corporate HSE, and from the annual, 3 and 5 year plans developed by the Upstream and Downstream BU.
 ** There are no costs associated with the repair, replacement or the liquidation of pipelines in the 2006-2010 estimate.
 *** Costs for Ultrama Oil and Gathering are not included in the 2006-2010 estimate.
Footnotes:
 1. HSE Total is the Safety Total + Environment Total.
 2. Safety Total includes compliance with regulatory requirements, Emergency Services and Fire Safety, Training, PPE, Occupational Health and Transportation Safety.
 3. Environment Total is the sum of the columns titled Environmental Operations, Environmental Sanctions, Remediation and Decommissioning of Legacy (Provisional) and HSE Directed CAPEX.
 4. Environmental Operations and Remediation of Non-Legacy Issues includes costs to manage current effluents, fees for pollution within the accepted norms, fees for pollution exceeding the accepted norms, cleanup of current spills and remediating other current environmental impacts.
 5. Environmental Sanctions consists of fines for pollution exceeding the accepted norms. It should be noted that fees for the negative impact within accepted norms are included in Environmental Operations in the 2006-2010 summary.
 6. Provision is the sum of monies put aside for the remediation of Legacy issues. This section is commonly referred to as Environmental Provision.
 7. CAPEX is calculated differently for Upstream and Downstream. For Upstream projects such as gas utilization and flare upgrades are considered HSE influenced, and therefore are not included in this estimate. For Downstream projects such as flaring upgrades and vapor recovery systems are considered HSE directed, and are included in this estimate.
 8. HSE Influenced CAPEX - Gas Utilization, contains the Upstream HSE influenced costs related to gas such as gas utilization and flare upgrades. These costs are included for reference only and are not added into the totals. There are no corresponding costs to Downstream.
 9. HSE Influenced CAPEX - Other, includes costs that are not HSE directed such as new vehicles and rail loaded facilities. These costs are generally safety related, though there are environmental components as well. These costs are included for reference only and are not added into the totals.
 10. Offshore Services is developing an alternative strategy in which many assets for resource would be directed, resulting in a potential cost savings of \$29MM as compared to the costs listed in this table.
 11. A breakdown of Marketing structure and assets can be found on sheet entitled "Marketing Structure", included in this workbook.

EC developed criteria to classify potential remediation and decommissioning projects as provisionable under the rules of US GAAP. TREC personnel reviewed the provision budget owners (performance unit environmental managers) as to the appropriateness of project technologies, costs and whether the project met the conditions necessary to be provisionable.