Update on PRMS Revision
Bernard Seiller – SPE OGRC Chair - TOTAL
• This presentation provides the status of the proposed 2018 SPE-PRMS (PRMS) as reflected prior to the public comment period

• All public comments received are under review and consideration for inclusion in the final update by the various sponsoring societies

• Any changes that may result will only be reflected in the final version issued following the approvals by the societies in the next few months

• The opinions expressed in this presentation reflect those of the presenter and do not necessarily represent the views of Total or any other person at Total
1965: Following plea from banks made in 1962, SPE Board approves a one page document with Proved reserves definitions

1981: SPE release updated Proved oil and gas reserves definitions

1987: SPE releases definitions for all reserves categories

1997: WPC and SPE issue joint release of single set of definitions, including probabilistic method

2000: SPE, WPC and AAPG jointly develop classification system for all resources

2001: Application Evaluation Guidelines issued

2005: Glossary of terms used in resources definitions issued

2005: Standards for estimating and auditing reserves information issued (revised in 2007)

2007: SPE/WPC/AAPG/SPEE Petroleum Resources Management System Issued
  • (subsequently endorsed by SEG)

2011: Guidelines for the Application of PRMS issued

2017: Draft PRMS update agreed amongst 7 sponsor societies and issued for 3 month Public comment in August

2018: Updated PRMS planned to be issued in mid-2018

Future: PRMS definitions and classification system and associated materials will be maintained evergreen to incorporate new best practices, provide interpretational guidance, and will be recognized as the premier classification standard

Continue to actively promote and facilitate in-depth understanding of the definitions and their universal adoption by the oil, gas, and related industries; international financial organizations; governments; regulatory agencies; and reporting bodies
The PRMS is focused on supporting consistent Petroleum Resources evaluations based on technically sound industry practices:

- Not specifically designed for external reporting including securities disclosures
- Modeled according to technical and business requirements of oil and gas companies

Also to meet the needs of government agencies, financial institutions and industry consultants:

- By directly referencing the SPE system agencies can develop reporting and disclosure rules that meet their specific requirements yet retain industry consistency
The SPE Oil and Gas Reserves Committee (OGRC) is charged with:

- Responsibility for programs dealing with reserve topics, including reserve definitions and standards;
- Disseminating reserve information to other organizations, agencies, and companies;
- Liaising with other organizations to achieve worldwide use of standard reserve definitions;
- Monitoring of activities of other organizations and provide feedback to the SPE Board; and
- Providing the SPE Board with reports on reserves issues including recommendations for revisions to SPE’s reserves definitions and the PRMS

SPE guidance is to maintain the Resources classification “evergreen” as industry focus changes, issues are gathered and technologies evolve...

- Inputs from ATW’s over several years, training sessions, contributions from OGRC, PRMS sponsoring societies, and Industry stakeholders

The SPE-PRMS (PRMS) sponsoring societies: AAPG, EAGE, SEG, SPEE, SPWLA, WPC and SPE

Given the widespread application of PRMS by diverse international stakeholders, areas that require clarification have arisen...

- PRMS focuses on the principles! Committees frequently required to differentiate between what is a principle vs. a guideline?
- In progress for 3 years+; initial committee with over 16 contributors, endorsed by OGRC and then followed with 6 sponsor’s review and comments and all sponsors’ approvals prior to public comment
Key Clarifications and Updates to the 2007 PRMS (1 of 3)

- Improving the PRMS’s clarity and granularity
- Updates to Resource Classification Framework
- Update to Project Maturity Sub-Classes
  - Recommend sub-class usage for Entities’s to have clarity on project’s maturity
  - Update to the Project Maturity Contingent Resource sub-classes recommending to separate On Hold from Unclarified
- Contingent Project Resources movement to Reserves
- Incremental and Scenario (Cumulative) methods
- Split conditions not allowed
  - Single set of Defined Conditions is applied
- Split classification of project categories not allowed
  - Cannot have 1C, 2P, and 3P for a given project
- Provide clarity in the use of Economic vs. Commercial
  - Key point is Economic is an element of achieving a Commercial project
- Economically Producible and Economic Limit
Key Clarifications and Updates to the 2007 PRMS  (2 of 3)

- Clarify the use of the 2P, utilizing the Best Estimate, (or higher confidence) for the Project Commercial decision criteria
  - Once Project tested and Commercial criteria established, the scenario (Low and High) is checked for economics to pass as Reserves
- Clarifying risk vs. uncertainty
- Justified for Development clarification and how differs from Development Pending
  - Requires Commerciality to be achieved with Reasonable Expectation of development
- Discovery criteria
- Chance of: discovery, development and commerciality
- Analog application has been improved to align more closely with subsurface elements, development criteria and facility consideration
- Stand-alone Possible not allowed, required to be extension of neighboring project with 2P, otherwise Contingent Resources
- Consumed in Operations (CiO) is recognized for its value as a marketable resource and Entity may chose to include as Reserves
  - Must be reported separately from Sales quantities
Key Clarifications and Updates to the 2007 PRMS  (3 of 3)

- Abandonment Decommissioning and Restoration (ADR) costs –
  - Clarity on use, importance and requirement to record

- Clarifying the range of uncertainty (low, best, high / P90, P50, P10) and their use in commercial tests
  - Results in truncation of the forecast (i.e., economic, license..) achieving Reserves and Resources categories

- Various assessment methods are acceptable and results should be similar when using Deterministic, Probabilistic, Geostatistical and Integrated Methods

- Qualified Reserves Evaluator (QRE) and Qualified Reserves Auditor (QRA) qualifications have been added
Other OGRC active subcommittees and mandates:

- Proposed PRMS Reporting Guidelines
  - Complement the PRMS by providing a minimum standard of what should be reported
- Examples on key issues interpretation
  - Provides for select items that industry needs further guidance outside of timelines of PRMS and Application Guidelines updates
  - More interactive, topics posted to a linked website and updated more frequently

Following adoption of the 2018 PRMS Update, and the above mandates, work will then start on the Application Guidelines update
Thank you!

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