



RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

Houston
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2010 Ryder Scott Reserves Conference
“Evaluation Challenges in a Changing World”

**Insight to the Industry’s SEC Disclosure for
Reporting Probable and Possible Reserves**
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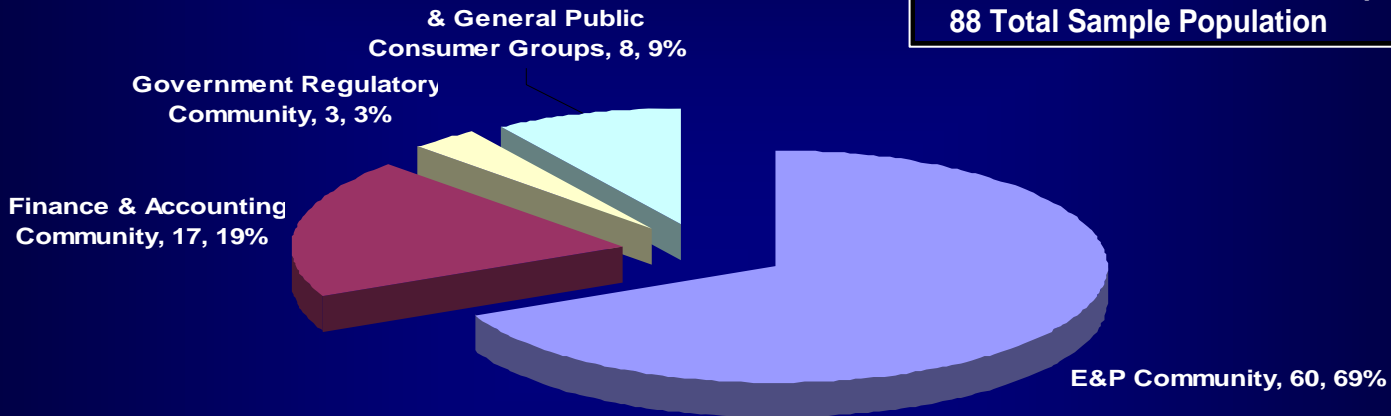
Presentation Outline



- Background to the SEC Rules Change
 - SEC Concept Release
 - SEC Proposing Release
 - Modernization of Oil and Gas Reporting; Final Rule (“SEC Modernization”)
- SEC Guidance for Disclosure Relating to Probable and Possible Reserves
- Filings Under the New SEC Regulations
 - Survey of 10-K Filings

Background to SEC Rules Change

SEC Concept Release 12/12/2007



Tallying the Responses
81 Total Responses Sent to SEC
+ 11 API Member Companies
- 4 API Individual Member Responses
88 Total Sample Population

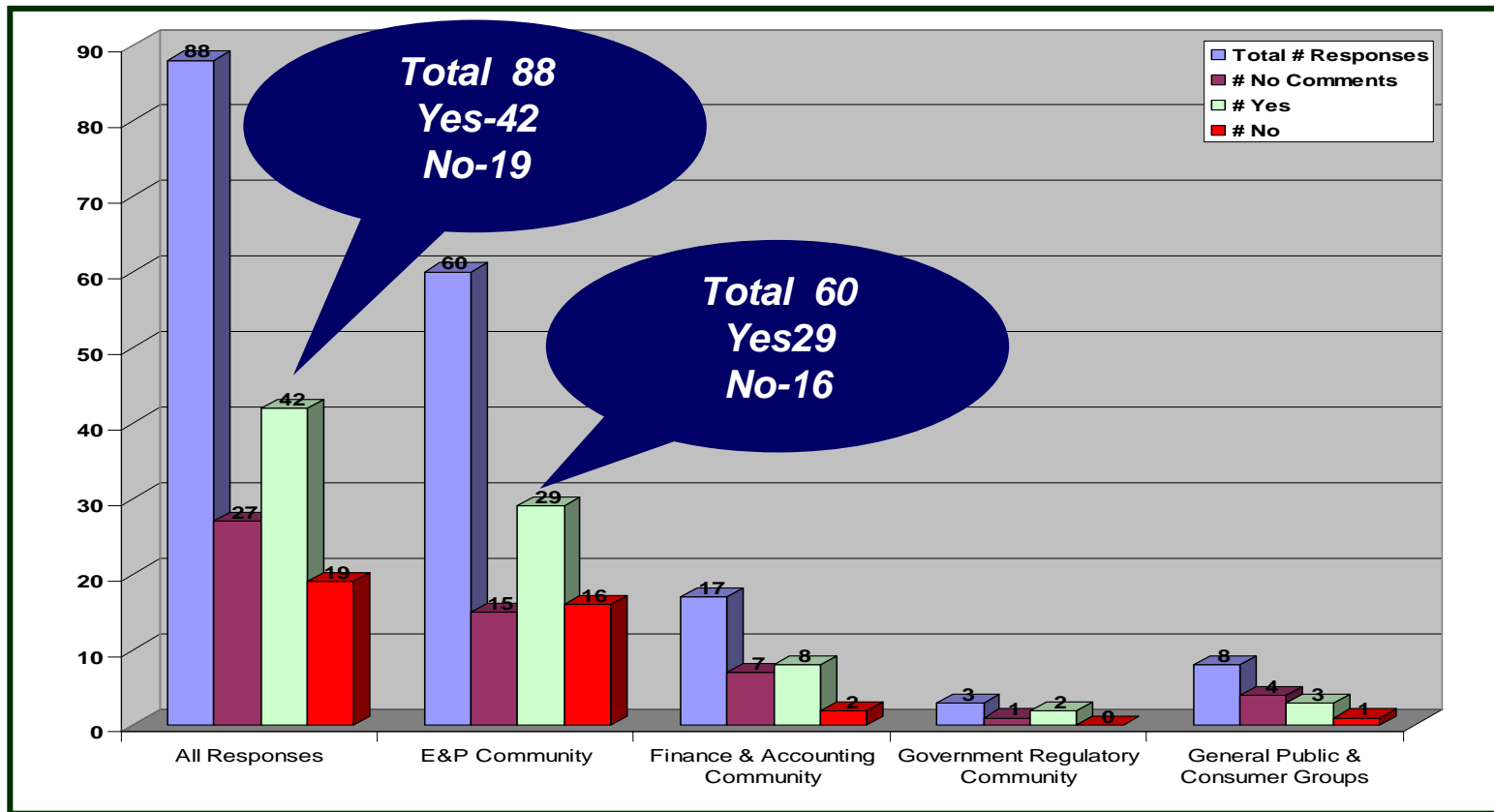
“Questioned whether to expand the categories of resources that may be disclosed in Commission filings to include resources other than proved reserves”

Source: Modernization of Oil and Gas Reporting: Final Rule

SEC Concept Release Question #2 Responses

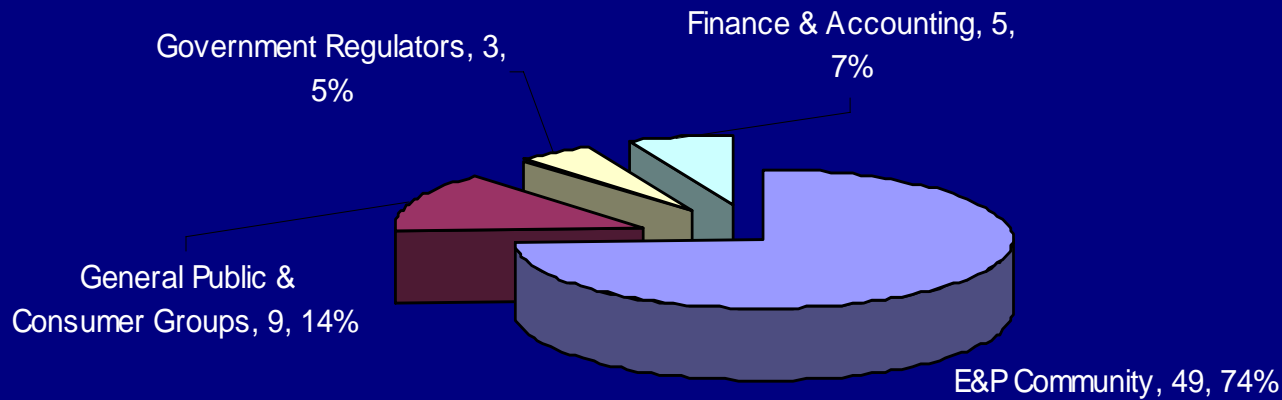


SEC- "Should the Commission consider allowing companies to disclose reserves other than proved reserves in filings with the SEC?"



Background to SEC Rules Change

SEC Proposing Release 6/26/2008



“Included the proposal to permit disclosure of probable and possible reserves”

Source: Modernization of Oil and Gas Reporting: Final Rule



II.E. Unproved Reserves—“Probable Reserves” and “Possible Reserves” Request for Comment

- *Should we permit a company to disclose its probable or possible reserves, as proposed?*
- *If so, why?*
- *Should we require, rather than permit, disclosure of probable or possible reserves? If so why?*

II.E. Unproved Reserves—“Probable Reserves” and “Possible Reserves” Request for Comment

- *Should we adopt the proposed definitions of probable reserves and possible reserves? Should we make any revisions to those proposed definitions? If so, how should we revise them?*
- *Are the proposed 50% and 10% probability thresholds appropriate for estimating probable and possible reserves quantities when a company uses probabilistic methods?*
- *Should probable reserves have a 60% or 70% probability threshold? Should possible reserves have a 15% or 20% probability threshold? If not, how should we modify them?*

SEC Modernization

Discussion of Probable and Possible Reserves



- Adopted definitions of probable and possible reserves roughly consistent with the PRMS
- Definitions provide guidance for the use of both deterministic and probabilistic methods

SEC Modernization Discussion on Disclosure



- Allows optional disclosure of probable and possible reserves
- New item 1202 requires disclosure in the aggregate (to the company total level) and by geographic area
 - Company may, but is not required to, disclose probable or possible reserves
 - 229.1202(a)(2) If a company discloses probable and possible reserves, it must provide the same level of geographic detail as it must with proved reserves and must state whether the reserves are developed or undeveloped
 - 229.1202(a)(5) Company must disclose the relative uncertainty associated with these classifications of reserves estimates



- Section V. Guidance for MD&A
 - Fundamental premise of MD&A is that the information provided should be related to issues that are material to a company including
 - Changes in proved reserves and, if disclosed, probable and possible reserves, and the sources to which such changes are attributable

Filings Under New SEC Regulations

Disclosure by Industry



- Survey of 111 10-K Filers
 - List Compiled from 12/31/2008 Oil & Gas Journal Top 150 with 10-Ks Released 12/31/2009 Or Later
 - A Very Limited Number of Companies Filed Probable and/or Possible Reserves

Type of Non-Proved Disclosure	No. Instances	Companies
Probable Reserves Only	2	Newfield, FX Energy
Probable and Possible Reserves	4	Abraxas, Dune Energy, Tri-Valley, Whiting Petroleum
Total	6	

Company	Total Pv Reserves	Total Pb Reserves	Total Ps Reserves
Abraxas	149.5 BCFE	44.3 BCFE	30.6 BCFE
Dune Energy	105.5 BCFE	6.6 BCFE	7.0 BCFE
FX Energy	50.4 BCFE	42.3 BCFE	
Newfield Exploration	3.6 TCFE	1.9 TCFE	
Tri-Valley	3.1 MMBOE	0.8 MMBOE	6.1 MMBOE
Whiting Petroleum	275.0 MMBOE	89.1 MMBOE	197.5 MMBOE

- To Date the Industry Appears Reluctant or Does Not See the Need to Formally Disclose Their Probable and/or Possible Reserves