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Assessment of World Petroleum Supply Enhanced by New Industry Resources Definitions

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Abstract

Earlier this year, the SPE Board approved a comprehensive document describing the categorization and classification of petroleum reserves and resources. Other endorsers of these new standards include the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG) and the Society of Petroleum Evaluation Engineers (SPEE).

The SPE Oil and Gas Reserves Committee (OGRC), together with its observers, are comprised of global representatives from every segment of the industry. These new definitions and the imbedded guidelines and glossary are expected to be recognized, and adopted in many instances, by companies, countries, financial institutions and regulatory bodies. The International Accounting Standards Board (IASB) and the United Nations are two of the major world players that have monitored and shown interest in the 2-year development of the 2007 resources definitions.

Introduction

Rules and guidelines are an industry necessity in the categorization and classification of petroleum reserves and resources. These rules enable industry professionals to follow consistent procedures which achieve individual goals, the goals of a company or, in the big picture, the goals that represent the national interest. Rules are intended to provide an equitable basis and a degree of standardization that ultimately assures consistency from individual to individual, company to company or country to country.

Rules can change over time and from geographic location to location. In an effort to make these rules enforceable, governments codify these rules into laws and regulations. These laws and regulations may apply to such oil and gas

activities as leasing, mineral rights and entitlements, drilling and development activities and regulatory reporting. As the original intent or underlying assumptions cease to be applicable, new rules are developed.

Every company develops rules in setting out corporate goals and the strategy and direction determined by management necessary to achieve these goals. The rules are intended to channel the activities of the company in a unified manner toward achieving the corporate goals.¹

All parties benefit from such rules as they provide a focus to achieve consistent goals. Regulators believe that investors benefit when companies prepare and report data in a consistent manner. Consistency is best achieved in their view by adhering to the rules put forth by the appropriate regulatory agencies. Governments benefit from consistent application of coherent, well written rules that assure orderly securities markets, protect the environment and protect the national interest.

Oil and Gas companies develop rules in setting out corporate goals and the strategy and direction determined by management necessary to achieve these goals. The rules are intended to channel the activities of the company in a unified manner toward achieving the corporate goals.

Unfortunately, the engineers and geoscientists charged with the assessment of a company's or country's reserves and resources are confronted with a myriad of different rules and reporting requirements. "Reserve estimation is a complex process which involves the integration of diverse technical disciplines and relies upon a combination of knowledge, experience and judgment. In estimating reserves, the evaluator's judgments are influenced by the interpretation of technical data and the knowledge of the applicable reserves definitions."² In many instances there are so many rules that the rules themselves can cause conflicts and confusion. Many of the unintended errors and noncompliant reserves estimates are a result of misinterpreting these complicated and often outdated rules or regulations.³ Only by knowing the rules and how to apply them to the situation for which they are intended can an evaluator provide consistent and reliable estimates.