February 14, 2008

**RE: File No. S7-29-07**
**CONCEPT RELEASE ON POSSIBLE REVISIONS TO THE DISCLOSURE REQUIREMENTS RELATING TO OIL AND GAS RESERVES**

**Question:**

7. **Should we reconsider the concept of certainty with regard to proved undeveloped reserves? Should we allow companies to indefinitely classify undeveloped with reserves as proved?**

***Response:*** The current guidelines allow a company to claim resources as Proved Undeveloped reserves when the estimator is "reasonably certain of production when drilled for the offsetting productive unit". However, for other undrilled units, (i.e., for the second location away), the current guidelines require that only when "it can be demonstrated with certainty that there is continuity of production from the existing productive formation" can Proved Undeveloped reserves be assigned. Currently this "certainty criteria" can be resolved with reservoir pressure data and/or well log data that may indicate changes in fluid levels, when available.

While I would agree that this level of confidence is appropriate in some instances where limited or no offsetting well control exists, I also believe that this requirement is in fact "too stringent" in circumstances where offsetting well control does exist, but no pressure data is available to prove certainty. In certain instances, a detailed geological analysis of well control in highly developed reservoirs, with close spacing of existing wells, can be used to reach a level of reasonable certainty of production when drilled.

While I am suggesting that the SEC reconsider this concept of certainty and change to using "reasonable certainty" for all Proved reserves, it is important to note that reasonable certainty has to be demonstrated using well control, and can only be achieved when no information exists (or the lack of data) that would raise doubt as to this level of reasonable certainty. I am not suggesting that Proved Undeveloped reserves be assigned "carte blanche" to every existing well, without regard to technical data available.

**Question:**

10. **Should we reconsider requiring companies to use a sale price in estimating reserves? If so, how should we establish the price framework? Should we require or allow companies to use an average price instead of a fixed price of a futures price instead of a spot price? Should we allow companies to determine the price framework? How would allowing companies to use different prices affect disclosure quality and consistency? Regardless of the pricing method that is used, should we allow or require companies to present a sensitivity analysis that would quantify the effect of price changes on the level of proved reserves?**

***Response:*** Changes in marketing of oil and gas and general global conditions have created volatility for daily oil and gas prices. The current requirement for using the year-end price, which is one of the most volatile days of trading, should be changed to be based on an average price for a given time period….possibly the previous 12-month average ending 3 months prior to the fiscal year-end. (i.e., October 1 through September 30 for fiscal year-end companies ending December 31, and April 1 through March 31 for fiscal mid-year companies ending June 30.) This revision to the requirements would better reflect the pricing environment. In addition, by knowing the price in advance of the fiscal year-end date, companies would better be able to expedite the timely filing of reports to the public.

Even with the current guidelines, there are misunderstandings as to what the final one-day year-end price should be, due in part to the complex manner in which oil and gas is sold and in part to the various prices reported in the general media. There are "SPOT Cash Market" prices and also "Futures" prices for oil and gas; "Transaction Date" prices and "Flow Date" prices for gas, as well as "Monthly Average SPOT" prices and "Bidweek SPOT" prices; as well as SPOT Market and Posted prices for oil.

If the change to an average benchmark price is used, it needs to be specified, using modern terminology so as to avoid confusion. I would suggest that the 12-month average gas price be based on historical "Bidweek SPOT" prices, which are used to market a large sector of domestic gas. These prices are available via subscriptions to gas marketing publications familiar to the oil and gas industry. Likewise, I would suggest the 12-month average oil price be based on the historical "SPOT Cash Market" prices, and/or Posted prices (which can be demonstrated to be relational to SPOT prices).

It is extremely important to note that these average prices referred to above serve as benchmarks, which need to be adjusted by the appropriate differentials to reflect wellhead prices.

**Question:**

**14. What aspects of technology should we consider in evaluating a disclosure framework? Is there a way to establish a disclosure framework that accommodates technological advances?**

***Response:*** New technology is emerging in the industry every day. In certain instances results from this technology can be repeated successfully and in some it cannot. However, I believe the Commission should be open to consider allowing the use of these technological advances. I would suggest that in order to be considered acceptable, the results need to be corroborated by all existing data, without conflicts. Obviously, these techniques need to be "tried and tested in the industry" in order to know if they truly are reliable or not. In addition, every company must have proof of the reliability of every technique they use and be prepared to justify it to the Commission if requested to do so.

The Commission, possibly in conjunction with the SPE, could communicate a list of technologies that are considered acceptable techniques and/or ones that are not currently acceptable, due to the level of uncertainty of their results.

I certainly appreciate the opportunity to provide comments for the Commission's consideration. My role as an evaluator has always been, and always will be, to apply the guidelines under which we are governed.

The responses expressed herein represent my personal opinions and do not necessarily represent those of my employer, Ryder Scott Company, or the Society of Petroleum Engineers, of which I am a member.

Sincerely,

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