

# **Costs Of Aggregate Hydrocarbon Additions**

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## **Summary**

'Oil Equivalence' is widely used to measure total hydrocarbon activity. Natural gas is converted to oil using a fixed factor, usually based on thermal measurement. In turn, expenditures on oil and gas are divided by such 'oil equivalence' volumes to define unit costs, especially of reserve additions. This approach lacks economic content. We show its implicit assumptions and constraints, and develop an alternative aggregation method using index numbers, with an example.

## **References:**

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