

Status Report of the SPE Oil and Gas Reserves Committee – Where Is Our Focus?

**John Ritter – Chair
Society of Petroleum Engineers (SPE), Oil and Gas
Reserves Committee (OGRC)**

**Ad Hoc Group of Experts on the Harmonization of
Energy Reserves and Resources Terminology,
Second Session**

**9-11 November, 2005
Geneva, Switzerland**

Presentation Outline

SPE Overview – Mark Rubin

Current OGRC Activities

- Mapping Study
- Definitions and Guidelines

Evolution of a Reserves Education Effort

Development of an OGRC Governance Plan

2006 Plans

Who is SPE?

64,000+ Members

100+ Countries

160+ Sections

140+ Student chapters

26 Technical Interest Groups

Five offices



SPE's Mission

To provide the means to collect, disseminate, and exchange technical information ...

&

To provide opportunities for our members to maintain and upgrade their technical competence ...

SPE Vision for Petroleum Reserves & Resource Definitions

- SPE/WPC/AAPG reserves and resources definitions (and associated estimating guidelines) will continue to be maintained evergreen and enhanced to incorporate new best practices and unconventional resources and will be recognized as the premier classification standard.
- SPE will actively promote and facilitate in-depth understanding of the SPE/WPC/AAPG reserves and resources definitions and their universal adoption by the oil, gas, and related industries; international financial organizations; governments; regulatory agencies; and reporting bodies.

Key Points

- SPE supports goal of unified petroleum Reserves Definitions and is committed to serving as a steward for such definitions
- SPE's Commitment includes resources and recognition of need for a transparent governance structure and processes that allows participation by all stakeholders
- Alignment with UNFC and IASB critical to achievement of SPE objectives

Evolution of the Oil and Gas Reserves Committee (OGRC)

- Chartered in 1962 to Develop Definitions Strictly for Proved Reserves
 - ✓ 12-person Committee Chaired by John J. Arps
 - ✓ Named “Special Committee on Definitions of Proved Reserves for Property Evaluation”
- Undertook Two-year Project to Write the Definitions
 - ✓ Based on the American Petroleum Institute’s (API) Set of Definitions
 - Additionally Provided Specific Requirements for Property Evaluation
 - ✓ Definitions Adopted by the SPE Board June, 1965

OGRC Charter

The committee is charged with:

- Responsibility for programs dealing with oil and gas reserve matters, including reserve definitions and standards;
- Disseminating reserve information to other organizations, agencies, and companies involved in reserve matters;
- Liaising with other organizations in efforts to achieve worldwide use of standard reserve definitions;
- Monitoring of activities of other organizations in the reserve definition area and provide reports to the SPE Board on these matters;
- Providing periodic reports to the SPE Board on oil and gas reserves issues including recommendations for revisions to SPE's reserve definitions.

SPE History Providing Classification Guidance

The OGRC has been the Focal Point

- 1987 SPE and the World Petroleum Congress (WPC) Independently Published Similar Systems
- 1997 SPE and WPC Issue Joint Reserve Definitions
- 2000 SPE and WPC working with the American Association of Petroleum Geologists (AAPG) jointly developed a classification system for all Petroleum Resources
- 2001 A Critical Much-referenced set of Supporting Documents, including supplemental guidelines on petroleum reserves and resources was published
- 2001 "Auditing Standards for Reserves"

In Pursuit of the SPE “Grand Vision”

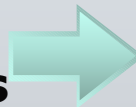


Oil and Gas Reserves Committee (OGRC)

OGRC Mapping Subcommittee

Study “other” reserves & resource classifications systems used by:

- Industry
- Security Regulators
- Government Agencies



Identify key issues and potential “best practices”

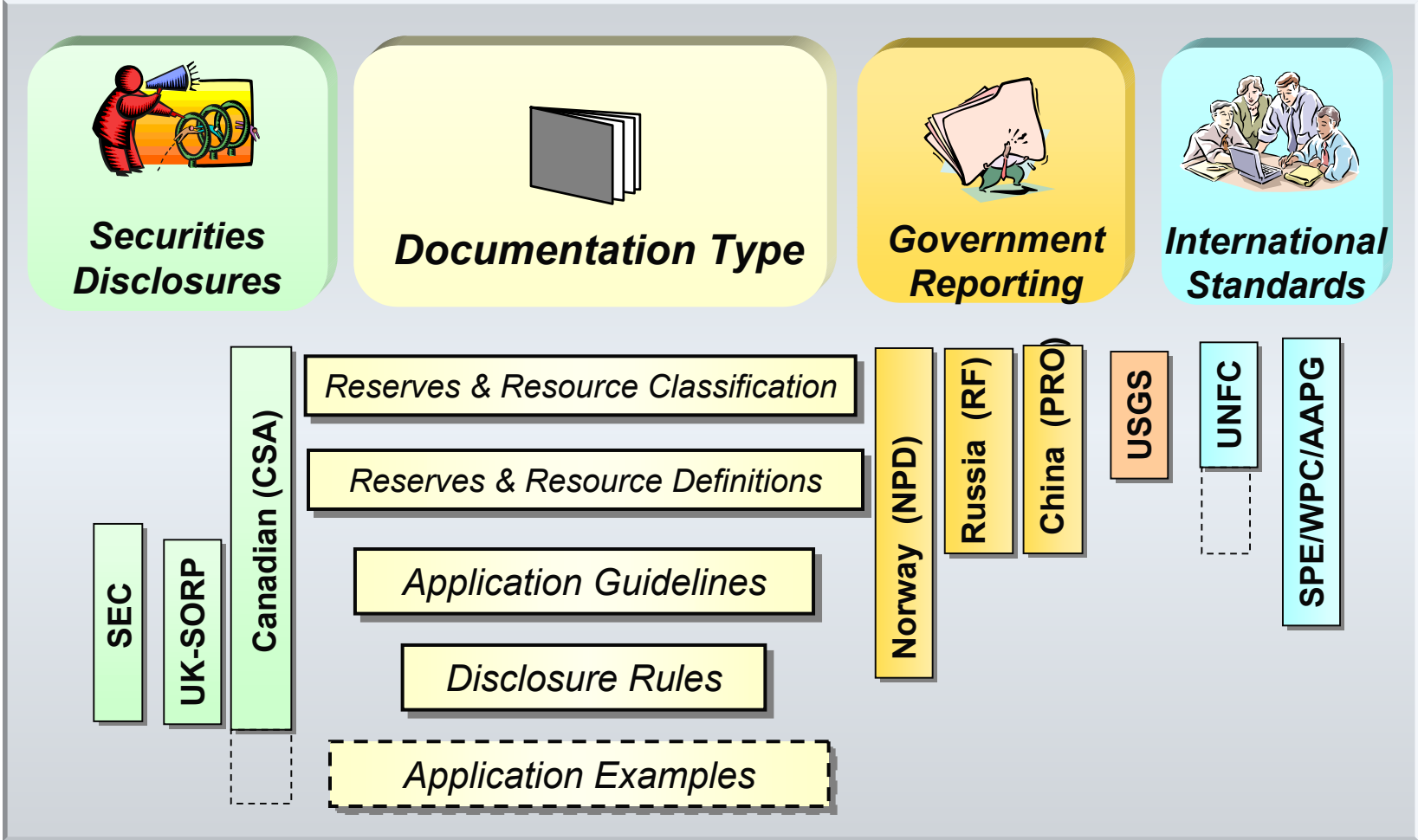
OGRC Definitions Subcommittee

Recommend revisions to current reserves & resource classification and definitions.

Agencies Selected for Comparison

1. US Securities and Exchange Commission (SEC-1978)
2. UK Statement of Recommended Practices (SORP-2001)
3. Canadian Security Administrators (CSA -2002)
4. Russian Ministry of Natural Resources (RF-2005)
5. China Petroleum Reserves Office (PRO-2005)
6. Norwegian Petroleum Directorate (NPD-2001)
7. United States Geological Survey (USGS-1980)
8. United Nations Framework Classification (UNFC-2004)

Type of Agencies Surveyed



WHY? IDENTIFY POTENTIAL OPTIMIZATIONS

Forward Plan on Mapping Project

Presented at 7 October Board Meeting

- **Approved for Posting on SPE Website**
 - **Posted 31 October**
- **Seeking Member Comment**
 - **Comments Requested by 15 December**
 - **Final Version Posted by Year-end**

Future Expansion

- **Mining (CRIRSCO)**

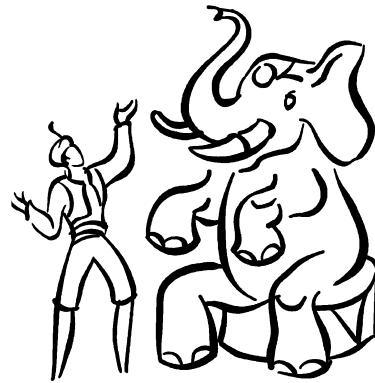
SPE OGRC Current Work Activities



- Work Underway to “Upgrade” the Current Definitions, including Guideline Documents
- A Complete Re-vamping is not Envisaged, rather more along the lines of “Fine-tuning”
- OGRC Membership Expanded in 2005 to help Ensure Broad Review
- Expect to Complete 4Q 2006
 - Glossary of Terms used in the Previously-referenced Documents Complete 1Q 2005
 - “Mapping” Project – Completed Oct 2005
 - Definitions Review – Targeting ATCE 2006

Development of an Education Program

The focus is **not** on Training.....



It **is** on Education!



Components of an Education Program

- Comprehensive
- Inclusive
- Provides Transparency
- Readily Available
- Focal Point Driven – Single Source
- Stakeholder Involvement
- Properly Funded
- Evergreen

Challenges to a Successful Education Program

- Comprehensive
- Inclusive
- Provides Transparency
- Readily Available
- Focal Point Driven – Single Source
- Stakeholder Involvement
- Properly Funded
- Evergreen

The Time to Act is Now!

The Oil and Gas Reserves Education Committee

- An SPE Committee Was Recently Created to Specifically Address the Issue of Reserves Education (Oct/2005)
 - The Oil and Gas Reserves Education Committee
- Chaired by a Former SPE Board Member
 - Membership is Comprised of 8 SPE Members with Extensive Reserves Experience
- Will Officially Liaise with the OGRC
- Proactively Seeking Input and Participation from Sister Organizations and other Interested Groups
- Starting Now
 - Developing Education Initiatives Concurrent with Development of the Definitions

Governance Model Development - The Opportunity

To formulate a governance model that will allow the OGRC to appropriately leverage the value of its diverse expertise in meeting the charges inherent in its charter.

To accomplish this effort, it is recommended to form a Governance subcommittee to provide advice on developing a governance structure for recommendation to the full committee and the SPE Board of Directors.

The model will be planned for implementation following the Sept 2006 ATCE to align with the roll-out of the new definitions.

Basis of an OGRC Governance Model

Very Important to have a Competent and Thorough Governance Structure...and One that is Well-Documented

- **The Governance Model Will Incorporate the Due Process Principles Developed by the American National Standards Institute (ANSI)**
 - **Specific Accreditation under the Auspices of the ANSI will not be sought, but principles will be followed**
 - **Procedures and Model Processes will be written**
 - **Comment from the Full OGRC and its slate of Observers will be sought and incorporated.**
 - **SPE Board approval will be required**
 - **The Governance model will be posted to the SPE website for public access and comment by the membership**

ANSI Principles Adapted for the Governance Model

Openness

- **Stakeholders Involved in Maintenance of Definitions and Guidelines**

Lack of Dominance

- **No Single Organization will be Unduly Represented**

- **A balance of interests**

Activity of the OGRC will be Communicated

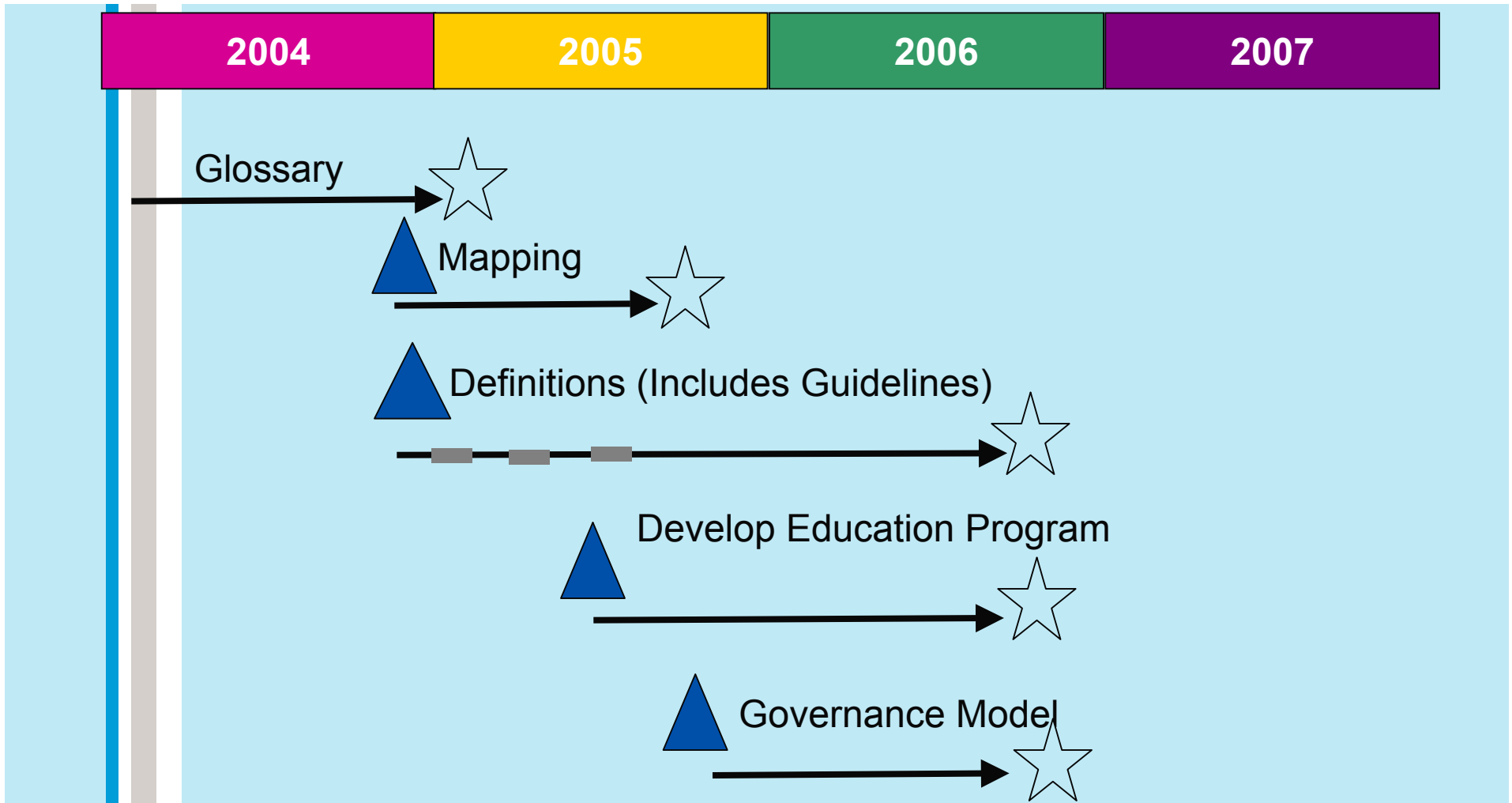
- **Meeting Schedule and Records Publicized**

Definition/Guideline Maintenance Plans in Place

Five Primary Components

- **Purpose, Scope and Objectives**
 - Define the committee's objectives, and determine interfaces with other SPE and external groups, as applicable
- **Procedures**
 - Describe the procedures by which these objectives may be accomplished.
- **Resources, Roles and Responsibilities**
 - Define who is responsible to do the work, and administer and maintain committee functions.
- **Reporting Results**
 - Develop a communication plan to regularly advise stakeholder groups on the progress of committee activities.
- **Continual Improvement**
 - Utilize feedback from communicated results to evaluate how to improve the process and ensure actions are taken to improve process design and effectiveness.

The Current SPE Schedule



How Best to Leverage the Talents of “Support” and “Sister” groups?

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