

A black and white silhouette of an oil pumpjack, a common piece of machinery in the oil and gas industry, positioned on the left side of the slide. A bright yellow diagonal stripe cuts across the dark background from the top right towards the center, separating the image from the text.

New SEC Oil & Gas Reporting Rules - User Viewpoint and Impact on Disclosures

**First Session, Expert Group on Resource
Classification**

Geneva, 28-30 April 2010

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Introduction

- ▶ Applicable for 2009 prospectively
 - ▶ no retrospective application so comparative disclosures are based on prior SEC/ FASB rules
 - ▶ inconsistency in 2009
- ▶ Impact on disclosures
 - ▶ Technical definitions
 - ▶ Price assumptions
 - ▶ Non-traditional sources
 - ▶ Geographical disclosures
 - ▶ Other disclosures including probable and possible reserves
- ▶ FASB changes impacting 2009

Extent of impact on disclosed total proved reserves?

- ▶ Impact varies by company- other than non-traditional sources, less impact than investors expected?
 - ▶ **Exxon (2009 10-K)** : *“The estimated impact of changing to an average....price and the use of reliable technology was deminimus”.*
 - ▶ **Shell (2009 20-F)**: Quantification of rule changes and commentary by region

2009 additions	Boe (million)
Synthetic crude	1,630
Reliable technologies and analogues	270
Price (versus using year end spot)	160
Other	2,357
Total (before 2009 production)	4,417

- ▶ **Chevron (2009 10-K)**: *“the ability to use new technologies in reserves determination did not impact reserves significantly, as most reserve additions and revisions were based on conventional technologies”*
- ▶ **BP (2009 20-F)**: *“..application of technical aspects resulted in an immaterial increase of less than 1% to BP’s total proved reserves” (2009 20-F)*
- ▶ **Anadarko (2009 10-K)**: *“Less than 1% of... total proved reserves.. were added as a result of pressure gradient analyses, well control or seismic reliable technologies. The effect of applying the 12 month average price... decreased the net remaining reserve volumes by less than 3% of total proved reserves”*

Revised technical definitions

- ▶ Definition of proved oil and gas reserves
 - ▶ Lowest known hydrocarbons and highest known oil can be determined by reliable technology
 - ▶ Uniform standard of reasonable certainty regardless of location and distance from producing wells
 - ▶ Disclosure of technology used to reach appropriate “certainty” in a company’s first filing with the SEC or if material additions to reserves are disclosed
- ▶ Generally limited impact

reserves as well as approximately 270 million boe associated with other SEC rule changes pertaining to the use of reliable technologies and the use of analogues. The application of reliable technologies contributed approximately 150 million boe of the 270 million boe. The most significant increases related to the use of wireline pressure gradients and wireline testing.

Source: Shell
2009 20-F

Impact of SEC price definitions

- ▶ Changes in price reflected in reserves revisions- revisions a feature of new and prior rules
 - ▶ some disclosure of impact in the year and marker prices disclosed
 - ▶ **But** cost implications of determining impacts noted by many
- ▶ Limited disclosure of voluntary reserves sensitivity analysis in SEC filings
- ▶ Some disclosure in other information (source: Exxon 2009 Summarised Annual Report 2009)

A principal difference between the ExxonMobil and SEC definitions is the price assumption used. Proved reserves in this report are based on the same price and cost assumptions we use to make investment decisions. Proved reserves as defined by the SEC are based on historical market prices: beginning in 2009, the average of the market prices on the first day of each calendar month during the year; for prior years, the market price on December 31. References to "price/cost effects" mean the effect of using SEC historical prices and costs.

For years prior to 2009, another key difference was the treatment of oil sands reserves extracted in mining operations, as well as reserves attributable to equity companies. In this report, oil sands reserves and our share of equity company reserves are included in ExxonMobil's proved reserves for all periods. Under SEC definitions applicable to the prior years, these volumes were separately reported.

The table below shows year-end proved reserves on these different bases:

(billions of oil-equivalent barrels)	2009	2008	2007	2006	2005
Basis					
ExxonMobil	23.3	22.8	22.7	22.7	22.4
SEC	23.0	23.0	22.5	22.8	22.4

Definition of oil and gas producing activities- non-traditional sources

- ▶ Amendment to definition of oil and gas producing activities
 - ▶ shifted definition to the final product of such activities, regardless of the extraction technology
 - ▶ includes bitumen extracted through mining activities, reserves from non-traditional sources such as oil sands, shale and coal-beds
 - ▶ Requires disclosure by final product
- ▶ Significant impact for companies with related operations- eg:
 - ▶ Shell (synthetic crude oil, bitumen)
 - ▶ Exxon (synthetic oil, bitumen)
 - ▶ Chevron (synthetic oil)
 - ▶ Conoco Phillips (synthetic oil, bitumen)

Definition of oil and gas producing activities- non-traditional sources

Crude oil and natural gas liquids, synthetic crude oil and bitumen

	PROVED DEVELOPED AND UNDEVELOPED RESERVES 2009												MILLION BARRELS	
	Europe	Asia	Australia/ Oceania	Africa	North America				South America	Total				
	Oil and NGL	Oil and NGL	Oil and NGL	Oil and NGL	USA		Synthetic crude oil	Canada Bitumen	Oil and NGL	Oil and NGL	Synthetic crude oil	Bitumen		All products
					Oil and NGL	Oil and NGL								
Shell subsidiaries														
At January 1	481	1,069	65	598	347	40	-	8	12	2,612	-	8	2,620	
Revisions and reclassifications	123	210	4	189	92	4	1,207	54	11	633	1,207	54	1,894	
Improved recovery	-	39	-	1	-	-	-	-	-	40	-	-	40	
Extensions and discoveries	7	15	19	51	54	-	423	2	24	171	423	2	596	
Purchases of minerals in place	-	-	-	-	-	-	-	-	-	-	-	-	-	
Sales of minerals in place	(1)	-	-	-	-	-	-	-	-	(1)	-	-	(1)	
Production [A]	(114)	(102)	(11)	(104)	(71)	(7)	(31)	(7)	(9)	(418)	(31)	(7)	(456)	
At December 31	496	1,231	77	735	422	38	1,599	57	38	3,037	1,599	57	4,693	

Crude oil and natural gas liquids

	PROVED DEVELOPED AND UNDEVELOPED RESERVES 2008								MILLION BARRELS
	Europe	Asia	Australia/ Oceania	Africa	North America		South America	Total	
					USA	Canada [A]			
Shell subsidiaries									
At January 1	615	996	63	574	375	119	9	2,751	
Revisions and reclassifications	13	174	11	108	35	(58)	12	295	
Improved recovery	-	23	-	31	-	-	-	54	
Extensions and discoveries	9	15	4	5	7	-	-	40	
Purchases of minerals in place	-	-	-	-	-	4	-	4	
Sales of minerals in place	(21)	(36)	(2)	(4)	(1)	-	-	(64)	
Production	(135)	(103)	(11)	(116)	(69)	(17)	(9)	(460)	
At December 31	481	1,069	65	598	347	48	12	2,620	

Geographical disclosures

- ▶ Disclosures of reserves and production by 'geographic area'
 - ▶ By country/ groups of countries/ continent- as meaningful
 - ▶ Reserves >15% total reserves
 - ▶ Production for each country or field containing >15% total reserves
 - ▶ Some amended geographies- potential sensitivity of disclosure

PROVED DEVELOPED AND UNDEVELOPED RESERVES 2009													MILLION BARRELS	
	Europe		Australia/ Oceania		Africa		North America		South America		Total			
	Oil and NGL	Oil and NGL	Oil and NGL	Oil and NGL	USA		Canada		Oil and NGL	Oil and NGL	Synthetic crude oil	Bitumen	All products	
					Oil and NGL	Oil and NGL								
Shell subsidiaries														
At January 1	481	1,069	65	598	347	40	-	8	12	2,612	-	8	2,620	

PROVED DEVELOPED AND UNDEVELOPED RESERVES 2008							million barrels	
	Europe		Africa[A]	Asia-Pacific	Middle East, Russia, CIS[B]	USA	Other Americas	Total
	Shell subsidiaries							
At January 1	615	567	158	908	375	128	2,751	
Revisions and reclassifications	13	107	6	180	35	(46)	295	
Improved recovery	-	31	-	23	-	-	54	
Extensions and discoveries	9	4	6	14	7	-	40	
Purchases of minerals in place	-	-	-	-	-	4	4	
Sales of minerals in place	(21)	(4)	(2)	(36)	(1)	-	(64)	
Production	(135)	(113)	(32)	(85)	(69)	(26)	(460)	
At December 31	481	592	136	1,004	347	60	2,620	

Voluntary disclosure of probable and possible reserves

- ▶ Limited application- eg Talisman (source: 2009 40-F)

	Proved Developed ^{1,2}		Proved Undeveloped ^{1,3}		Total Proved ¹		Probable Developed ^{4,5}		Probable Undeveloped ^{4,6}		Total Probable ⁴	
	Gross ⁷	Net ⁸	Gross ⁷	Net ⁸	Gross ⁷	Net ⁸	Gross ⁷	Net ⁸	Gross ⁷	Net ⁸	Gross ⁷	Net ⁸
Oil and Natural Gas Liquids (mmbbls)												
North America												
Canada	92.6	82.1	8.4	7.3	101.0	89.4	20.3	17.4	8.3	6.6	28.6	24.0
United States	-	-	-	-	-	-	-	-	-	-	-	-
UK												
United Kingdom	197.1	196.0	70.4	70.1	267.5	266.1	59.4	59.1	112.4	112.4	171.8	171.5
Scandinavia												
Norway	26.1	26.1	29.8	29.8	55.9	55.9	22.7	22.7	42.3	42.3	65.0	65.0
Southeast Asia												
Indonesia ⁹	23.2	11.0	5.4	1.7	28.6	12.7	0.5	0.2	11.6	5.1	12.1	5.3
Malaysia	23.7	14.0	3.6	2.5	27.3	16.5	23.8	11.9	9.5	3.9	33.3	15.8
Australia	6.0	5.9	5.1	4.9	11.1	10.8	2.9	2.8	4.3	4.1	7.2	6.9
Vietnam	1.5	1.3	-	-	1.5	1.3	0.3	0.3	28.5	23.2	28.8	23.5
Other												
Algeria	23.2	12.6	15.1	7.9	38.3	20.5	6.2	3.2	6.1	3.6	12.3	6.8
Tunisia	0.5	0.4	0.2	0.1	0.7	0.5	0.2	0.1	-	-	0.2	0.1
Total	393.9	349.4	138.0	124.3	531.9	473.7	136.3	117.7	223.0	201.2	359.3	318.9

Other disclosures

- ▶ Disclosures relating to PUDs
 - ▶ Material changes in PUDs that occurred during the year including those converted to proved developed reserves,
 - ▶ Discussion of investments and progress made during the year to convert PUDs to proved developed reserves
 - ▶ Explanation of the reasons for material amounts of PUDs in individual fields or countries that remain undeveloped for five years or more
- ▶ Internal controls used in the reserves estimation
 - ▶ Narrative disclosures

FASB disclosures- 932-235-50

- ▶ Alignment of FASB rules to SEC rules
 - ▶ Including price assumptions in value disclosures
- ▶ Separate and full disclosures for oil and gas activities required for **equity accounted investments**
 - ▶ except where the entity is unable to obtain the information necessary
 - ▶ Eg TNK-BP International Limited 2009

Provided below are the Group's estimates of its share of the reserves and related discounted future net cash flows of its equity affiliate. The Group does not provide disaggregated disclosures of its share of the equity affiliate's reserves and related discounted future net cash flows as it was unable to obtain reliable reserve and discounted future net cash flows information with a prescribed level of disaggregation from its equity affiliate before the issue date of these consolidated financial statements.

- ▶ Impacts range of supplemental disclosures:
 - ▶ Capitalized costs, costs incurred for property acquisition, exploration, and development activities, results of operations, standardized measure of discounted future net cash flows disclosures

Impacts for equity accounted investments- eg standardised measure (BP)

	2009									Total
	Europe		North America		South America	Africa	Asia		Australasia	
	UK	Rest of Europe	US	Rest of North America			Russia	Rest of Asia		
At 31 December 2009										
Subsidiaries										
Future cash inflows ^a	50,800	17,700	204,000	4,900	26,400	58,400	–	36,100	32,500	430,800
Future production cost ^b	20,000	8,000	91,300	2,700	6,700	12,000	–	9,200	11,000	160,900
Future development cost ^b	5,000	2,500	24,900	1,000	5,600	12,200	–	6,400	3,100	60,700
Future taxation ^c	12,900	3,700	27,300	200	5,800	11,300	–	4,700	4,500	70,400
Future net cash flows	12,900	3,500	60,500	1,000	8,300	22,900	–	15,800	13,900	138,800
10% annual discount ^d	5,800	1,600	29,500	500	3,200	9,800	–	6,300	7,300	64,000
Standardized measure of discounted future net cash flows ^a	7,100	1,900	31,000	500	5,100	13,100	–	9,500	6,600	74,800
Equity-accounted entities (BP share)^f										
Future cash inflows ^a	–	–	–	–	37,700	–	96,700	30,000	–	164,400
Future production cost ^b	–	–	–	–	17,000	–	65,200	25,200	–	107,400
Future development cost ^b	–	–	–	–	4,000	–	10,200	3,100	–	17,300
Future taxation ^c	–	–	–	–	5,200	–	4,300	100	–	9,600
Future net cash flows	–	–	–	–	11,500	–	17,000	1,600	–	30,100
10% annual discount ^d	–	–	–	–	6,800	–	7,900	800	–	15,500
Standardized measure of discounted future net cash flows ^{a,h}	–	–	–	–	4,700	–	9,100	800	–	14,600
Total subsidiaries and equity-accounted entities										
Standardized measure of discounted future net cash flows	7,100	1,900	31,000	500	9,800	13,100	9,100	10,300	6,600	89,400

Source: BP 2009 20-F

Supplementary information on oil and natural gas (unaudited) continued

Equity-accounted entities

In addition, at 31 December 2008, the group's share of the standardized measure of discounted future net cash flows of equity-accounted entities amounted to \$9,000 million (\$28,300 million at 31 December 2007 and \$14,700 million at 31 December 2006), excluding minority interest.

Source: BP 2008 20-F

Concluding remarks

- ▶ Impact on reserves estimation and company process
 - ▶ Pricing changes in particular aided company processes
- ▶ Less pervasive impact than anticipated?
- ▶ Inconsistency between 2009 and comparative periods
- ▶ Enhanced narrative disclosures
- ▶ Limited adoption of additional voluntary disclosures
- ▶ Alignment of other supplementary disclosures required under US GAAP
- ▶ More extensive disclosures adopted for equity accounted investments



Thank you - Questions?

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