

PRINCIPLES ASSOCIATED > WITH THE ECONOMIC EVALUATION OF ENHANCED OIL RECOVERY PROJECTS



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The financial models which support the decisions for the enhanced oil recovery projects implementation are mainly based on the theory of discounted cash flows, which yields the Net Present Value (NPV) and the Internal Rate of Return (IRR) as the most important indicators, this fact allow first to determine the economic feasibility of its execution or in any case compare, contrast and decide between different projects, schemes and / or scenarios. Each company (NOC's and IOC's) or group of experts has designed their evaluation models based on their experience and lessons learned. This economic evaluation model considers the concept of the time value of money, which essentially reflects the simple issue that the value of money today, or the present value, is not the same as it will be in the future.

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Hierarchy Pyramid

(Skinner, 1999)

Conditions and Limits

- Project Budget
- IRR (10-14%)
- Environmental Regulations
- Tax Regimes

Politics
Guidelines

Technical Analysis

- Laboratoy Studies
- Technical Screening
- Numerical Simulation

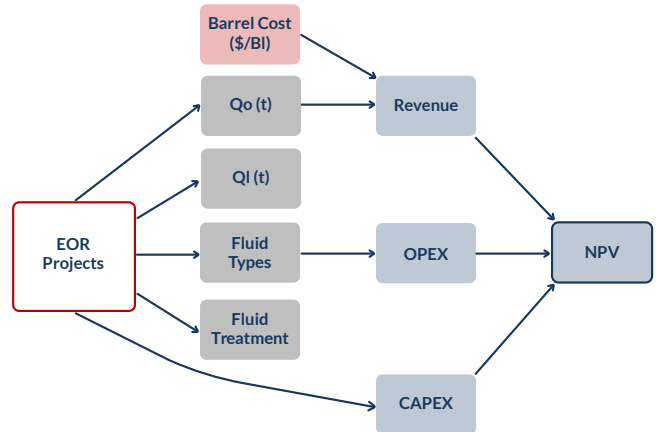
Strategies

Deployment

- Human Talent
- Scheme / Contractual
- Monitoring Program

Tactics

Influence Diagram



All of the above will allow a more assertive evaluation of the profitability during the implementation of enhanced recovery projects, as well as to prioritize the application of a certain technology or enhanced recovery scheme.