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Expert Group on
Resource Classification

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“Update of the Petroleum Resource Management System (PRMS)”

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Disclaimer

The material, views and opinions expressed in this presentation are those solely those of presenter and do not reflect Shell International E&P or any other person at Royal Dutch Shell plc.

Readers are urged to obtain independent advice on any matter relating to the interpretation of resources definitions and guidance on classification.

PRMS Historical Development

1962: Following plea from banks for a consistent set of reserve definitions, SPE Board appointed 12 man committee.

By 1965 a one page document was approved

1981: SPE release update Proved oil and gas definitions

1987: SPE definitions for all reserves categories

1997: Joint release of single set of definitions by WPC and SPE

2000: Classification system for all petroleum resources jointly developed by SPE, WPC and AAPG

2001: Application Evaluation Guidelines

2005: Glossary of terms used in resource definitions

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

2007: SPE/WPC/AAPG/SPEE Petroleum Resources Management System; subsequently sponsored by SEG

2011: Guidelines for Application of PRMS

Oil and Gas Reserves Committee

- The OGRC fulfills the needs of the SPE Board relative to petroleum reserves and resources matters.
- The OGRC is charged with:
 - Responsibility for programs dealing with oil and gas reserves and resources matters, including reserves and resources **definitions, terms, recommended practices, and standards**;
 - **Disseminating** reserves and resources **information** to other organizations, agencies, and companies involved in reserves matters, including cooperation with other committees and organizations in development and delivery of relevant training courses;
 - Liaising with other organizations in efforts **to achieve worldwide use** of standard reserves and resources (definitions);
 - **Monitoring** of activities of other organizations in the reserves and resources definition area and provide reports to the SPE Board on these matters; and
 - Providing **periodic reports** to the SPE Board on oil and gas reserves and resources **issues** including **recommendations for revisions** to SPE's reserves and resources definitions.

OGRC cont ...

- OGRC is the custodian of a set of definitions, standards and guidelines referred to as the “Technical Publications.”
 - PRMS
 - PRMS-AG
 - Auditing Standards
 - Comparison of Selected Reserves and Resources Classifications and Associated Definitions, ...

OGRC Governance



- Formal revisions of the Technical Publications by a designated subcommittee every 5 to 7 years unless special circumstance arises.
- It is noted that the 2007 PRMS represents a major evolution and may require an initial revision or the production of supplemental publications sooner than the suggested timeframe as initial industry experience in their application is gained.

OGRC Governance Model

- In the future, Technical Publications may also include **Implementation Guidelines, Examples, Supplementary Practice Notes and Bulletins** which may be issued from time to time to support the Technical Standards.
- The OGRC is required to recommend revisions to the Technical Publications and may also periodically produce explanatory notes, bulletins, presentation material, or other documents which may be used to promote, communicate or clarify the Technical Publications.

PRMS Sponsors



- The PRMS document is jointly developed in collaboration of SPE with the American Association of Petroleum Geologists (AAPG), the Society of Petroleum Evaluation Engineers (SPEE), and the World Petroleum Council (WPC) as co-sponsors. The Society of Exploration Geophysicists (SEG) later also endorsed the PRMS.
- The PRMS sponsors recognize the “evergreen” nature of reserves and resources definitions and will remain diligent in working toward periodic updates and improvements.

Where we are Today?



SPE Oil and Gas Reserves Committee has agreed to consider the need for revision to the PRMS and has agreed a Terms of Reference at its meeting in Feb. of 2013.



Plan Forward: Mandate (1 of 3)

A white sticky note with a red pushpin at the top center is pinned to the top right corner of the slide. The note contains the handwritten text "What's the plan?" in black ink.

- Assess the scope of potential changes to the PRMS. At a minimum, this is expected to include the following considerations:
 - Improve the PRMS’s clarity and, potentially, granularity where necessary
 - Review and recommend elements for alignment with the Canadian definitions as set out in the Canadian Oil and Gas Evaluation Handbook (“COGEH”)
 - Review and recommend elements for alignment with other international reserves and resource definition systems, such as (without limitation) that of the Norwegian Petroleum Directorate, and the Russian and Chinese systems
 - Revisions to be considered to bring the definitions in line with the requirements for assessing reserves and resources in unconventional reservoirs.

Plan Forward: Mandate (2 of 3)



What's
the
plan?

- Other changes needed based on experience gained during the past five years of intense application throughout the world. Some examples might include:
 - Terminology
 - Incremental and cumulative methodologies
- Maintaining core features being relied upon by current stakeholders including but not limited to:
 - Use for international contracts
 - Fundamental framework of standards for governmental and regulatory reporting
 - Project based-resource management
 - Financial lending and equity markets

Plan Forward: Mandate (3 of 3)



What's
the
plan?

- Expansion for other stakeholders and users:
 - National inventories and resource studies.
 - Framework of Regulatory reporting of risks and uncertainty in the resources estimates
- Items which are “out of scope” for the Steering Committee are the following:
 - Disclosures requirements of Governments, banks or equity markets
 - Prescriptive manual for the calculation or reporting of resources
 - A start “from scratch” or “wholesale” re-write of the PRMS
 - Updates to the Applications Guidelines (AG). Any significant conflicts with the AG document will be identified for the OGRC to address
 - Enforcement of PRMS

Have a Suggestion?

- Interested in the providing a suggestion for consideration in the update?
- Send your comments via e-mail:

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Questions?