

Calculation of Reserve Replacement Cost



Reserve replacement cost (RRC) is calculated by dividing development, exploitation, exploration and acquisition capital expenditures, reduced by proceeds of divestitures, for the period by net estimated proved reserve additions for the period from all sources, including acquisitions and divestitures. Our calculation of reserve replacement cost includes costs and reserve additions related to the purchase of proved reserves. The methods we use to calculate our reserve replacement cost may differ significantly from methods used by other companies to compute similar measures. As a result, our reserve replacement cost may not be comparable to similar measures provided by other companies. We believe that providing a measure of reserve replacement cost is useful in evaluating the cost, on a per-Mcfe basis, to add proved reserves. However, this measure is provided in addition to, and not as an alternative for, and should be read in conjunction with, the information contained in our financial statements prepared in accordance with generally accepted accounting principles. Due to various factors, including timing differences in the addition of proved reserves and the related costs to develop those reserves, reserve replacement costs do not necessarily reflect precisely the costs associated with particular reserves. As a result of various factors that could materially affect the timing and amounts of future increases in reserves and the timing and amounts of future costs, we cannot assure you that our future reserve replacement costs will not differ materially from those presented.

Reserve Replacement Cost	2006	2007	2008
Capital costs related to property acq, expl, and devel	1,811.4	790.1	1,348.7
Hurricane expenditures	(84.3)	(37.8)	(76.5)
Proceeds from divestitures	33.8	4.1	
Capital expenditures before divestitures (\$MM)	1,760.9	756.4	1,272.2
Revisions of previous estimates	(5.9)	36.6	(44.4)
Extensions, discoveries and other additions	152.1	89.6	194.9
Purchases of reserves in place	319.2	96.4	106.1
Reserve additions (Bcfe)	465.3	222.6	256.6
Reserve Replacement Cost/Mcfe	\$3.78	\$3.40	\$4.96
Rolling 3-year capital expenditures			3,789.5
Rolling 3-year reserve additions			944.5
Rolling 3-year Reserve Replacement Cost/Mcfe			\$4.01