

# Petroleum Resources Management System

REVISED JUNE 2018



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# Petroleum Resources Management System

**(revised June 2018)**

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Society of Petroleum Engineers (SPE)

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Society of Exploration Geophysicists (SEG)

Society of Petrophysicists and Well Log Analysts (SPWLA)

European Association of Geoscientists & Engineers (EAGE)

Version 1.01

ISBN 978-1-61399-660-7

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## Preamble

Petroleum resources are the quantities of hydrocarbons naturally occurring on or within the Earth's crust. Resources assessments estimate quantities in known and yet-to-be-discovered accumulations. Resources evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects. A petroleum resources management system provides a consistent approach to estimating petroleum quantities, evaluating projects, and presenting results within a comprehensive classification framework.

International efforts to standardize the definitions of petroleum resources and how resources volumes are estimated began in the 1930s. Early guidance focused on Proved Reserves. Building on work initiated by the Society of Petroleum Evaluation Engineers (SPEE), the Society of Petroleum Engineers (SPE) published definitions for all reserves categories in 1987. In the same year, the World Petroleum Council (WPC), then known as the World Petroleum Congress, independently published reserves definitions that were strikingly similar. In 1997, the two organizations jointly released a single set of definitions for reserves that could be used worldwide. In 2000, the American Association of Petroleum Geologists (AAPG), SPE, and WPC jointly developed a classification system for all petroleum resources. This was followed by supplemental application evaluation guidelines (2001), standards for estimating and auditing reserves information (2001, revised 2007), and a glossary of terms used in resources definitions (2005). In 2007, the *SPE/WPC/AAPG/SPEE Petroleum Resources Management System (PRMS)* was issued and subsequently supported by the Society of Exploration Geophysicists (SEG). The document is referred to by the abbreviated term SPE-PRMS, with the caveat that the full title, including clear recognition of the co-sponsoring organizations, has been initially stated. In 2011, the SPE/WPC/AAPG/SPEE/SEG published *Guidelines for the Application of the PRMS* (referred to as Application Guidelines).

The PRMS definitions and the related classification system are now in common use internationally to support petroleum project and portfolio management requirements. PRMS is referenced for national reporting and regulatory disclosures in many jurisdictions and provides the commodity-specific specifications for petroleum under the United Nations Framework Classification for Resources (UNFC) to support petroleum project and portfolio management requirements. The definitions provide a measure of comparability, reduce the subjective nature of resources estimation, and are intended to improve clarity in global communications regarding petroleum resources.

Technologies employed in petroleum exploration, development, production, and processing continue to evolve and improve. The SPE Oil and Gas Reserves Committee works closely with related organizations to maintain the definitions and guidelines to keep current with evolving technology and industry requirements.

This document consolidates, builds on, and replaces prior guidance. Appendix A is a glossary of terms used in the PRMS and replaces those published in 2007. It is expected that this document will be supplemented with industry education programs, best practice reporting standards, and future updates to the 2011 Application Guidelines.

This updated PRMS provides fundamental principles for the evaluation and classification of petroleum reserves and resources. If there is any conflict with prior SPE and PRMS guidance, approved training, or the Application Guidelines, the current PRMS shall prevail. It is understood that these definitions and guidelines allow flexibility for entities, governments, and regulatory agencies to tailor application for their particular needs; however, any modifications to the guidance contained herein must be clearly identified. The terms "shall" or "must" indicate that a provision herein is mandatory for PRMS compliance, while "should" indicates a recommended practice and "may" indicates that a course of action is permissible. The definitions and guidelines contained in this document must not be construed as modifying the interpretation or application of any existing regulatory reporting requirements.

## 1.0 Basic Principles and Definitions

1.0.0.1 A classification system of **petroleum** resources is a fundamental element that provides a common language for communicating both the confidence of a **project's** resources maturation status and the range of potential outcomes to the various entities. The PRMS provides transparency by requiring the **assessment** of various criteria that allow for the classification and categorization of a project's **resources**. The **evaluation** elements consider the **risk** of geologic discovery and the **technical uncertainties** together with a determination of the **chance** of achieving the **commercial** maturation status of a petroleum project.

1.0.0.2 The technical estimation of petroleum resources quantities involves the assessment of quantities and values that have an inherent degree of **uncertainty**. Quantities of petroleum and associated products can be reported in terms of volumes (e.g., barrels or cubic meters), mass (e.g., metric tonnes) or energy (e.g., Btu or Joule). These quantities are associated with **exploration**, **appraisal**, and development projects at various stages of design and implementation. The commercial aspects considered will relate the project's maturity status (e.g., technical, economical, regulatory, and legal) to the chance of project implementation.

1.0.0.3 The use of a consistent classification system enhances comparisons between projects, groups of projects, and total company portfolios. The application of PRMS must consider both technical and commercial factors that impact the project's feasibility, its productive life, and its related cash flows.

### 1.1 Petroleum Resources Classification Framework

1.1.0.1 Petroleum is defined as a naturally occurring mixture consisting of **hydrocarbons** in the gaseous, liquid, or solid state. Petroleum may also contain non-hydrocarbons, common examples of which are carbon dioxide, nitrogen, hydrogen sulfide, and sulfur. In rare cases, non-hydrocarbon content can be greater than 50%.

1.1.0.2 The term resources as used herein is intended to encompass all quantities of petroleum naturally occurring within the Earth's crust, both **discovered** and undiscovered (whether recoverable or unrecoverable), plus those quantities already produced. Further, it includes all types of petroleum whether currently considered as **conventional** or **unconventional resources**.

1.1.0.3 Figure 1.1 graphically represents the PRMS resources classification system. The system classifies resources into discovered and undiscovered and defines the **recoverable resources** classes: **Production**, **Reserves**, **Contingent Resources**, and **Prospective Resources**, as well as Unrecoverable Petroleum.

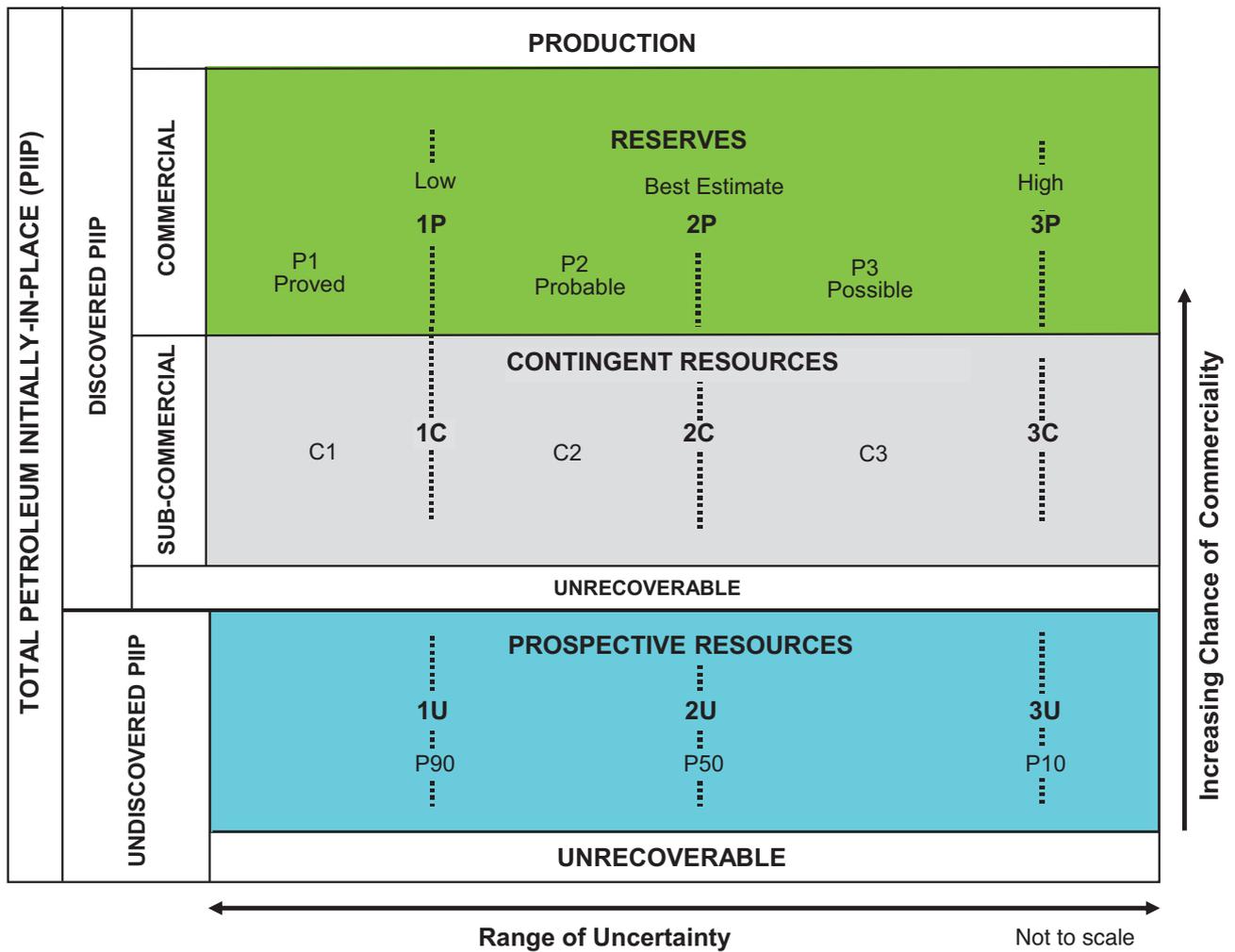


Figure 1.1—Resources classification framework

1.1.0.4 The horizontal axis reflects the [range of uncertainty](#) of estimated quantities potentially recoverable from an [accumulation](#) by a project, while the vertical axis represents the [chance of commerciality](#),  $P_c$ , which is the chance that a project will be committed for development and reach commercial producing status.

1.1.0.5 The following definitions apply to the major subdivisions within the resources classification:

- A. **Total Petroleum Initially-In-Place (PIIP)** is all quantities of petroleum that are estimated to exist originally in naturally occurring accumulations, discovered and undiscovered, before production.
- B. **Discovered PIIP** is the quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations before production.
- C. **Production** is the cumulative quantities of petroleum that have been recovered at a given date. While all recoverable resources are estimated, and production is measured in terms of the sales product specifications, [raw production](#) ([sales](#) plus [non-sales](#)) quantities are also measured and required to support engineering analyses based on [reservoir](#) voidage (see Section 3.2, [Production Measurement](#)).

1.1.0.6 Multiple development projects may be applied to each known or unknown accumulation, and each project will be forecast to recover an estimated portion of the initially-in-place quantities. The projects shall be subdivided into commercial, [sub-commercial](#), and undiscovered, with the estimated recoverable quantities being classified as Reserves, Contingent Resources, or Prospective Resources respectively, as defined below.

- A. **1. Reserves** are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to [known accumulations](#) from a given date forward under [defined conditions](#). Reserves must satisfy four criteria: discovered, recoverable, commercial, and remaining (as of the evaluation's [effective date](#)) based on the development project(s) applied.
  - 2. Reserves are recommended as sales quantities as metered at the [reference point](#). Where the [entity](#) also recognizes quantities [consumed in operations](#) (CiO) (see Section 3.2.2), as Reserves these quantities must be recorded separately. Non-hydrocarbon quantities are recognized as Reserves only when sold together with hydrocarbons or CiO associated with petroleum production. If the non-hydrocarbon is separated before sales, it is excluded from Reserves.
  - 3. Reserves are further categorized in accordance with the range of uncertainty and should be sub-classified based on project maturity and/or characterized by development and production status.
- B. **Contingent Resources** are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, by the application of development project(s) not currently considered to be commercial owing to one or more contingencies. Contingent Resources have an associated [chance of development](#). Contingent Resources may include, for example, projects for which there are currently no viable [markets](#), or where commercial recovery is dependent on [technology under development](#), or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the range of uncertainty associated with the estimates and should be sub-classified based on project maturity and/or [economic](#) status.
- C. **Undiscovered PIIP** is that quantity of petroleum estimated, as of a given date, to be contained within accumulations yet to be discovered.
- D. **Prospective Resources** are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated [chance of geologic discovery](#) and a chance of development. Prospective Resources are further categorized in accordance with the range of uncertainty associated with recoverable estimates, assuming discovery and development, and may be sub-classified based on project maturity.
- E. **Unrecoverable Resources** are that portion of either discovered or undiscovered PIIP evaluated, as of a given date, to be unrecoverable by the currently defined project(s). A portion of these quantities may become recoverable in the future as commercial circumstances change, technology is developed, or additional data are acquired. The remaining portion may never be recovered because of physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

1.1.0.7 The sum of Reserves, Contingent Resources, and Prospective Resources may be referred to as "remaining recoverable resources." Importantly, these quantities should not be aggregated without due consideration of the technical and commercial risk involved with their classification. When such terms are used, each classification component of the summation must be provided.

1.1.0.8 Other terms used in resource assessments include the following:

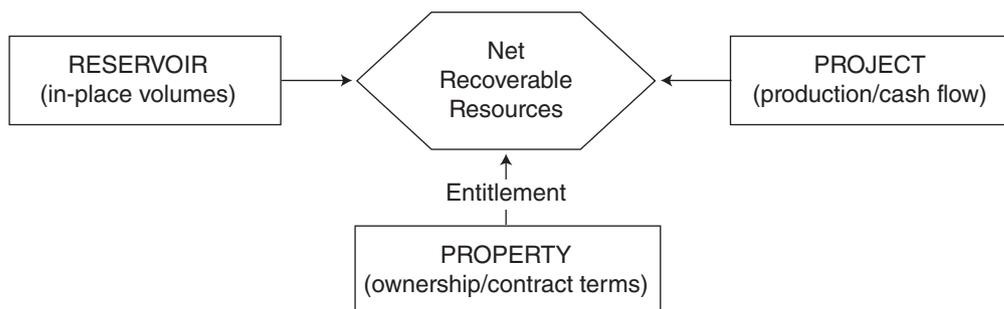
- A. **Estimated Ultimate Recovery (EUR)** is not a resources category or class, but a term that can be applied to an accumulation or group of accumulations (discovered or undiscovered) to define those quantities of petroleum estimated, as of a given date, to be potentially recoverable plus those quantities already produced from the accumulation or group of accumulations. For clarity, EUR must reference the associated technical and commercial conditions for the resources; for example, proved EUR is **Proved Reserves** plus prior production.
- B. **Technically Recoverable Resources (TRR)** are those quantities of petroleum producible using currently available technology and industry practices, regardless of commercial considerations. TRR may be used for specific Projects or for groups of Projects, or, can be an undifferentiated estimate within an area (often basin-wide) of recovery potential.

1.1.0.9 Whenever these terms are used, the conditions associated with their usage must be clearly noted and documented.

## 1.2 Project-Based Resources Evaluations

1.2.0.1 The resources evaluation process consists of identifying a recovery project or projects associated with one or more petroleum accumulations, estimating the quantities of **PIIP**, estimating that portion of those in-place quantities that can be recovered by each project, and classifying the project(s) based on maturity status or chance of commerciality.

1.2.0.2 The concept of a project-based classification system is further clarified by examining the elements contributing to an evaluation of net recoverable resources (see Figure 1.2).



**Figure 1.2—Resources evaluation**

1.2.0.3 **The reservoir** (contains the petroleum accumulation): Key attributes include the types and quantities of PIIP and the fluid and rock properties that affect petroleum recovery.

1.2.0.4 **The project**: A project may constitute the development of a well, a single reservoir, or a small **field**; an incremental development in a producing field; or the integrated development of a field or several fields together with the associated processing facilities (e.g., compression). Within a project, a specific reservoir's development generates a unique production and cash-flow schedule at each level of certainty. The integration of these schedules taken to the project's earliest truncation caused by technical, economic, or the contractual limit defines the estimated recoverable resources and associated future net cash flow projections for each project. The ratio of EUR to total PIIP quantities defines the project's **recovery efficiency**. Each project should have an associated recoverable resources range (**low, best, and high estimate**).

1.2.0.5 **The property** (lease or license area): Each property may have unique associated contractual rights and obligations, including the fiscal terms. This information allows definition of each participating entity's share of produced quantities (**entitlement**) and share of investments, expenses, and revenues for each

recovery project and the reservoir to which it is applied. One property may encompass many reservoirs, or one reservoir may span several different properties. A property may contain both discovered and undiscovered accumulations that may be spatially unrelated to a potential single field designation.

1.2.0.6 An entity's net recoverable resources are the entitlement share of future production legally accruing under the terms of the development and production contract or license.

1.2.0.7 In the context of this relationship, the project is the primary element considered in the resources classification, and the net recoverable resources are the quantities derived from each project. A project represents a defined activity or set of activities to develop the petroleum accumulation(s) and the decisions taken to mature the resources to reserves. In general, it is recommended that an individual project has assigned to it a specific maturity level sub-class (See Section 2.1.3.5, Project Maturity Sub-Classes) at which a decision is made whether or not to proceed (i.e., spend more money) and there should be an associated range of estimated recoverable quantities for the project (See Section 2.2.1, Range of Uncertainty). For completeness, a developed field is also considered to be a project.

1.2.0.8 An accumulation or potential accumulation of petroleum is often subject to several separate and distinct projects that are at different stages of exploration or development. Thus, an accumulation may have recoverable quantities in several [resources classes](#) simultaneously. When multiple options for development exist early in project maturity, these options should be reflected as competing project alternatives to avoid double counting until decisions further refine the project scope and timing. Once the scope is described and the timing of decisions on future activities established, the decision steps will generally align with the project's classification. To assign recoverable resources of any class, a project's [development plan](#), with detail that supports the resource commercial classification claimed, is needed.

1.2.0.9 The estimates of recoverable quantities must be stated in terms of the production derived from the potential development program even for Prospective Resources. Given the major uncertainties involved at this early stage, the development program will not be of the detail expected in later stages of maturity. In most cases, recovery efficiency may be based largely on analogous projects. In-place quantities for which a feasible project cannot be defined using current or reasonably forecast improvements in technology are classified as Unrecoverable.

1.2.0.10 Not all technically feasible development projects will be commercial. The commercial viability of a development project within a field's development plan is dependent on a forecast of the conditions that will exist during the time period encompassed by the project (see Section 3.1, Assessment of Commerciality). Conditions include technical, economic (e.g., hurdle rates, commodity prices), operating and capital costs, marketing, sales route(s), and legal, environmental, social, and governmental factors forecast to exist and impact the project during the time period being evaluated. While economic factors can be summarized as forecast costs and product prices, the underlying influences include, but are not limited to, [market](#) conditions (e.g., inflation, market factors, and contingencies), exchange rates, transportation and processing infrastructure, fiscal terms, and [taxes](#).

1.2.0.11 The resources being estimated are those quantities producible from a project as measured according to delivery specifications at the point of sale or custody transfer (see Section 3.2.1, Reference Point) and may permit forecasts of CiO quantities (see Section 3.2.2., Consumed in Operations). The [cumulative production](#) forecast from the effective date forward to cessation of production is the remaining recoverable resources quantity (see Section 3.1.1, Net Cash-Flow Evaluation).

1.2.0.12 The supporting data, analytical processes, and assumptions describing the technical and commercial basis used in an evaluation must be documented in sufficient detail to allow, as needed, a [qualified reserves evaluator](#) or [qualified reserves auditor](#) to clearly understand each project's basis for the estimation, categorization, and classification of recoverable resources quantities and, if appropriate, associated commercial assessment.

## 2.0 Classification and Categorization Guidelines

2.0.0.1 To consistently characterize petroleum **projects**, **evaluations** of all **resources** should be conducted in the context of the full classification *system* shown in Figure 1.1. These guidelines reference this classification system and support an evaluation in which projects are “classified” based on their **chance** of commerciality,  $P_c$  (the vertical axis labeled **Chance of Commerciality**), and estimates of recoverable and **marketable quantities** associated with each project are “categorized” to reflect **uncertainty** (the horizontal axis). The actual workflow of classification versus categorization varies with individual projects and is often an iterative analysis leading to a final **report**. Report here refers to the presentation of evaluation results within the entity conducting the **assessment** and should not be construed as replacing requirements for public disclosures under guidelines established by regulatory and/or other government agencies.

### 2.1 Resources Classification

2.1.0.1 The PRMS classification establishes criteria for the classification of the **total PIIP**. A determination of a discovery differentiates between **discovered** and **undiscovered PIIP**. The application of a project further differentiates the recoverable from **unrecoverable resources**. The project is then evaluated to determine its maturity status to allow the classification distinction between **commercial** and **sub-commercial** projects. PRMS requires the project’s **recoverable resources** quantities to be classified as either **Reserves**, **Contingent Resources**, or **Prospective Resources**.

#### 2.1.1 Determination of Discovery Status

2.1.1.1 A discovered petroleum **accumulation** is determined to exist when one or more exploratory wells have established through testing, sampling, and/or logging the existence of a significant quantity of potentially recoverable **hydrocarbons** and thus have established a **known accumulation**. In the absence of a **flow test** or sampling, the discovery determination requires confidence in the presence of hydrocarbons and evidence of producibility, which may be supported by suitable producing **analogs** (see Section 4.1.1, Analogs). In this context, “significant” implies that there is evidence of a sufficient quantity of petroleum to justify estimating the in-place quantity demonstrated by the well(s) and for evaluating the potential for commercial recovery.

2.1.1.2 Where a discovery has identified potentially recoverable hydrocarbons, but it is not considered viable to apply a project with **established technology** or with **technology under development**, such quantities may be classified as **Discovered Unrecoverable** with no Contingent Resources. In future evaluations, as appropriate for petroleum resources management purposes, a portion of these unrecoverable quantities may become recoverable resources as either commercial circumstances change or technological developments occur.

#### 2.1.2 Determination of Commerciality

2.1.2.1 Discovered recoverable quantities (Contingent Resources) may be considered commercially mature, and thus attain Reserves classification, if the **entity** claiming commerciality has demonstrated a firm intention to proceed with development. This means the entity has satisfied the internal decision criteria (typically rate of return at or above the weighted average cost-of-capital or the hurdle rate). Commerciality is achieved with the entity’s commitment to the project and all of the following criteria:

- A. Evidence of a technically mature, feasible **development plan**.
- B. Evidence of financial appropriations either being in place or having a high **likelihood** of being secured to implement the project.
- C. Evidence to support a reasonable time-frame for development.

- D. A reasonable assessment that the development projects will have positive economics and meet defined investment and operating criteria. This assessment is performed on the estimated **entitlement** forecast quantities and associated cash flow on which the investment decision is made (see Section 3.1.1, Net Cash-Flow Evaluation).
- E. A reasonable expectation that there will be a **market** for forecast **sales** quantities of the **production** required to justify development. There should also be similar confidence that all produced streams (e.g., oil, gas, water, CO<sub>2</sub>) can be sold, stored, re-injected, or otherwise appropriately disposed.
- F. Evidence that the necessary production and transportation facilities are available or can be made available.
- G. Evidence that legal, contractual, environmental, regulatory, and government approvals are in place or will be forthcoming, together with resolving any social and economic concerns.

2.1.2.2 The commerciality test for Reserves determination is applied to the **best estimate** (P50) forecast quantities, which upon qualifying all commercial and technical maturity criteria and constraints become the 2P Reserves. Stricter cases [e.g., **low estimate** (P90)] may be used for decision purposes or to investigate the range of commerciality (see Section 3.1.2, Economic Criteria). Typically, the low- and high-case project scenarios may be evaluated for sensitivities when considering project **risk** and upside opportunity.

2.1.2.3 To be included in the Reserves class, a project must be sufficiently defined to establish both its technical and commercial viability as noted in Section 2.1.2.1. There must be a reasonable expectation that all required internal and external approvals will be forthcoming and evidence of firm intention to proceed with development within a reasonable time-frame. A reasonable time-frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While five years is recommended as a benchmark, a longer time-frame could be applied where justifiable; for example, development of economic projects that take longer than five years to be developed or are deferred to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented.

2.1.2.4 While PRMS guidelines require financial appropriations evidence, they do not require that project financing be confirmed before classifying projects as Reserves. However, this may be another external reporting requirement. In many cases, financing is conditional upon the same criteria as above. In general, if there is not a **reasonable expectation** that financing or other forms of commitment (e.g., farm-outs) can be arranged so that the development will be initiated within a reasonable time-frame, then the project should be classified as Contingent Resources. If financing is reasonably expected to be in place at the time of the **final investment decision (FID)**, the project's resources may be classified as Reserves.

### 2.1.3 Project Status and Chance of Commerciality

2.1.3.1 Evaluators have the option to establish a more detailed resources classification reporting system that can also provide the basis for portfolio management by subdividing the chance of commerciality axis according to project maturity. Such sub-classes may be characterized qualitatively by the project maturity level descriptions and associated quantitative chance of reaching commercial status and being placed on production.

2.1.3.2 As a project moves to a higher level of commercial maturity in the classification (see Figure 1.1 vertical axis), there will be an increasing **chance** that the accumulation will be commercially developed and the project quantities move to Reserves. For Contingent and Prospective Resources, this is further expressed as a chance of commerciality,  $P_c$ , which incorporates the following underlying chance component(s):

- A. The chance that the potential accumulation will result in the discovery of a significant quantity of petroleum, which is called the “chance of geologic discovery,”  $P_g$ .
- B. Once discovered, the chance that the known accumulation will be commercially developed is called the “chance of development,”  $P_d$ .

2.1.3.3 There must be a high degree of certainty in the chance of commerciality,  $P_c$ , for Reserves to be assigned; for Contingent Resources,  $P_c = P_d$ ; and for Prospective Resources,  $P_c$  is the product of  $P_g$  and  $P_d$ .

2.1.3.4 Contingent and Prospective Resources can have different project scopes (e.g., well count, development spacing, and facility size) as development uncertainties and project definition mature.

### 2.1.3.5 Project Maturity Sub-Classes

2.1.3.5.1 As Figure 2.1 illustrates, development projects and associated recoverable quantities may be sub-classified according to project maturity levels and the associated actions (i.e., business decisions) required to move a project toward commercial production.

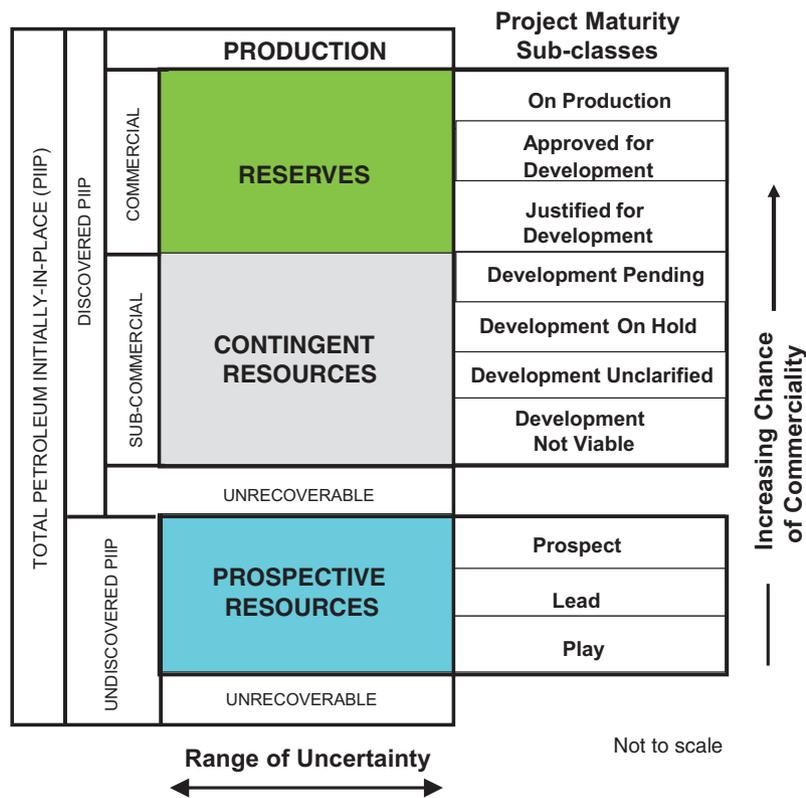


Figure 2.1—Sub-classes based on project maturity

2.1.3.5.2. Maturity terminology and definitions for each project maturity class and sub-class are provided in Table I. This approach supports the management of portfolios of opportunities at various stages of exploration, appraisal, and development. Reserve sub-classes must achieve commerciality while Contingent and Prospective Resources sub-classes may be supplemented by associated quantitative estimates of chance of commerciality to mature.

2.1.3.5.3 Resources sub-class maturation is based on those actions that progress a project through final approvals to implementation and initiation of production and product sales. The boundaries between different levels of project maturity are frequently referred to as project “decision gates.”

2.1.3.5.4 Projects that are classified as Reserves must meet the criteria as listed in Section 2.1.2, Determination of Commerciality. Projects sub-classified as **Justified for Development** are agreed upon by the managing entity and partners as commercially viable and have support to advance the project, which includes a firm intent to proceed with development. All participating entities have agreed to the project and there are no known contingencies to the project from any official entity that will have to formally approve the project.

2.1.3.5.5 Justified for Development Reserves are reclassified to Approved for Development after the FID has been made. Projects should not remain in the Justified for Development sub-class for extended time periods without positive indications that all required approvals are expected to be obtained without undue delay. If there is no longer the reasonable expectation of project execution (i.e., historical track record of execution, project progress), the project shall be reclassified as Contingent Resources.

2.1.3.5.6 Projects classified as Contingent Resources have their sub-classes aligned with the entity’s plan to manage its portfolio of projects. Thus, projects on known accumulations that are actively being studied, undergoing feasibility review, and have planned near-term operations (e.g., drilling) are placed in Contingent Resources **Development Pending**, while those that do not meet this test are placed into either Contingent Resources On Hold, Unclarified, or Not Viable.

2.1.3.5.7 Where commercial factors change and there is a significant risk that a project with Reserves will no longer proceed, the project shall be reclassified as Contingent Resources.

2.1.3.5.8 For Contingent Resources, evaluators should focus on gathering data and performing analyses to clarify and then mitigate those key conditions or contingencies that prevent commercial development. Note that the Contingent Resources sub-classes described above and shown in Figure 2.1 are recommended; however, entities are at liberty to introduce additional sub-classes that align with project management goals.

2.1.3.5.9 For Prospective Resources, potential accumulations may mature from **Play**, to **Lead** and then to **Prospect** based on the ability to identify potentially commercially viable exploration projects. The Prospective Resources are evaluated according to chance of geologic discovery,  $P_g$ , and chance of development,  $P_d$ , which together determine the chance of commerciality,  $P_c$ . Commercially recoverable quantities under appropriate development projects are then estimated. The decision at each exploration phase is whether to undertake further data acquisition and/or studies designed to move the Play through to a drillable Prospect with a project description range commensurate with the Prospective Resources sub-class.

### 2.1.3.6 Reserves Status

2.1.3.6.1 Once projects satisfy commercial maturity (criteria given in Table 1), the associated quantities are classified as Reserves. These quantities may be allocated to the following subdivisions based on the funding and operational status of wells and associated facilities within the **reservoir** development plan (Table 2 provides detailed definitions and guidelines):

- A. **Developed Reserves** are quantities expected to be recovered from existing wells and facilities.
  - 1. **Developed Producing Reserves** are expected to be recovered from **completion intervals** that are open and producing at the time of the estimate.

2. **Developed Non-Producing Reserves** include shut-in and **behind-pipe reserves** with minor costs to access.

- B. Undeveloped Reserves** are quantities expected to be recovered through future significant investments.

2.1.3.6.2 The distinction between the “minor costs to access” Developed Non-Producing Reserves and the “significant investment” needed to develop Undeveloped Reserves requires the judgment of the evaluator taking into account the cost environment. A significant investment would be a relatively large expenditure when compared to the cost of drilling and completing a new well. A minor cost would be a lower expenditure when compared to the cost of drilling and completing a new well.

2.1.3.6.3 Once a project passes the commercial assessment and achieves Reserves status, it is then included with all other Reserves projects of the same category in the same **field** for estimating combined future production and applying the **economic limit** test (see Section 3.1, Assessment of Commerciality).

2.1.3.6.4 Where Reserves remain Undeveloped beyond a reasonable time-frame or have remained Undeveloped owing to postponements, evaluations should be critically reviewed to document reasons for the delay in initiating development and to justify retaining these quantities within the Reserves class. While there are specific circumstances where a longer delay (see Section 2.1.2, Determination of Commerciality) is justified, a reasonable time-frame to commence the project is generally considered to be less than five years from the initial classification date.

2.1.3.6.5 Development and Production status are of significant importance for project portfolio management and financials. The Reserves status concept of Developed and Undeveloped status is based on the funding and operational status of wells and producing facilities within the development project. These status designations are applicable throughout the full range of Reserves uncertainty categories (**1P**, **2P**, and **3P** or Proved, Probable, and Possible). Even those projects that are Developed and **On Production** should have remaining uncertainty in recoverable quantities.

### 2.1.3.7 Economic Status

2.1.3.7.1 Projects may be further characterized by economic status. All projects classified as Reserves must be commercial under **defined conditions** (see Section 3.1, Assessment of Commerciality Assessment). Based on assumptions regarding future conditions and the impact on ultimate economic viability, projects currently classified as Contingent Resources may be broadly divided into two groups:

- A. Economically Viable Contingent Resources** are those quantities associated with technically feasible projects where cash flows are positive under reasonably forecasted conditions but are not Reserves because it does not meet the commercial criteria defined in Section 2.1.2.
- B. Economically Not Viable Contingent Resources** are those quantities for which development projects are not expected to yield positive cash flows under reasonable forecast conditions.

2.1.3.7.2 The best estimate (or P50) **production forecast** is typically used for the economic evaluation for the commercial assessment of the project. The low case, when used as the primary case for a project decision, may be used to determine project economics. The economic evaluation of the project high case alone is not permitted to be used in the determination of the project’s commerciality.

2.1.3.7.3 For Reserves, the best estimate production forecast reflects a specific development scenario recovery process, a certain number and type of wells, facilities, and infrastructure.

2.1.3.7.4 The project's low-case scenario is tested to ensure it is economic, which is required for **Proved Reserves** to exist (see Section 2.2.2, Category Definitions and Guidelines). It is recommended to evaluate the low case and the high case (which will quantify the 3P Reserves) to convey the project downside risk and upside potential. The project development scenarios may vary in the number and type of wells, facilities, and infrastructure in Contingent Resources, but to recognize Reserves, there must exist the reasonable expectation to develop the project for the best-estimate case.

2.1.3.7.5 The economic status may be identified independently of, or applied in combination with, project maturity sub-classification to more completely describe the project. Economic status is not the only qualifier that allows defining Contingent or Prospective Resources sub-classes. Within Contingent Resources, applying the project status to decision gates (and/or incorporating them in a plan to execute) more appropriately defines whether the project is placed into the sub-class of either Development Pending versus On Hold, Not Viable, or Unclarified.

2.1.3.7.6 Where evaluations are incomplete and it is premature to clearly define the associated cash flows, it is acceptable to note that the project economic status is "undetermined."

## 2.2 Resources Categorization

2.2.0.1 The horizontal axis in the resources classification in Figure 1.1 defines the **range of uncertainty** in estimates of the quantities of recoverable, or potentially recoverable, petroleum associated with a project or group of projects. These estimates include the uncertainty components as follows:

- A. The total petroleum remaining within the accumulation (in-place resources).
- B. The **technical uncertainty** in the portion of the total petroleum that can be recovered by applying a defined development project or projects (i.e., the technology applied).
- C. Known variations in the commercial terms that may impact the quantities recovered and sold (e.g., market availability; contractual changes, such as production rate tiers or product quality specifications) are part of project's scope and are included in the horizontal axis, while the chance of satisfying the commercial terms is reflected in the classification (vertical axis).

2.2.0.2 The uncertainty in a project's recoverable quantities is reflected by the 1P, 2P, 3P, Proved (**P1**), Probable (**P2**), Possible (**P3**), **1C, 2C, 3C, C1, C2, and C3**; or **1U, 2U, and 3U resources categories**. The commercial chance of success is associated with **resources classes** or sub-classes and not with the resources categories reflecting the range of recoverable quantities.

2.2.0.3 There must be a single set of defined conditions applied for resource categorization. Use of different commercial assumptions for categorizing quantities is referred to as "**split conditions**" and are not allowed. Frequently, an entity will conduct project evaluation sensitivities to understand potential implications when making project selection decisions. Such sensitivities may be fully aligned to resource categories or may use single parameters, groups of parameters, or variances in the defined conditions.

2.2.0.4 Moreover, a single project is uniquely assigned to a sub-class along with its uncertainty range. For example, a project cannot have quantities classified in both Contingent Resources and Reserves, for instance as 1C, 2P, and 3P. This is referred to as "**split classification**."

### 2.2.1 Range of Uncertainty

2.2.1.1 Uncertainty is inherent in a project's resources estimation and is communicated in PRMS by reporting a range of category outcomes. The range of uncertainty of the recoverable and/or potentially

recoverable quantities may be represented by either deterministic scenarios or by a probability distribution (see Section 4.2, Resources Assessment Methods).

2.2.1.2 When the range of uncertainty is represented by a probability distribution, a **low, best, and high estimate** shall be provided such that:

- A. There should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate.
- B. There should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate.
- C. There should be at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the **high estimate**.

2.2.1.3 In some projects, the range of uncertainty may be limited, and the three scenarios may result in resources estimates that are not significantly different. In these situations, a single value estimate may be appropriate to describe the expected result.

2.2.1.4 When using the **deterministic scenario method**, typically there should also be low, best, and high estimates, where such estimates are based on qualitative assessments of relative uncertainty using consistent interpretation guidelines. Under the **deterministic incremental method**, quantities for each confidence segment are estimated discretely (see Section 2.2.2, Category Definitions and Guidelines).

2.2.1.5 Project resources are initially estimated using the above uncertainty range forecasts that incorporate the subsurface elements together with technical constraints related to wells and facilities. The **technical forecasts** then have additional commercial criteria applied (e.g., economics and license cutoffs are the most common) to estimate the entitlement quantities attributed and the resources classification status: Reserves, Contingent Resources, and Prospective Resources.

2.2.1.6 While there may be significant chance that sub-commercial and undiscovered accumulations will not achieve commercial production, it is useful to consider the range of potentially recoverable quantities independent of such likelihood when considering what resources class to assign the project quantities.

## 2.2.2 Category Definitions and Guidelines

2.2.2.1 Evaluators may assess recoverable quantities and categorize results by uncertainty using the deterministic incremental method, the deterministic scenario (cumulative) method, **geostatistical methods**, or **probabilistic methods** (see Section 4.2, Resources Assessment Methods). Also, combinations of these methods may be used.

2.2.2.2 Use of consistent terminology (Figures 1.1 and 2.1) promotes clarity in communication of evaluation results. For Reserves, the general cumulative terms low/best/high forecasts are used to estimate the resulting 1P/2P/3P quantities, respectively. The associated incremental quantities are termed Proved (P1), Probable (P2) and Possible (P3). Reserves are a subset of, and must be viewed within the context of, the complete resources classification system. While the categorization criteria are proposed specifically for Reserves, in most cases, the criteria can be equally applied to Contingent and Prospective Resources. Upon satisfying the commercial maturity criteria for discovery and/or development, the project quantities will then move to the appropriate resources sub-class. Table 3 provides criteria for the Reserves categories determination.

2.2.2.3 For Contingent Resources, the general cumulative terms low/best/high estimates are used to estimate the resulting 1C/2C/3C quantities, respectively. The terms C1, C2, and C3 are defined for incremental quantities of Contingent Resources.

2.2.2.4 For Prospective Resources, the general cumulative terms low/best/high estimates also apply and are used to estimate the resulting 1U/2U/3U quantities. No specific terms are defined for incremental quantities within Prospective Resources.

2.2.2.5 Quantities in different classes and sub-classes cannot be aggregated without considering the varying degrees of technical uncertainty and commercial likelihood involved with the classification(s) and without considering the degree of dependency between them (see Section 4.2.1, Aggregating Resources Classes).

2.2.2.6 Without new technical information, there should be no change in the distribution of technically recoverable resources and the categorization boundaries when conditions are satisfied to reclassify a project from Contingent Resources to Reserves.

2.2.2.7 All evaluations require application of a consistent set of forecast conditions, including assumed future costs and prices, for both classification of projects and categorization of estimated quantities recovered by each project (see Section 3.1, Assessment of Commerciality).

2.2.2.8 Tables 1, 2, and 3 present category definitions and provide guidelines designed to promote consistency in resources assessments. The following summarize the definitions for each Reserves category in terms of both the deterministic incremental method and the [deterministic scenario method](#), and also provides the criteria if probabilistic methods are applied. For all methods (incremental, scenario, or probabilistic), low, best and high estimate technical forecasts are prepared at an [effective date](#) (unless justified otherwise), then tested to validate the commercial criteria, and truncated as applicable for determination of Reserves quantities.

- A. Proved Reserves** are those quantities of Petroleum that, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable from known reservoirs and under defined technical and commercial conditions. If [deterministic methods](#) are used, the term “reasonable certainty” is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.
- B. Probable Reserves** are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than [Possible Reserves](#). It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
- C. Possible Reserves** are those additional Reserves that analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) Reserves, which is equivalent to the high-estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate. Possible Reserves that are located outside of the 2P area (not upside quantities to the 2P scenario) may exist only when the commercial and technical maturity criteria have been met (that incorporate the Possible development scope). Stand-alone Possible Reserves must reference a commercial 2P project (e.g., a lease adjacent to the

commercial project that may be owned by a separate entity), otherwise stand-alone Possible is not permitted.

2.2.2.9 One, but not the sole, criterion for qualifying discovered resources and to categorize the project's range of its low/best/high or P90/P50/P10 estimates to either 1C/2C/3C or 1P/2P/3P is the distance away from known productive area(s) defined by the geoscience confidence in the subsurface.

2.2.2.10 A conservative (low-case) estimate may be required to support financing. However, for project justification, it is generally the best-estimate Reserves or Resources quantity that passes qualification because it is considered the most realistic assessment of a project's recoverable quantities. The best estimate is generally considered to represent the sum of Proved and Probable estimates (2P) for Reserves, or 2C when Contingent Resources are cited, when aggregating a field, multiple fields, or an entity's resources.

2.2.2.11 It should be noted that under the deterministic incremental method, discrete estimates are made for each category and should not be aggregated without due consideration of associated confidence. Results from the deterministic scenario, deterministic incremental, geostatistical and probabilistic methods applied to the same project should give comparable results (see Section 4.2, Resources Assessment Methods). If material differences exist between the results of different methods, the evaluator should be prepared to explain these differences.

## 2.3 Incremental Projects

2.3.0.1 The initial resources assessment is based on application of a defined initial development project, even extending into Prospective Resources. Incremental projects are designed to either increase [recovery efficiency](#), reduce costs, or accelerate production through either maintenance of or changes to wells, [completions](#), or facilities or through infill drilling or by means of [improved recovery](#). Such projects are classified according to the resources classification framework (Figure 1.1), with preference for applying project maturity sub-classes (Figure 2.1). Related incremental quantities are similarly categorized on the range of uncertainty of recovery. The projected recovery change can be included in Reserves if the degree of commitment is such that the project has achieved commercial maturity (See Section 2.1.2, Determination of Commerciality). The quantity of such incremental recovery must be supported by technical evidence to justify the relative confidence in the resources category assigned.

2.3.0.2 An incremental project must have a defined development plan. A development plan may include projects targeting the entire field (or even multiple, linked fields), reservoirs, or single wells. Each incremental project will have its own planned timing for execution and resource quantities attributed to the project. Development plans may also include appraisal projects that will lead to subsequent project decisions based on appraisal outcomes.

2.3.0.3 Circumstances when development will be significantly delayed and where it is considered that Reserves are still justified should be clearly documented. If there is no longer the reasonable expectation of project execution (i.e., historical track record of execution, project progress), forecast project incremental recoveries are to be reclassified as Contingent Resources (see Section 2.1.2, Determination of Commerciality).

### 2.3.1 Workovers, Treatments, and Changes of Equipment

2.3.1.1 Incremental recovery associated with a future workover, treatment (including hydraulic fracturing stimulation), re-treatment, changes to existing equipment, or other mechanical procedures where such projects have routinely been successful in [analogous reservoirs](#) may be classified as Developed Reserves, Undeveloped Reserves, or Contingent Resources, depending on the associated costs required (see Section 2.1.3.2, Reserves Status) and the status of the project's commercial maturity elements.

2.3.1.2 Facilities that are either beyond their operational life, placed out of service, or removed from service cannot be associated with Reserves recognition. When required facilities become unavailable or out of service for longer than a year, it may be necessary to reclassify the Developed Reserves to either Undeveloped Reserves or Contingent Resources. A project that includes facility replacement or restoration of operational usefulness must be identified, commensurate with the resources classification.

### 2.3.2 Compression

2.3.2.1 Reduction in the backpressure through compression can increase the portion of in-place gas that can be commercially produced and thus included in resources estimates. If the eventual installation of compression meets commercial maturity requirements, the incremental recovery is included in either Undeveloped Reserves or Developed Reserves, depending on the investment on meeting the Developed or Undeveloped classification criteria. However, if the cost to implement compression is not significant, relative to the cost of one new well in the field, or there is reasonable expectation that compression will be implemented by a third party in a common sales line beyond the [reference point](#), the incremental quantities may be classified as Developed Reserves. If compression facilities were not part of the original approved development plan and such costs are significant, it should be treated as a separate project subject to normal project maturity criteria.

### 2.3.3 Infill Drilling

2.3.3.1 Technical and commercial analyses may support drilling additional producing wells to reduce the well spacing of the initial development plan, subject to government regulations. Infill drilling may have the combined effect of increasing recovery and accelerating production. Only the incremental recovery (i.e. recovery from infill wells less the recovery difference in earlier wells) can be considered as additional Reserves for the project; this incremental recovery may need to be reallocated.

### 2.3.4 Improved Recovery

2.3.4.1 [Improved recovery](#) is the additional petroleum obtained, beyond [primary recovery](#), from naturally occurring reservoirs by supplementing the natural reservoir energy. It includes secondary recovery (e.g., waterflooding and pressure maintenance), tertiary recovery processes (thermal, miscible gas [injection](#), chemical injection, and other types), and any other means of supplementing natural reservoir recovery processes.

2.3.4.2 Improved recovery projects must meet the same Reserves technical and commercial maturity criteria as primary recovery projects.

2.3.4.3 The judgment on commerciality is based on [pilot project](#) results within the subject reservoir or by comparison to a reservoir with analogous rock and fluid properties and where a similar established improved recovery project has been successfully applied.

2.3.4.4 Incremental recoveries through improved recovery methods that have yet to be established through routine, commercially successful applications are included as Reserves only after a favorable production response from the subject reservoir from either (a) a representative pilot or (b) an installed portion of the project, where the response provides support for the analysis on which the project is based. The improved recovery project's resources will remain classified as Contingent Resources Development Pending until the pilot has demonstrated both technical and commercial feasibility and the full project passes the Justified for Development "decision gate."

## 2.4 Unconventional Resources

2.4.0.1 The types of in-place petroleum resources defined as conventional and unconventional may require different evaluation approaches and/or extraction methods. However, the PRMS resources definitions,

together with the classification system, apply to all types of petroleum accumulations regardless of the in-place characteristics, extraction method applied, or degree of processing required.

- A. **Conventional resources** exist in porous and permeable rock with pressure equilibrium. The **PIIP** is trapped in discrete accumulations related to a local geological structure feature and/or stratigraphic condition. Each conventional accumulation is typically bounded by a down dip contact with an aquifer, as its position is controlled by hydrodynamic interactions between buoyancy of petroleum in water versus capillary force. The petroleum is recovered through wellbores and typically requires minimal processing before sale.
- B. **Unconventional resources** exist in petroleum accumulations that are pervasive throughout a large area and are not significantly affected by hydrodynamic influences (also called “**continuous-type deposit**”). Usually there is not an obvious structural or stratigraphic trap. Examples include **coalbed methane** (CBM), **basin-centered gas** (low permeability), **tight gas** and **tight oil** (low permeability), **gas hydrates**, **natural bitumen** (very high viscosity oil), and **oil shale** (**kerogen**) deposits. Note that **shale gas** and **shale oil** are sub-types of tight gas and tight oil where the lithologies are predominantly shales or siltstones. These accumulations lack the porosity and permeability of conventional reservoirs required to flow without stimulation at economic rates. Typically, such accumulations require specialized extraction technology (e.g., dewatering of CBM, hydraulic fracturing stimulation for tight gas and tight oil, steam and/or solvents to mobilize natural bitumen for in-situ recovery, and in some cases, surface mining of **oil sands**). Moreover, the extracted petroleum may require significant processing before sale (e.g., bitumen **upgraders**).

2.4.0.2 For unconventional petroleum accumulations, reliance on continuous water contacts and pressure gradient analysis to interpret the extent of recoverable petroleum is not possible. Thus, there is typically a need for increased spatial sampling density to define uncertainty of in-place quantities, variations in reservoir and hydrocarbon quality, and to support design of specialized mining or in-situ extraction programs. In addition, unconventional resources typically require different evaluation techniques than conventional resources.

2.4.0.3 Extrapolation of reservoir presence or productivity beyond a control point within a resources accumulation must not be assumed unless there is technical evidence to support it. Therefore, extrapolation beyond the immediate vicinity of a control point should be limited unless there is clear engineering and/or geoscience evidence to show otherwise.

2.4.0.4 The extent of the discovery within a pervasive accumulation is based on the evaluator’s reasonable confidence based on distances from existing experience, otherwise quantities remain as undiscovered. Where log and core data and nearby producing analogs provide evidence of potential economic viability, a successful well test may not be required to assign Contingent Resources. Pilot projects may be needed to define Reserves, which requires further evaluation of technical and commercial viability.

2.4.0.5 A fundamental characteristic of engagement in a repetitive task is that it may improve performance over time. Attempts to quantify this improvement gave rise to the concept of the manufacturing progress function commonly called the “**learning curve**.” The learning curve is characterized by a decrease in time and/or costs, usually in the early stages of a project when processes are being optimized. At that time, each new improvement may be significant. As the project matures, further improvements in time or cost savings are typically less substantial. In oil and gas developments with high well counts and a continuous program of activity (multi-year), the use of a learning curve within a resources evaluation may be justified to predict improvements in either the time taken to carry out the activity, the cost to do so, or both. While each development project is unique, review of analogs can provide guidance on such predictions and the range of associated uncertainty in the resulting recoverable resources estimates (see also Section 3.1.2 Economic Criteria).

## 3.0 Evaluation and Reporting Guidelines

3.0.0.1 The following guidelines are provided to promote consistency in [project evaluations](#) and reporting. “Reporting” in this document refers to the presentation of evaluation results within the entity conducting the evaluation and should not be construed as replacing requirements for public disclosures established by regulatory and/or other government agencies or any current or future associated accounting standards.

3.0.0.2 [Reserves](#) and [resources](#) evaluations are based on a set of [defined conditions](#) that are used to classify and categorize a project’s expected recoverable quantities. The defined conditions include the factors that impact commerciality, such as decision hurdle rates; commodity prices; operating and capital costs; technical subsurface parameters; marketing, sales route(s); environmental, governmental, legal, and social factors; and timing issues. These factors are forecast for the project over time, and [evaluators](#) must clearly identify and document the assumptions used in the evaluation because these assumptions can directly impact the project quantities eligible for classification as Reserves or Resources. A project with Contingent Resources may not yet have all defined conditions addressed, and reasonable assumptions should be made and documented.

3.0.0.3 Hydrocarbon evaluations recognize production and transportation practices that involve methods of extraction other than through the flow of fluids from wells to surface facilities, such as surface mining of bitumen or in-situ conversion processes.

### 3.1 Assessment of Commerciality

3.1.0.1 [Commercial](#) assessments are conducted on a project basis and are based on the [entity’s](#) view of future conditions. The forecast commercial conditions, technical feasibility, and the entity’s decision to commit to the project are several of the key elements that underpin the project’s resources classification. Commercial conditions include, but are not limited to, assumptions of an entity’s investment hurdle criteria; financial conditions (e.g., costs, prices, fiscal terms, [taxes](#)); partners’ investment decision(s); organization capabilities; and marketing, legal, environmental, social, and governmental factors. Project value may be assessed in several ways (e.g., cash flow analysis, historical costs, comparative [market](#) values, key [economic](#) parameters) (see Section 2.1.2, Determination of Commerciality). The guidelines herein apply only to assessments based on cash-flow analysis. Moreover, modifying factors that may additionally influence investment decisions, such as contractual or political risks, should be recognized so the entity may address these factors if they are not included in the project analysis.

#### 3.1.1 Net Cash-Flow Evaluation

3.1.1.1 Project-based resource economic evaluations are based on estimates of future [production](#) and the associated net cash-flow schedules for each project as of an effective date. These net cash flows should be discounted using a defined discount rate, and the sum of the future discounted cash flows is termed the net present value (NPV) of the project. The calculation shall be based upon an appropriately defined [reference point](#) (see Section 3.2.1, Reference Point) and should reflect the following:

- A. The forecast production quantities over identified time periods.
- B. The estimated costs and schedule associated with the project to develop, recover, and produce the quantities to the reference point, including [abandonment, decommissioning, and restoration \(ADR\)](#) costs, based on the entity’s view of the expected future costs.
- C. The estimated revenues from the quantities of production based on the evaluator’s view of the prices expected to apply to the respective commodities in future periods, taking into account any [sales](#) contracts or price hedges specific to a [property](#), including that portion of the costs and revenues accruing to the entity.

- D. Future projected production- and revenue-related taxes and royalties expected to be paid by the entity.
- E. A project life that is limited to the period of **economic interest** or a reasonably certain estimate of the life expectancy of the project, which is typically truncated by the earliest occurrence of either technical, license, or **economic limit**.
- F. The application of an appropriate discount rate applicable to the entity at the time of the evaluation.

### 3.1.2 Economic Criteria

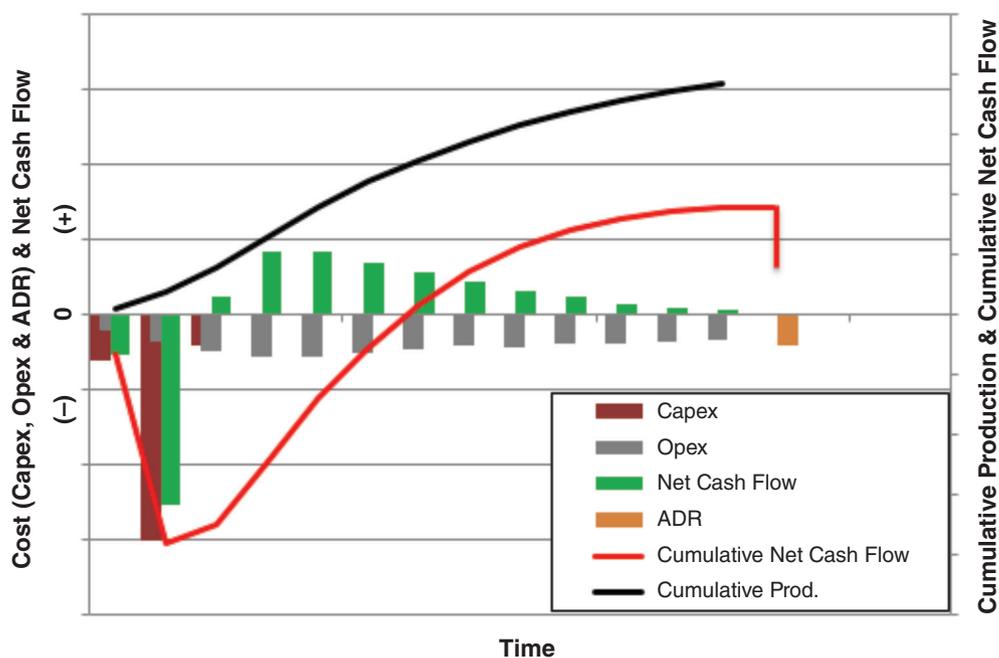
3.1.2.1 Economic determination of a project is tested assuming a zero percent discount rate (i.e., undiscounted). A project with a positive undiscounted cumulative net cash flow is considered economic. Production from the project is economic when the revenue attributable to the entity interest from production exceeds the cost of operation. A project's production is **economically producible** when the net revenue from an ongoing producing project exceeds the net expenses attributable to a certain entity's interest. The ADR costs are excluded from the economically producibility determination. A project is commercial when it is economic and it meets the criteria discussed in Section 2.1.2.

3.1.2.2 Economic viability is tested by applying a **forecast case** that evaluates cash-flow estimates based on an entity's forecasted economic scenario conditions (including costs and product price schedules, inflation indexes, and market factors). The forecast made by the evaluator should reflect and document assumptions the entity assesses as reasonable to exist throughout the life of the project. Inflation, deflation, or market adjustments may be made to forecast costs and revenues.

3.1.2.3 Forecasts based solely on **current economic conditions** are estimated using an average of those conditions (including historical prices and costs) during a specified period. The default period for averaging prices and costs is one year. However, if a step change has occurred within the previous 12-month period, the use of a shorter period reflecting the step change must be justified. In developments with high well counts and a continuous program of activity, the use of a **learning curve** within a resources evaluation may be justified to predict improvements in either time taken to carry out the activity, the cost to do so, or both, if confirmed by operational evidence and documented by the evaluator. The confidence in the ability to deliver such savings must be considered in developing the range of **uncertainty** in production and NPV estimates.

3.1.2.4 All costs, including future ADR liabilities, are included in the project economic analysis unless specifically excluded by contractual terms. ADR is not included in determining the economic producibility or for determining the point the project reaches the economic limit (see Section 3.1.3, Economic Limit). ADR costs may also be reported for other purposes, such as for a property sale/acquisition evaluation, future **field** planning, accounting report of future obligations, or as appropriate to the circumstances for which the resource evaluation is conducted. The entity is responsible for providing the evaluator with documentation to ensure that funds are available to cover forecast costs and ADR liabilities in line with the contractual obligations.

3.1.2.5 Figure 3.1 illustrates a net cash-flow profile for a simple project. The project's cumulative net cash flow exceeds the ADR liability, thereby satisfying the economic viability required to consider a project's quantities as Reserves. The project's economic production (i.e., economic producibility) is truncated at the economic limit when the maximum cumulative net cash flow is achieved, before consideration of ADR.



**Figure 3.1—Undeveloped project economic forecast**

3.1.2.6 Alternative economic scenarios may also be considered in the decision process and, in some cases, may supplement reporting requirements. Evaluators may examine a [constant case](#) in which [current economic conditions](#) are held constant without inflation or deflation throughout the project life.

3.1.2.7 Evaluations may also be modified to accommodate criteria regarding external disclosures imposed by regulatory agencies. For example, these criteria may include a specific requirement that, if the recovery were confined to the [Proved Reserves](#) estimate, the constant case should still generate a positive cash flow. External reporting requirements may also specify alternative guidance on the definition of current conditions or defined criteria with which to evaluate Reserves.

3.1.2.8 There may be circumstances in which the project meets criteria to be classified as Reserves using the [best estimate \(2P\)](#) forecast but the low case is not economic and fails to qualify for Proved Reserves. In this circumstance, the entity may record 2P and 3P estimates and no Proved Reserves. As costs are incurred in future years (i.e. become [sunk costs](#)) and development proceeds, the [low estimate](#) may eventually become economic and be reported as Proved Reserves. Some entities, according to internal policy or to satisfy regulatory reporting requirements, will defer reclassifying projects from [Contingent Resources](#) to Reserves until the low estimate case is economic.

### 3.1.3 Economic Limit

3.1.3.1 The economic limit is defined as the production rate at the time when the maximum cumulative net cash flow occurs for a project. The entity's [entitlement](#) production share, and thus [net entitlement](#) resources, includes those produced quantities up to the earliest truncation occurrence of either technical, license, or economic limit.

3.1.3.2 In this evaluation, operating costs should include only those costs that are incremental to the project for which the economic limit is being calculated (i.e., only those cash costs that will actually be eliminated if project production ceases). Operating costs should include fixed property-specific overhead charges if these are actual incremental costs attributable to the project and any production and property taxes, but for purposes of calculating the economic limit, should exclude depreciation, ADR costs, and income

tax as well as any overhead that is not required to operate the subject property. Operating costs may be reduced, and thus project life extended, by various cost-reduction and revenue-enhancement approaches, such as sharing of production facilities, pooling maintenance contracts, or marketing of associated non-hydrocarbons (see Section 3.2.4, Associated Non-Hydrocarbon Components).

3.1.3.3 For a given project, no future development costs can exist beyond the economic limit date. ADR costs are not included in the economic limit calculations, even though they may be reported for other purposes.

3.1.3.4 Interim negative project net cash flows may be accommodated in periods of development capital spending, low product prices, or major operational problems provided that the longer-term cumulative net-cash-flow forecast determined from the effective date becomes positive. These periods of negative cash flow will qualify as Reserves if the following positive periods more than offset the negative.

3.1.3.5 In some situations, entities may choose to initiate production below or continue production past the economic limit. Production must be economic to be considered as Reserves, and the intent to or act of producing sub-economic resources does not confer Reserves status to those quantities. In these instances, the production represents a movement from Contingent Resources to Production. However, once produced such quantities can be shown in the reconciliation process for production and revenue accounting as a positive technical revision to Reserves. No future sub-economic production can be Reserves.

## 3.2 Production Measurement

3.2.0.1 In general, all **petroleum** production from the well or mine is measured to allow for the evaluation of the extracted quantities' **recovery efficiency** in relation to the **PIIP**. The marketable product, as measured according to delivery specifications at a defined reference point, provides the basis for sales production quantities. Other quantities that are not sales may not be as rigorously measured at the reference point(s) but are as important to take into account.

3.2.0.2 The operational issues in this section should be considered in defining and measuring production. While referenced specifically to Reserves, the same logic would be applied to projects forecast to develop Contingent and **Prospective Resources** conditional on discovery and development.

### 3.2.1 Reference Point

3.2.1.1 Reference point is a defined location within a petroleum extraction and processing operation where the produced quantities are measured or assessed. A reference point is typically the point of sale to third parties or where custody is transferred to the entity's midstream or downstream operations. Sales production and estimated Reserves are normally measured and reported in terms of quantities crossing this point over the period of interest.

3.2.1.2 The reference point may be defined by relevant accounting regulations to ensure that the reference point is the same for both the **measurement** of reported sales quantities and for the accounting treatment of sales revenues. This ensures that sales quantities are stated according to the delivery specifications at a defined price. In integrated projects, the appropriate price at the reference point may need to be determined using a **netback calculation**.

3.2.1.3 Sales quantities are equal to **raw production** less **non-sales** quantities (those quantities produced at the wellhead but not available for sales at the reference point). Non-sales quantities include petroleum consumed as lease fuel, flared, or lost in processing, plus non-hydrocarbons that must be removed before sale (including water). Each of these may be allocated using separate reference points but, when combined with sales, should sum to raw production. Sales quantities may need to be adjusted to exclude components added in processing but not derived from raw production. Raw production measurements are necessary

and form the basis of many engineering calculations (e.g., material balance and production performance analysis) based on total [reservoir](#) voidage. Substances added to the production stream for various reasons, such as diluents added to enhance flow properties, are not to be counted as Production, sales quantities, Reserves, or Resources.

### 3.2.2 Consumed in Operations (CiO)

3.2.2.1 [CiO](#) (also termed lease fuel) is that portion of produced petroleum consumed as fuel in production or plant operations before the reference point.

3.2.2.2 Although Reserves are recommended to be sales quantities (see Section 1.1), the CiO quantities may be included as Reserves or Resources; when included these quantities must be stated and recorded separately from the sales portion. Entitlement rights for the fuel usage must be in place to recognize CiO as Reserves. Flared gas and oil and other petroleum losses must not be included in either product sales or Reserves but once produced are included in produced quantities to account for total reservoir voidage.

3.2.2.3 The CiO quantities must not be included in the project economics because there is neither a cost incurred for purchase nor a revenue stream to recognize a sales quantity. The CiO fuel replaces the requirement to purchase fuel from external parties and results in lower operating costs. All actual costs for facilities-related equipment, the costs of the operations, and any purchased fuel must be included as an operating expense in the project economics.

### 3.2.3 Wet or Dry Natural Gas

3.2.3.1 The Reserves for wet or dry [natural gas](#) should be considered in the context of the specifications of the gas at the agreed reference point. Thus, for gas that is sold as [wet gas](#), the quantity of the wet gas would be reported, and there would be no reporting of any associated hydrocarbon liquids extracted downstream of the reference point. It would be expected that the corresponding enhanced value of the wet gas would be reflected in the sales price achieved for such gas.

3.2.3.2 When liquids are extracted from the gas before sale and the gas is sold in dry condition, then the *dry gas* quantity and the extracted liquid quantities, whether [condensate](#) and/or [natural gas liquids](#) (NGLs), must be accounted for separately in resources [assessments](#) at the agreed reference point(s).

### 3.2.4 Associated Non-Hydrocarbon Components

3.2.4.1 In the event that non-hydrocarbon components are associated with production, the reported quantities should reflect the agreed specifications of the petroleum product at the reference point. Correspondingly, the accounts will reflect the value of the petroleum product at the reference point. If it is required to remove all or a portion of non-hydrocarbons before delivery, the Reserves and Production should reflect only the marketable product recognized at the reference point.

3.2.4.2 Even if an associated non-hydrocarbon component, such as helium or sulfur, removed before the reference point is subsequently separately marketed, these quantities are included in the voidage extraction quantities (e.g., raw production) from the reservoir but are not included in Reserves. The revenue generated by the sale of non-hydrocarbon products may be included in the project's economic evaluation.

### 3.2.5 Natural Gas Re-Injection

3.2.5.1 Natural gas production can be re-injected into a reservoir for a number of reasons and under a variety of conditions. Gas can be re-injected into the same reservoir or into other reservoirs located on the same property for recycling, pressure maintenance, miscible [injection](#), or other enhanced oil recovery processes. In cases where the gas has no transfer of ownership and with a [development plan](#) that is

technically and commercially mature, the gas quantity estimated to be eventually recoverable can be included as Reserves.

3.2.5.2 If injected gas quantities are included as Reserves, these quantities must meet the criteria in the definitions, including the existence of a viable development, transportation, and sales marketing plan. Gas quantities should be reduced for losses associated with the re-injection and subsequent recovery process. Gas quantities injected into a reservoir for gas disposal with no committed plan for recovery are not classified as Reserves. Gas quantities purchased for injection and later recovered are not classified as Reserves.

### **3.2.6 Underground Natural Gas Storage**

3.2.6.1 Natural gas injected into a gas storage reservoir, which will be recovered later (e.g., to meet peak market demand periods) should not be included as Reserves.

3.2.6.2 The gas placed in the storage reservoir may be purchased or may originate from prior native production. It is important to distinguish injected gas from any remaining native recoverable quantities in the reservoir. On commencing gas production, allocation between native gas and injected gas may be subject to local regulatory and accounting rulings. Native gas production would be drawn against the original field Reserves. The uncertainty with respect to original field quantities remains with the native reservoir gas and not the injected gas.

3.2.6.3 There may be occasions in which gas is transferred from one lease or field to another without a sale or custody transfer occurring. In such cases, the re-injected gas could be included with the native reservoir gas as Reserves.

3.2.6.4 The same principles regarding separation of native resources from injected quantities would apply to underground liquid storage.

### **3.2.7 Mineable Oil Sand**

3.2.7.1 Mineable [oil sands](#) that meet the criteria listed in Section 2.1.2 can be considered as a potentially economic material and therefore Reserves. Mining operations may result in mined materials being stockpiled rather than processed. Stockpiled mined oil sands should be included in Reserves only when the project to recover and blend the stockpile has achieved technical and commercial maturity. The project's quantities are not included in Production until measured at the reference point.

### **3.2.8 Production Balancing**

3.2.8.1 Reserves estimates must be adjusted for production withdrawals. This may be a complex accounting process when the allocation of Production among project participants is not aligned with their entitlement to Reserves. Production [overlift or underlift](#) can occur in oil production records because participants may need to lift their production in parcel sizes or cargo quantities to suit available shipping schedules agreed upon by the parties. Similarly, an imbalance in gas deliveries can result from the participants having different operating or marketing arrangements that prevent gas quantities sold from being equal to the entitlement share within a given time period.

3.2.8.2 Based on production matching the internal accounts, annual production should generally be equal to the liftings actually made by the entity and not on the production entitlement for the year. However, actual production and entitlements must be reconciled in Reserves assessments. Resulting imbalances must be monitored over time and eventually resolved before project abandonment.

### 3.2.9 Equivalent Hydrocarbon Conversion

3.2.9.1 The industry sometimes simplifies communication of Reserves, Resources, and Production quantities with the term “**barrel of oil equivalent**” (BOE). The term allows for consolidation of multiple product types into a single equivalent product. In instances where natural gas is the predominate product, liquids may be converted to gas equivalence (i.e. one thousand cubic feet (MCF) volume = 1 McfGE (MCF gas equivalent)).

3.2.9.2 Oil, condensate, bitumen and synthetic crude oil can be summed together without conversion (i.e., 1 bbl volume = 1 BOE). NGLs may need to be converted, depending on the actual composition. Natural gas must be converted to report on a BOE basis.

3.2.9.3 The presentation of Reserve or Resources quantities should be made in the appropriate units for each individual product type reported (e.g. barrels, cubic meters, metric tonnes, joules, etc.). If BOE’s or McfGE’s are presented, they must be provided as supplementary information to the actual liquid or gas quantities with the conversion factor(s) clearly stated.

## 3.3 Resources Entitlement and Recognition

3.3.0.1 While assessments are conducted to establish estimates of the **total PIIP** and that portion recovered by defined projects, the allocation of sales quantities, costs, and revenues impacts the project economics and commerciality. This allocation is governed by the applicable contracts between the **mineral lease** owners (lessors) and contractors (lessees) and is generally referred to as entitlement.

3.3.0.2 Evaluators must ensure that, to their knowledge, the recoverable resource entitlements from all participating entities sum to the total **recoverable resources**.

3.3.0.3 The ability for an entity to recognize Reserves and Resources is subject to satisfying certain key elements. These include (a) having an economic interest through the mineral lease or **concession** agreement (i.e., right to proceeds from sales); (b) exposure to market and technical **risk**; and (c) the opportunity for reward through participation in **exploration**, **appraisal**, and development activities. Given the complexities of some agreements, there may be additional elements that must be considered in determining entitlement and the recognition of Reserves and Resources.

3.3.0.4 For publicly traded companies, securities regulators may set criteria regarding the classes and categories that can be “recognized” in external disclosures. For national interests, the reporting of 100% quantities without concession agreement constraints is typically specified.

### 3.3.1 Royalty

3.3.1.1 **Royalty** refers to a type of entitlement interest in a resources project that is free and clear of the costs and expenses of development and production to the royalty interest owner as opposed to a **working interest** where an entity has cost exposure. A royalty is commonly retained by a resources owner (lessor/host) when granting rights to a producer (lessee/contractor) to develop and produce the resources. Depending on the specific terms defining the royalty, the payment obligation may be expressed in monetary terms as a portion of the proceeds of production in-cash or as a right to take a portion of production in-kind. The royalty terms may also provide the option to switch between forms of payment at the discretion of the royalty owner. In either case, royalty quantities must be deducted from the lessee’s entitlement to resources so that only **net revenue interest** quantities are recognized.

3.3.1.2 In some agreements, production taxes imposed by the host government may be referred to as royalties. These payment obligations are expressed in monetary terms and are typically linked to production rates, quantities produced, **cost recovery**, the value of production (price sensitive), or the profits derived from it. These payments are not associated with an interest retained by the lessor/host. Thus, such payment obligations are effectively a production tax instead of a royalty. In such cases, the production and

underlying resources are controlled by the lessee/contractor who may (subject to contractual terms and/or regulatory guidance) elect to report these obligations as a tax without a corresponding reduction in lessor/contractor's entitlement.

3.3.1.3 Conversely, if an entity owns a royalty or equivalent interest of any type in a project, the related quantities can be included in resources entitlements and should not be included in entitlements of others.

### **3.3.2 Production-Sharing Contract Reserves**

3.3.2.1 **Production-sharing contracts (PSCs)** of various types are used in many countries instead of conventional tax-royalty systems. Under the PSC terms, producers have an entitlement to a portion of the production. This **net entitlement**, often referred to as entitlement, occurs when a net economic interest is held by an entity and is estimated using a formula based on the contract terms incorporating costs and profits. The terms of the PSC provide the remuneration to the host government/lessor that would be accomplished by the royalty in other agreements.

3.3.2.2 Ownership of the production is retained by the host government; however, the contractor may receive title to the prescribed share of the quantities when produced or at point of sale and may claim that share as their Reserves.

3.3.2.3 **Risk service contracts (RSCs)** are similar to PSCs, but the producers may be paid in cash rather than in production. As with PSCs, the Reserves claimed are based on the entity's economic interest as **risk** is borne by the contractor. Care needs to be taken to distinguish between an RSC and a **pure service contract**. Reserves can be claimed in an RSC, whereas no Reserves can be claimed for pure service contracts because there is insufficient exposure to petroleum exploration, development, and market risks and the producers act as contractors.

3.3.2.4 Unlike conventional tax-royalty agreements, the cost recovery system in production-sharing, risk-service, and other related contracts typically reduce the production share and hence Reserves entitlement to a contractor in periods of high price and increase quantities in periods of low price. While this ensures cost recovery, it also introduces significant price-related volatility in annual Reserves estimates under cases using a constant case. The terms governing cost recovery in a particular PSC may require special treatment of items such as taxes, overhead, and ADR to determine entitlement.

3.3.2.5 The treatment of taxes and the accounting procedures used can also have a significant impact on the Reserves recognized and production reported from these contracts.

### **3.3.3 Contract Extensions or Renewals**

3.3.3.1 As production-sharing or other types of agreements approach the specified end date, extensions may be obtained through contract negotiation, by the exercise of options to extend, or by other means.

3.3.3.2 Reserves cannot be claimed for those quantities that will be produced beyond the expiration date of the current agreement unless there is reasonable expectation that an extension, a renewal, or a new contract will be granted. Such reasonable expectation may be based on the status of renewal negotiations and historical treatment of similar agreements by the license-issuing jurisdiction. Otherwise, forecast production beyond the contract term must be classified as Contingent Resources with an associated reduced chance of commercialization. Moreover, it may not be reasonable to assume that the fiscal terms in a negotiated extension will be similar to existing terms.

3.3.3.3 Similar logic should be applied where gas sales agreements are required to ensure adequate markets. Reserves should not be claimed for quantities that will be produced beyond those specified in the current agreement or that do not have a reasonable expectation to be included in either contract renewals or future agreements.

## 4.0 Estimating Recoverable Quantities

4.0.0.1 Assuming that **projects** have been classified according to project maturity, estimation of associated recoverable quantities under a defined project and assignment to uncertainty categories may be based on one or a combination of analytical procedures. Such procedures may be applied using an incremental and/or scenario approach; moreover, the method of assessing relative uncertainty in these estimates of recoverable quantities may employ both deterministic and **probabilistic methods**.

### 4.1 Analytical Procedures

4.1.0.1 The analytical procedures for estimating recoverable quantities fall into three broad categories: (a) analogy, (b) volumetric estimates, and (c) performance-based estimates (e.g., material balance, history-matched simulation, decline-curve analysis, and rate-transient analysis). **Reservoir** simulation may be used in either volumetric or performance-based analyses. Pre- and early post-discovery **assessments** typically are made with **analog** field/project data and volumetric estimation. After **production** commences and production rates and pressure information become available, performance-based methods can be applied. Generally, the range of **EUR** estimates is expected to decrease as more information (pressure, performance, and **PIIP**) becomes available, but this is not always the case.

4.1.0.2 In each procedure evaluated under either the deterministic scenario, deterministic incremental, geostatistical, or **probabilistic methods**, the results are not a single quantity of remaining recoverable **petroleum**, but rather a range that reflects the underlying uncertainties in both the in-place quantities and the **recovery efficiency** of the applied development project. By applying consistent guidelines (see Section 2.2, Resources Categorization), **evaluators** can define remaining recoverable quantities using the approaches listed above. The confidence in assessment results generally increases when the estimates are supported by more than one analytical procedure.

#### 4.1.1 Analogs

4.1.1.1 Analogs are widely used in **resources** estimation, particularly in the **exploration** and early development stages when direct **measurement** information is limited. The methodology is based on the assumption that the **analogous reservoir** is comparable to the subject reservoir in regard to reservoir description, fluid properties, and most likely recovery mechanism(s) applied to the project that control the ultimate recovery of petroleum. By selecting appropriate analogs, where performance data of comparable **development plans** are available, a similar production profile may be forecast. Analogs are frequently applied for aiding in the assessment of economic producibility, production decline characteristics, drainage area, and recovery factor (for primary, secondary, and tertiary methods).

4.1.1.2 Analogous reservoirs, as used in resources assessments, are defined by similarities of features and characteristics that include but are not limited to the following:

- A. Reservoir deposition and structure (e.g., lithology, depositional environment, diagenetic history, natural fractures, chemical/mineral composition, geometry, mechanical history, and structural deformation).
- B. Petrophysical properties (e.g., **net pay** and gross thickness, porosity, saturation, permeability, heterogeneity, and net-to-gross ratio).
- C. Reservoir conditions (e.g., depth, temperature and pressure, and size of the petroleum **accumulation** and aquifer).
- D. Fluid properties (e.g., original fluid type, composition, density, and viscosity).
- E. Drive mechanisms.

- F. Development plan (e.g., well spacing, well type and number, completion methods, artificial lift, development and operating costs, facility type and constraints, and processing).

4.1.1.3 The above list is not exhaustive and the comparative analog characteristics must be relevant to the key characteristics of the project.

4.1.1.4 It is not necessary for all parameters to match to consider a reservoir as an analog. The evaluator should consider the specifics of each application and its suitability in providing insight to assist in the estimation of recoverable resources.

4.1.1.5 Comparison to several analogs, rather than a single analog, often improves the understanding of the range of uncertainty in the estimated recoverable quantities from the subject reservoir. While reservoirs in the same geographic area and of the same geological age typically provide better analogs, such proximity alone may not be the primary consideration. In all cases, evaluators should document the similarities and differences between the analog and the subject reservoir/project. Review of analog reservoir performance is useful in quality assurance of resources assessments at all stages of development.

#### 4.1.2 Volumetric Analysis

4.1.2.1 This procedure uses reservoir rock and fluid properties to calculate PIIP and then estimate that portion that will be recovered by a specific development project. The volumetric estimate may be based on either probabilistic or deterministic approaches. A probabilistic approach is typically applied in the early development stages when data are most limited. As the project matures through development, the evaluation methodology often shifts towards deterministic estimates.

4.1.2.2 The key uncertainties affecting in-place quantities include but are not limited to the following:

- A. Reservoir geometry, heterogeneity, compartmentalization, and trap limits that impact gross rock volume.
- B. Geological characteristics that define pore volume and petroleum saturation distribution.
- C. Position and nature of contacts or limits [e.g., lowest known hydrocarbons (LKH), oil/water contact, gas/water contact (GWC), gas/oil contact, and tilted contact gradient].
- D. Combinations of reservoir quality, fluid types, and contacts that control saturation distributions (vertically and horizontally).

4.1.2.3 The gross rock volume of interest is that for the total reservoir. While spatial distribution and reservoir quality impact recovery efficiency, the calculation of in-place petroleum often uses average net-to-gross ratio, porosity, and fluid saturations. In more complex reservoirs, increased well density may be required to confidently evaluate, assess, and categorize resources.

4.1.2.4 Given estimates of the in-place petroleum, the portion that can be recovered by a defined set of wells and operating conditions must then be estimated based on analog field performance and/or modeling/simulation studies using available reservoir information. Key assumptions must be made regarding reservoir drive mechanisms.

4.1.2.5 The estimates of recoverable quantities must reflect the combined uncertainties in the petroleum in-place and the recovery efficiency of the development project(s) applied to the reservoir.

### 4.1.3 Material Balance Analysis

4.1.3.1 Material balance methods used to estimate recoverable quantities involve the analysis of pressure behavior as reservoir fluids are withdrawn. In ideal situations, such as depletion-drive gas reservoirs in homogeneous, high-permeability reservoir rocks and where sufficient and high-quality pressure data are available, estimation based on material balance may provide very reliable estimates of ultimate recovery at various abandonment pressures. In complex situations, such as those involving water influx, compartmentalization, multiphase behavior, and multilayered or low-permeability reservoirs, shales or **CBM**, material balance estimates alone may provide erroneous results. Evaluators should take care to accommodate the complexity of the reservoir and its pressure response to depletion in developing **uncertainty** profiles for the applied recovery project.

4.1.3.2 Reservoir modeling or reservoir simulation can be considered a more rigorous form of material balance analysis. While such modeling can be a reliable predictor of reservoir behavior under a defined development program, the reliability of input rock properties, reservoir geometry, relative permeability functions, fluid properties, and constraints (e.g., wells, facilities, and export) are critical. Predictive models are most reliable in estimating recoverable quantities when there is sufficient production history to validate the model through history matching.

### 4.1.4 Production Performance Analysis

4.1.4.1 Analysis of the change in production rate and production fluid ratios versus time and versus **cumulative production** as reservoir fluids are withdrawn provides useful information to predict ultimate recoverable quantities. In some cases, before production decline rates become apparent, trends in performance indicators such as **gas/oil ratio**, water/oil ratio, **condensate/gas ratio**, and bottomhole or flowing pressures can be extrapolated to **economic limit** conditions to estimate **Reserves**.

4.1.4.2 Reliable results require a sufficient period of stable operating conditions after wells in a reservoir have established drainage areas. In estimating recoverable quantities, evaluators must consider additional factors affecting production performance behavior, such as variable reservoir and fluid properties, transient versus stabilized flow, changes in operating conditions, interference effects, and depletion mechanisms. In early stages of depletion, there may be significant uncertainty in both the ultimate performance profile and the other factors (e.g., operational, regulatory, contractual) factors that impact abandonment rate. Such uncertainties should be reflected in the reserves categorization.

4.1.4.3 For mature reservoirs, the future **production forecast** may be sufficiently well defined that the remaining uncertainty in the technical profile is not significant; in such cases, the **best estimate 2P** scenario may be justifiable to also use for the **1P** and **3P** production forecasts. Other uncertainties (e.g., operational, regulatory, contractual) that will impact the abandonment rate may still exist, however, and these should be accommodated in the reserves categorization uncertainty range.

4.1.4.4 In very low-permeability reservoirs (e.g., unconventional reservoirs), care should be taken in the production performance analyses because the lengthy period of transient flow and complex production physics can make analyses very difficult.

## 4.2 Resources Assessment Methods

4.2.0.1 Regardless of the analytical procedures used, the goal is to communicate the range of uncertainty in the recoverable resources. An underlying principle is that the reliability of the estimates depends on the quantity and quality of the source data.

4.2.0.2 In all methods, as confidence away from a known productive area decreases, the uncertainty in the ability to estimate recoverable quantities increases. In assessing the range of uncertainty in recovery from a project, the evaluator should consider the uncertainty in all components of a project, including that forecast

from existing and future wells. Additionally, an increasing diversity in data sources, such as well logs, cores, seismic, or production history, will provide an increased confidence in the resources estimates.

4.2.0.3 Assessment methods may be broadly characterized as deterministic, geostatistical, and probabilistic and may be applied in combination for integrated uncertainty analysis.

#### 4.2.1 Deterministic Method

4.2.1.1 In the [deterministic method](#), quantities are estimated by taking a discrete value or array of values for each input parameter to produce a discrete result. For the low-, best- and high-case estimates, the internally consistent deterministic inputs are selected to reflect the resultant confidence of the project scenario and the constraints applied for the resources category and resources class. A single outcome of recoverable quantities is derived for each deterministic increment or scenario. Two approaches are included in the deterministic method—the scenario (or cumulative) method and the incremental method—and should yield similar results.

4.2.1.2 In the [deterministic scenario method](#), the evaluator provides three estimates of the quantities to be recovered from the project being applied to the accumulation. Estimates consider the full range of values for each input parameter based on available engineering and geoscience data, but one set is selected that is most appropriate for the corresponding resources confidence category. A single outcome of recoverable quantities is derived for each category. Thus, low, best and high estimates for the total project reflect uncertainty and consider confidence constraints of the categories. The low case should take into account specific choices for some variables (e.g., contact assumptions).

4.2.1.3 The [deterministic incremental method](#) is based on defining discrete parts or segments of the accumulation that reflect high, best, and low confidence regarding the estimates of recoverable quantities under the defined development plan. Typically, this approach is applied to different segments of the accumulation based on considerations of well spacing and/or geological knowledge (i.e., the different degrees of confidence are governed by distance from known data). The individual segment estimates reflect realistic combinations of parameters, and care is required to ensure that a reasonable range is used for the uncertainty in reservoir [property](#) averages (e.g., average porosity) and that interdependencies are accounted for (e.g., a high gross rock volume estimate may have a low average porosity).

4.2.1.4 While deterministic estimates may have broadly inferred [confidence levels](#), these estimates do not have associated quantitatively defined probabilities. Nevertheless, the ranges of the [probability](#) guidelines established for the probabilistic method (see Section 2.2.1, Range of Uncertainty) influence the amount of uncertainty generally inferred in the estimate derived from the deterministic method.

#### 4.2.2 Geostatistical Method

4.2.2.1 [Geostatistical methods](#) are a variety of mathematical techniques and processes dealing with the collection, methods, analysis, interpretation, and presentation of large quantities of geoscience and engineering data to (mathematically) describe the variability and uncertainties within any reservoir unit or *pool*. Geostatistical methods can be used to preserve spatial distribution information in the static reservoir model and to incorporate it in subsequent reservoir simulation applications. Such processes may yield improved estimates of the range of recoverable quantities. For example, incorporating seismic analyses typically improves the understanding of reservoir models and can contribute to more reliable resources estimates.

4.2.2.2 Where large amounts of well production data and associated EUR estimates are available, statistical methods can be applied to yield distributions that underpin Reserves categorization. When this is done, the comparability of the wells and reservoirs in the historically developed area with the target area should be considered before accepting such data as appropriate.

### 4.2.3 Probabilistic Method

4.2.3.1 In the probabilistic method, the evaluator defines a distribution representing the full range of possible values for each input parameter. This includes dependencies between parameters that must also be defined and applied. These distributions are randomly sampled (e.g., using [stochastic geological modelling](#) or [Monte Carlo simulation](#)) to compute a full distribution of potential in-place or recoverable quantities. Because the outcome of the resources estimates is directly linked to the input parameter distributions (both type of distribution and range), it is critically important that the evidence for each of the input distributions is properly justified and fully documented.

4.2.3.2 This approach is most often applied to volumetric resources calculations in the early phases of exploration, appraisal and development projects. The resources categorization includes confidence criteria that provide limits to parameters associated with each category. Moreover, the resources analysis must consider commercial uncertainties. Accordingly, when probabilistic methods are used, constraints on parameters may be required to ensure that results are not outside the range imposed by the deterministic guidelines and commercial uncertainties. Likewise, tests on alternative parameter distributions should be performed to fully consider the uncertainties.

4.2.3.3 When using the probabilistic approach, the resultant P90, P50, and P10 scenarios should reconcile with the deterministically derived quantities for the low-, best-, and high-estimate cases, respectively. Among the key comparative inputs to the probabilistic results are the contacts, specifically for the [LKH](#), and the areal extent.

### 4.2.4 Integrated Methods

4.2.4.1 Resources assessments typically employ different methods as appropriate at each stage of exploration, appraisal, and development and often integrate several methods to better define the uncertainty.

4.2.4.2 An example of integration is the multi-scenario method, which is an extension of the deterministic scenario method. In this case, a significant number of discrete deterministic scenarios of the defined project (in the Reserves class) are developed by the user, with each scenario leading to a single deterministic outcome. Probabilities may be assigned to each discrete input assumption from which the probability of the scenario can be obtained; alternatively, each outcome may be assumed to be equally likely. Given sufficient scenarios (which may be supported through the use of experimental design techniques), it is possible to develop a full pseudo-probability distribution from which the three specific deterministic scenarios that lie close to P90, P50, and P10 probability levels may be selected for evaluation to confirm [confidence levels](#) of each of the categories. The low case must take into account specific choices for some variables (e.g., fluid contact assumptions). When the [multi-scenario method](#) is used in [Contingent Resources](#), it allows for alternative scope of the project (e.g., range of well counts, development schemes).

4.2.4.3 Deterministic, geostatistical, and probabilistic methods may be used in combination to ensure that results of the methods are reasonable.

### 4.2.5 Aggregation Methods

4.2.5.1 Oil and gas quantities are generally estimated and categorized according to certainty of recovery within individual reservoirs or portions of reservoirs; this is referred to as a “reservoir level” assessment. These estimates are summed to arrive at estimates for fields, properties, and projects. Further summation is applied to yield totals for geographic areas, countries, and companies; these are generally referred to as “resources reporting levels.” The uncertainty distribution of the individual estimates at each of these levels may differ widely, depending on the geological settings and the maturity of the resources. This cumulative summation process is generally referred to as [aggregation](#).

4.2.5.2 Two general methods of aggregation may be applied: arithmetic summation of estimates by category and statistical aggregation of probability distributions. There are typically significant differences in results from these alternative methods. In statistical aggregation, except in the rare situation when all the reservoirs being aggregated are totally dependent, the P90 (high degree of certainty) quantities from the aggregate are always greater than the arithmetic sum of the reservoir level P90 quantities, and the P10 (low degree of certainty) of the aggregate is always less than the arithmetic sum of P10 quantities assessed at the reservoir level. This “portfolio effect” is the result of the central limit theorem in statistical analysis. Note that the **mean** (arithmetic average) of the sums is equal to the sum of the means; that is, there is no portfolio effect in aggregating mean values.

4.2.5.3 In practice, there may be a large degree of dependence between reservoirs in the same field, and such dependencies must be incorporated in the probabilistic calculation. When dependency is present and not accounted for, aggregation will overestimate the **low estimate** and underestimate the **high estimate**.

4.2.5.4 The aggregation method used depends on the purpose. It is recommended that for reporting purposes, assessment results should not incorporate statistical aggregation beyond the field, property, or project level. Results reported beyond this level should use arithmetic summation by category but should caution that the aggregate Proved may be a very conservative estimate and aggregate 3P may be very optimistic, depending on the number of items in the aggregate. Aggregates of 2P results typically have less portfolio effect, which may not be significant in mature properties where the median approaches the mean of the resulting distribution.

4.2.5.5 Various techniques are available to aggregate deterministic and/or probabilistic field, property, or project assessment results for the purposes of detailed business unit or corporate portfolio analyses where the results incorporate the benefits of portfolio size and diversification. Again, aggregation should incorporate the degree of dependency. Where the underlying analyses are available, comparison of arithmetic and statistical aggregation results may be valuable in assessing the impact of the portfolio effect. Whether deterministic, geostatistical, or probabilistic methods are used, care should be taken to avoid systematic bias in the estimation process.

4.2.5.6 It is recognized that the monetary value associated with petroleum recovery is dependent on the production and cash flow schedules for each Project; thus, aggregate distributions of recoverable quantities may not be a direct indication of corresponding uncertainty distributions of aggregate value.

## **4.2.6 Aggregating Resources Classes**

4.2.6.1 Petroleum quantities classified as Reserves, Contingent Resources, or **Prospective Resources** should not be aggregated with each other without a clear understanding and explanation of the technical and commercial risk involved with their classification. In particular, there may be a **chance** that accumulations containing Contingent Resources and/or Prospective Resources will not achieve commercial maturity.

4.2.6.2 Where the associated discovery and commerciality chances have been quantitatively defined, statistical techniques may be applied to incorporate individual project estimates in portfolio analysis of quantity and value.

**Table 1—Recoverable Resources Classes and Sub-Classes**

Class/Sub-Class	Definition	Guidelines
<b>Reserves</b>	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions.	<p>Reserves must satisfy four criteria: discovered, recoverable, commercial, and remaining based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by the development and production status.</p> <p>To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability (see Section 2.1.2, Determination of Commerciality). This includes the requirement that there is evidence of firm intention to proceed with development within a reasonable time-frame.</p> <p>A reasonable time-frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While five years is recommended as a benchmark, a longer time-frame could be applied where, for example, development of an economic project is deferred at the option of the producer for, among other things, market-related reasons or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented.</p> <p>To be included in the Reserves class, there must be a high confidence in the commercial maturity and economic producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.</p>
<b>On Production</b>	The development project is currently producing or capable of producing and selling petroleum to market.	<p>The key criterion is that the project is receiving income from sales, rather than that the approved development project is necessarily complete. Includes Developed Producing Reserves.</p> <p>The project decision gate is the decision to initiate or continue economic production from the project.</p>
<b>Approved for Development</b>	All necessary approvals have been obtained, capital funds have been committed, and implementation of the development project is ready to begin or is under way.	<p>At this point, it must be certain that the development project is going ahead. The project must not be subject to any contingencies, such as outstanding regulatory approvals or sales contracts. Forecast capital expenditures should be included in the reporting entity's current or following year's approved budget.</p> <p>The project decision gate is the decision to start investing capital in the construction of production facilities and/or drilling development wells.</p>

Class/Sub-Class	Definition	Guidelines
<b>Justified for Development</b>	Implementation of the development project is justified on the basis of reasonable forecast commercial conditions at the time of reporting, and there are reasonable expectations that all necessary approvals/contracts will be obtained.	<p>To move to this level of project maturity, and hence have Reserves associated with it, the development project must be commercially viable at the time of reporting (see Section 2.1.2, Determination of Commerciality) and the specific circumstances of the project. All participating entities have agreed and there is evidence of a committed project (firm intention to proceed with development within a reasonable time-frame}) There must be no known contingencies that could preclude the development from proceeding (see Reserves class).</p> <p>The project decision gate is the decision by the reporting entity and its partners, if any, that the project has reached a level of technical and commercial maturity sufficient to justify proceeding with development at that point in time.</p>
<b>Contingent Resources</b>	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable owing to one or more contingencies.	<p>Contingent Resources may include, for example, projects for which there are currently no viable markets, where commercial recovery is dependent on technology under development, where evaluation of the accumulation is insufficient to clearly assess commerciality, where the development plan is not yet approved, or where regulatory or social acceptance issues may exist.</p> <p>Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by the economic status.</p>
<b>Development Pending</b>	A discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future.	<p>The project is seen to have reasonable potential for eventual commercial development, to the extent that further data acquisition (e.g., drilling, seismic data) and/or evaluations are currently ongoing with a view to confirming that the project is commercially viable and providing the basis for selection of an appropriate development plan. The critical contingencies have been identified and are reasonably expected to be resolved within a reasonable time-frame. Note that disappointing appraisal/evaluation results could lead to a reclassification of the project to On Hold or Not Viable status.</p> <p>The project decision gate is the decision to undertake further data acquisition and/or studies designed to move the project to a level of technical and commercial maturity at which a decision can be made to proceed with development and production.</p>

<b>Class/Sub-Class</b>	<b>Definition</b>	<b>Guidelines</b>
<b>Development on Hold</b>	A discovered accumulation where project activities are on hold and/or where justification as a commercial development may be subject to significant delay.	<p>The project is seen to have potential for commercial development. Development may be subject to a significant time delay. Note that a change in circumstances, such that there is no longer a probable chance that a critical <b>contingency</b> can be removed in the foreseeable future, could lead to a reclassification of the project to Not Viable status.</p> <p>The project decision gate is the decision to either proceed with additional evaluation designed to clarify the potential for eventual commercial development or to temporarily suspend or delay further activities pending resolution of external contingencies.</p>
<b>Development Unclarified</b>	A discovered accumulation where project activities are under evaluation and where justification as a commercial development is unknown based on available information.	<p>The project is seen to have potential for eventual commercial development, but further appraisal/evaluation activities are ongoing to clarify the potential for eventual commercial development.</p> <p>This sub-class requires active appraisal or evaluation and should not be maintained without a plan for future evaluation. The sub-class should reflect the actions required to move a project toward commercial maturity and economic production.</p>
<b>Development Not Viable</b>	A discovered accumulation for which there are no current plans to develop or to acquire additional data at the time because of limited production potential.	<p>The project is not seen to have potential for eventual commercial development at the time of reporting, but the theoretically recoverable quantities are recorded so that the potential opportunity will be recognized in the event of a major change in technology or commercial conditions.</p> <p>The project decision gate is the decision not to undertake further data acquisition or studies on the project for the foreseeable future.</p>
<b>Prospective Resources</b>	Those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.	Potential accumulations are evaluated according to the chance of geologic discovery and, assuming a discovery, the estimated quantities that would be recoverable under defined development projects. It is recognized that the development programs will be of significantly less detail and depend more heavily on analog developments in the earlier phases of exploration.
<b>Prospect</b>	A project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target.	Project activities are focused on assessing the chance of geologic discovery and, assuming discovery, the range of potential recoverable quantities under a commercial development program.
<b>Lead</b>	A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation to be classified as a Prospect.	Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to confirm whether or not the Lead can be matured into a Prospect. Such evaluation includes the assessment of the chance of geologic discovery and, assuming discovery, the range of potential recovery under feasible development scenarios.
<b>Play</b>	A project associated with a prospective trend of potential prospects, but that requires more data acquisition and/or evaluation to define specific Leads or Prospects.	Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to define specific Leads or Prospects for more detailed analysis of their chance of geologic discovery and, assuming discovery, the range of potential recovery under hypothetical development scenarios.

**Table 2—Reserves Status Definitions and Guidelines**

Status	Definition	Guidelines
<b>Developed Reserves</b>	Expected quantities to be recovered from existing wells and facilities.	Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Where required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-producing.
<b>Developed Producing Reserves</b>	Expected quantities to be recovered from completion intervals that are open and producing at the effective date of the estimate.	Improved recovery Reserves are considered producing only after the improved recovery project is in operation.
<b>Developed Non-Producing Reserves</b>	Shut-in and behind-pipe Reserves.	<p>Shut-in Reserves are expected to be recovered from (1) completion intervals that are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells that will require additional completion work or future re-completion before start of production with minor cost to access these reserves.</p> <p>In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.</p>
<b>Undeveloped Reserves</b>	Quantities expected to be recovered through future significant investments.	Undeveloped Reserves are to be produced (1) from new wells on undrilled acreage in known accumulations, (2) from deepening existing wells to a different (but known) reservoir, (3) from infill wells that will increase recovery, or (4) where a relatively large expenditure (e.g., when compared to the cost of drilling a new well) is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

**Table 3—Reserves Category Definitions and Guidelines**

Category	Definition	Guidelines
<b>Proved Reserves</b>	Those quantities of petroleum that, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable from a given date forward from known reservoirs and under defined economic conditions, operating methods, and government regulations.	<p>If deterministic methods are used, the term “reasonable certainty” is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the estimate.</p> <p>The area of the reservoir considered as Proved includes (1) the area delineated by drilling and defined by <b>fluid contacts</b>, if any, and (2) adjacent undrilled portions of the reservoir that can reasonably be judged as continuous with it and commercially productive on the basis of available geoscience and engineering data.</p> <p>In the absence of data on fluid contacts, Proved quantities in a reservoir are limited by the LKH as seen in a well <b>penetration</b> unless otherwise indicated by definitive geoscience, engineering, or performance data. Such definitive information may include pressure gradient analysis and seismic indicators. Seismic data alone may not be sufficient to define fluid contacts for Proved reserves.</p> <p>Reserves in undeveloped locations may be classified as Proved provided that:</p> <ul style="list-style-type: none"> <li>A. The locations are in undrilled areas of the reservoir that can be judged with reasonable certainty to be commercially mature and economically productive.</li> <li>B. Interpretations of available geoscience and engineering data indicate with reasonable certainty that the objective formation is laterally continuous with drilled Proved locations.</li> </ul> <p>For Proved Reserves, the recovery efficiency applied to these reservoirs should be defined based on a range of possibilities supported by analogs and sound engineering judgment considering the characteristics of the Proved area and the applied development program.</p>
<b>Probable Reserves</b>	Those additional Reserves that analysis of geoscience and engineering data indicates are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves.	<p>It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.</p> <p>Probable Reserves may be assigned to areas of a reservoir adjacent to Proved where data control or interpretations of available data are less certain. The interpreted reservoir continuity may not meet the reasonable certainty criteria.</p> <p>Probable estimates also include incremental recoveries associated with project recovery efficiencies beyond that assumed for Proved.</p>

Category	Definition	Guidelines
<b>Possible Reserves</b>	Those additional reserves that analysis of geoscience and engineering data indicates are less likely to be recoverable than Probable Reserves.	<p>The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high-estimate scenario. When probabilistic methods are used, there should be at least a 10% probability (P10) that the actual quantities recovered will equal or exceed the 3P estimate.</p> <p>Possible Reserves may be assigned to areas of a reservoir adjacent to Probable where data control and interpretations of available data are progressively less certain. Frequently, this may be in areas where geoscience and engineering data are unable to clearly define the area and vertical reservoir limits of economic production from the reservoir by a defined, commercially mature project.</p> <p>Possible estimates also include incremental quantities associated with project recovery efficiencies beyond that assumed for Probable.</p>
<b>Probable and Possible Reserves</b>	See above for separate criteria for Probable Reserves and Possible Reserves.	<p>The 2P and 3P estimates may be based on reasonable alternative technical interpretations within the reservoir and/or subject project that are clearly documented, including comparisons to results in successful similar projects.</p> <p>In conventional accumulations, Probable and/or Possible Reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from Proved areas by minor faulting or other geological discontinuities and have not been penetrated by a wellbore but are interpreted to be in communication with the known (Proved) reservoir. Probable or Possible Reserves may be assigned to areas that are structurally higher than the Proved area. Possible (and in some cases, Probable) Reserves may be assigned to areas that are structurally lower than the adjacent Proved or 2P area.</p> <p>Caution should be exercised in assigning Reserves to adjacent reservoirs isolated by major, potentially sealing faults until this reservoir is penetrated and evaluated as commercially mature and economically productive. Justification for assigning Reserves in such cases should be clearly documented. Reserves should not be assigned to areas that are clearly separated from a known accumulation by non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results); such areas may contain Prospective Resources.</p> <p>In conventional accumulations, where drilling has defined a highest known oil elevation and there exists the potential for an associated gas cap, Proved Reserves of oil should only be assigned in the structurally higher portions of the reservoir if there is reasonable certainty that such portions are initially above bubble point pressure based on documented engineering analyses. Reservoir portions that do not meet this certainty may be assigned as Probable and Possible oil and/or gas based on reservoir fluid properties and pressure gradient interpretations.</p>

## Appendix A—Glossary of Terms Used in Resources Evaluations

This Glossary provides high-level definitions of terms used in resources evaluations. Where appropriate, sections within the PRMS document are referenced to best show the use of selected terms in context.

TERM	See PRMS Section	DEFINITION
1C	2.2.2	Denotes low estimate of Contingent Resources.
2C	2.2.2	Denotes best estimate of Contingent Resources.
3C	2.2.2	Denotes high estimate of Contingent Resources.
1P	2.2.2	Denotes low estimate of Reserves (i.e., Proved Reserves). Equal to P1.
2P	2.2.2	Denotes the best estimate of Reserves. The sum of Proved plus Probable Reserves.
3P	2.2.2	Denotes high estimate of reserves. The sum of Proved plus Probable plus Possible Reserves.
1U	2.2.2	Denotes the unrisks low estimate qualifying as Prospective Resources.
2U	2.2.2	Denotes the unrisks best estimate qualifying as Prospective Resources.
3U	2.2.2	Denotes the unrisks high estimate qualifying as Prospective Resources.
Abandonment, Decommissioning, and Restoration (ADR)	3.1.2	The process (and associated costs) of returning part or all of a project to a safe and environmentally compliant condition when operations cease. Examples include, but are not limited to, the removal of surface facilities, wellbore plugging procedures, and environmental remediation. In some instances, there may be salvage value associated with the equipment removed from the project. ADR costs are presumed to be without consideration of any salvage value, unless presented as “ADR net of salvage.”
Accumulation	2.4	An individual body of naturally occurring petroleum in a reservoir.
Aggregation	4.2.5	The process of summing well, reservoir, or project-level estimates of resources quantities to higher levels or combinations, such as field, country or company totals. Arithmetic summation of incremental categories may yield different results from probabilistic aggregation of distributions.
Appraisal	1.2	The phase that may follow successful exploratory drilling. Activities to further evaluate the discovery, such as seismic acquisition, geological studies, and drilling additional wells may be conducted to reduce technical uncertainties and commercial contingencies.
Approved for Development	2.1.3.5, Table I	All necessary approvals have been obtained, capital funds have been committed, and implementation of the development project is underway. A project maturity sub-class of Reserves.
Analog	4.1.1	Method used in resources estimation in the exploration and early development stages (including improved recovery projects) when direct measurement is limited. Based on evaluator’s assessment of similarities of the analogous reservoir(s) together with the development plan.
Analogous Reservoir	4.1.1	Reservoirs that have similar rock properties (e.g., petrophysical, lithological, depositional, diagenetic, and structural), fluid properties (e.g., type, composition, density, and viscosity), reservoir conditions (e.g., depth, temperature, and pressure) and drive mechanisms, but are typically at a more advanced stage of development than the reservoir of interest and thus may provide insight and comparative data to assist in estimation of recoverable resources.
Assessment	2.1.2	See Evaluation.

Associated Gas	Table 3	A natural gas found in contact with or dissolved in <b>crude oil</b> in the reservoir. It can be further categorized as <b>gas cap gas</b> or solution gas.
Basin-Centered Gas	2.4	An unconventional natural gas accumulation that is regionally pervasive and characterized by low permeability, abnormal pressure, gas-saturated reservoirs, and lack of a down dip water leg.
Barrel of Oil Equivalent (BOE)	3.2.9	The term allows for a single value to represent the sum of all the hydrocarbon products that are forecast as resources. Typically, condensate, oil, bitumen, and synthetic crude barrels are taken to be equal (1 bbl = 1 BOE). Gas and NGL quantities are converted to an oil equivalent based on a conversion factor that is recommended to be based on a nominal heating content or calorific value equivalent to a barrel of oil.
Basis for Estimate	1.2	The methodology (or methodologies) and supporting data on which the estimated quantities are based. (Also referenced as basis for the estimation.)
Behind-Pipe Reserves	2.1.3.6	Reserves that are expected to be recovered from zones in existing wells, which will require additional completion work or future re-completion before the start of production. In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling and completing a new well including hook-up to allow production.
Best Estimate	2.2.2	With respect to resources categorization, the most realistic assessment of recoverable quantities if only a single result were reported. If probabilistic methods are used, there should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate.
C1	2.2.2	Denotes low estimate of Contingent Resources. C1 is equal to 1C.
C2	2.2.2	Denotes Contingent Resources of same technical confidence as Probable, but not commercially matured to Reserves.
C3	2.2.2	Denotes Contingent Resources of same technical confidence as Possible, but not commercially matured to Reserves.
Chance	1.1	Chance equals 1-risk. Generally synonymous with likelihood. (See Risk)
Chance of Commerciality	2.1.3	The estimated probability that the project will achieve commercial maturity to be developed. For Prospective Resources, this is the product of the chance of geologic discovery and the chance of development. For Contingent Resources and Reserves, it is equal to the chance of development.
Chance of Development	2.1.3	The estimated probability that a known accumulation, once discovered, will be commercially developed.
Chance of Geologic Discovery	2.1.3	The estimated probability that exploration activities will confirm the existence of a significant accumulation of potentially recoverable petroleum.
Coalbed Methane (CBM)	2.4	Natural gas contained in coal deposits. Coalbed gas, although usually mostly methane, may be produced with variable amounts of inert or even non-inert gases. [Also called coal-seam gas (CSG) or natural gas from coal (NGC).]
Commercial	2.1.2	A project is commercial when there is evidence of a firm intention to proceed with development within a reasonable time-frame. Typically, this requires that the best estimate case meet or exceed the minimum evaluation decision criteria (e.g., rate of return, investment payout time). There must be a reasonable expectation that all required internal and external approvals will be forthcoming. Also, there must be evidence of a technically mature, feasible development plan and the essential social, environmental, economic, political, legal, regulatory, decision criteria, and contractual conditions are met.
Committed Project	2.1.3.1	Project that the entity has a firm intention to develop in a reasonable time-frame. Intent is demonstrated with funding/financial plans, but FID has not yet been declared (See also Final Investment Decision.)

Completion	2.1.3.6	Completion of a well. The process by which a well is brought to its operating status (e.g., producer, injector, or monitor well). A well deemed to be capable of producing petroleum, or used as an injector, is completed by establishing a connection between the reservoir(s) and the surface so that fluids can be produced from, or injected into, the reservoir.
Completion Interval	2.1.3.6	The specific reservoir interval(s) that is (are) open to the borehole and connected to the surface facilities for production or injection, or reservoir intervals open to the wellbore and each other for injection purposes.
Concession	3.3	A grant of access for a defined area and time period that transfers certain entitlements to produced hydrocarbons from the host country to an entity. The entity is generally responsible for exploration, development, production, and sale of hydrocarbons that may be discovered. Typically granted under a legislated fiscal system where the host country collects taxes, fees, and sometimes royalty on profits earned. (Also called a license.)
Condensate	3.2	A mixture of hydrocarbons (mainly pentanes and heavier) that exist in the gaseous phase at original temperature and pressure of the reservoir, but when produced, are in the liquid phase at surface pressure and temperature conditions. Condensate differs from NGLs in two respects: (1) NGL is extracted and recovered in gas plants rather than lease separators or other lease facilities, and (2) NGL includes very light hydrocarbons (ethane, propane, or butanes) as well as the pentanes-plus that are the main constituents of condensate.
Confidence Level	4.2	A measure of the estimated reliability of a result. As used in the deterministic incremental method, the evaluator assigns a relative level of confidence (high/moderate/low) to areas/segments of an accumulation based on the information available (e.g., well control and seismic coverage). Probabilistic and statistical methods use the 90% (P90) for the high confidence (low value case), 50% (P50) for the best estimate (moderate value case), and 10% (P10) for the low (high value case) estimate to represent the chances that the actual value will equal or exceed the estimate.
Constant Case	3.1.2	A descriptor applied to the economic evaluation of resources estimates. Constant-case estimates are based on current economic conditions being those conditions (including costs and product prices) that are fixed at the evaluation date and held constant, with no inflation or deflation made to costs or prices throughout the remainder of the project life other than those permitted contractually.
Consumed in Operations (CiO)	3.2.2	That portion of produced petroleum consumed as fuel in production or lease plant operations before delivery to the market at the reference point. (Also called lease fuel.)
Contingency	1.1	A condition that must be satisfied for a project in Contingent Resources to be reclassified as Reserves. Resolution of contingencies for projects in Development Pending is expected to be achieved within a reasonable time period.
Contingent Project	1.1	A project that is not yet commercial owing to one or more contingencies that have not been resolved.
Contingent Resources	1.1 Table 1	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable owing to one or more contingencies.
Continuous-Type Deposit	2.4	A petroleum accumulation that is pervasive throughout a large area and that generally lacks well-defined OWC or GWC. Such accumulations are included in unconventional resources. Examples of such deposits include “basin-centered” gas, tight gas, tight oil, gas hydrates, natural bitumen, and oil shale (kerogen) accumulations.

Conventional Resources	2.4	Resources that exist in porous and permeable rock with buoyancy pressure equilibrium. The PIIP is trapped in discrete accumulations related to a localized geological structural feature and/or stratigraphic condition, typically with each accumulation bounded by a down dip contact with an aquifer, and is significantly affected by hydrodynamic influences such as buoyancy of petroleum in water.
Cost Recovery	3.3	Under a typical production-sharing agreement, the contractor is responsible for the field development and all exploration and development expenses. In return, the contractor recovers costs (investments and operating expenses) out of the production stream. The contractor normally receives an entitlement interest share in the petroleum production and is exposed to both technical and market risks.
Crude Oil	3.2.9	Crude oil is the portion of petroleum that exists in the liquid phase in natural underground reservoirs and remains liquid at atmospheric conditions of pressure and temperature (excludes retrograde condensate). Crude oil may include small amounts of non-hydrocarbons produced with the liquids but does not include liquids obtained from the processing of natural gas.
Cumulative Production	1.1	The sum of petroleum quantities that have been produced at a given date. (See also Production). Production is measured under defined conditions to allow for the computation of both reservoir voidage and sales quantities and for the purpose of voidage also includes non-petroleum quantities.
Current Economic Conditions	3.1.2	Economic conditions based on relevant historical petroleum prices and associated costs averaged over a specified period. The default period is 12 months. However, in the event that a step change has occurred within the previous 12-month period, the use of a shorter period reflecting the step change must be justified and used as the basis of constant-case resources estimates and associated project cash flows.
Defined Conditions	3.0	Forecast of conditions to exist and impact the project during the time period being evaluated. Forecasts should account for issues that impact the commerciality, such as economics (e.g., hurdle rates and commodity price); operating and capital costs; and technical, marketing, sales route, legal, environmental, social, and governmental factors.
Deposit	2.4	Material laid down by a natural process. In resources evaluations, it identifies an accumulation of hydrocarbons in a reservoir. (See Accumulation.)
Deterministic Incremental Method	4.2	An assessment method based on defining discrete parts or segments of the accumulation that reflect high, moderate, and low confidence regarding the estimates of recoverable quantities under the defined development plan.
Deterministic Method	4.2	An assessment method based on discrete estimate(s) made based on available geoscience, engineering, and economic data and corresponds to a given level of certainty.
Deterministic Scenario Method	4.2	Method where the evaluator provides three deterministic estimates of the quantities to be recovered from the project being applied to the accumulation. Estimates consider the full range of values for each input parameter based on available engineering and geoscience data, but one set is selected that is most appropriate for the corresponding resources confidence category. A single outcome of recoverable quantities is derived for each scenario.
Developed Reserves	2.1.3.5 Table 2	Reserves that are expected to be recovered from existing wells and facilities. Developed Reserves may be further sub-classified as Producing or Non-Producing.
Developed Producing Reserves	2.1.3.5 Table 2	Developed Reserves that are expected to be recovered from completion intervals that are open and producing at the effective date. Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Developed Non-Producing Reserves	2.1.3.5 Table 2	Developed Reserves that are either shut-in or behind-pipe. (See also Shut-In Resources and Behind-Pipe Reserves.)
Development On Hold	2.1.3.5 Table 1	A discovered accumulation where project activities are on hold and/or where justification as a commercial development may be subject to significant delay. A project maturity sub-class of Contingent Resources.
Development Not Viable	2.1.3.5 Table 1	A discovered accumulation for which there are contingencies resulting in there being no current plans to develop or to acquire additional data at the time due to limited commercial potential. A project maturity sub-class of Contingent Resources.
Development Pending	2.1.3.5 Table 1	A discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future. A project maturity sub-class of Contingent Resources.
Development Plan	2.1.3.6	The design specifications, timing, and cost estimates of the appraisal and development project(s) that are planned in a field or group of fields. The plan will include, but is not limited to, well locations, completion techniques, drilling methods, processing facilities, transportation, regulations, and marketing. The plan is often executed in phases when involving large, complex, sequential recovery and/or extensive areas.
Development Unclassified	2.1.3.5 Table 1	A discovered accumulation where project activities are under evaluation and where justification as a commercial development is unknown based on available information. This sub-class requires appraisal or study and should not be maintained without a plan for future evaluation. The sub-class should reflect the actions required to move a project toward commercial maturity. A project maturity sub-class of Contingent Resources.
Discovered	2.1.1	A petroleum accumulation where one or several exploratory wells through testing, sampling, and/or logging have demonstrated the existence of a significant quantity of potentially recoverable hydrocarbons and thus have established a known accumulation. In this context, "significant" implies that there is evidence of a sufficient quantity of petroleum to justify estimating the in-place volume demonstrated by the well(s) and for evaluating the potential for commercial recovery. (See also Known Accumulation.)
Discovered Petroleum Initially-In-Place	1.1	Quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations before production. Discovered PIIP may be subdivided into commercial, sub-commercial, and the portion remaining in the reservoir as Unrecoverable.
Discovered Unrecoverable	2.1.1	Discovered petroleum in-place resources that are evaluated, as of a given date, as not able to be recovered by the commercial and sub-commercial projects envisioned.
Dry Gas	3.2.3	Natural gas remaining after hydrocarbon liquids have been removed before the reference point. It should be recognized that this is a resources assessment definition and not a phase behavior definition. (Also called lean gas.)
Economic	3.1.2	A project is economic when it has a positive undiscounted cumulative cash flow from the effective date of the evaluation, the net revenue exceeds the net cost of operation (i.e., positive cumulative net cash flow at discount rate greater than or equal to zero percent).
Economic Interest	3.3	Interest that is possessed when an entity has acquired an interest in the minerals in-place or a license and secures, by any form of legal relationship, revenue derived from the extraction of the mineral to which he must look for a return.
Economic Limit	3.1.2	Defined as the time when the maximum cumulative net cash flow (see Net Entitlement) occurs for a project.

Economically Not Viable Contingent Resources	2.1.3.7	Those quantities for which development projects are not expected to yield positive cash flows under reasonable forecast conditions. May also be subject to additional unsatisfied contingencies.
Economically Viable Contingent Resources	2.1.3.7	Those quantities associated with technically feasible projects where cash flows are positive under reasonable forecast conditions but are not Reserves because it does not meet the other commercial criteria
Economically Producing	3.1.2	Refers to the situation where the net revenue from an ongoing producing project exceeds the net expenses attributable to a certain entity's interest. The ADR costs are excluded from the determination.
Effective Date	1.2	Resource estimates of remaining quantities are "as of the given date" (effective date) of the evaluation. The evaluation must take into account all data related to the period before the "as of date."
Entitlement	3.3	That portion of future production (and thus resources) legally accruing to an entity under the terms of the development and production contract or license.
Entity	3.0	A legal construct capable of bearing legal rights and obligations. In resources evaluations, this typically refers to the lessee or contractor, which is some form of legal corporation (or consortium of corporations). In a broader sense, an entity can be an organization of any form and may include governments or their agencies.
Established Technology	2.1.1	Methods of recovery or processing that have proved to be successful in commercial applications.
Estimated Ultimate Recovery (EUR)	1.1	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable plus those quantities that have been already produced. For clarity, EUR must reference the associated technical and commercial conditions for the resources; for example, proved EUR is Proved Reserves plus prior production.
Evaluation	3.0	The geosciences, engineering, and associated studies, including economic analyses, conducted on a petroleum exploration, development, or producing project resulting in estimates of the quantities that can be recovered and sold and the associated cash flow under defined forward conditions. (Also called assessment.)
Evaluator	1.2	The person or group of persons responsible for performing an evaluation of a project. These may be employees of the entities that have an economic interest in the project or independent consultants contracted for reviews and audits. In all cases, the entity accepting the evaluation takes responsibility for the results, including its resources and attributed value estimates.
Exploration	2.1.3.5	Prospecting for undiscovered petroleum using various techniques, such as seismic surveys, geological studies, and exploratory drilling.
Field	1.2	In conventional reservoirs, a field is typically an area consisting of a single reservoir or multiple reservoirs all grouped on, or related to, the same individual geological structural feature and/or stratigraphic condition. There may be two or more reservoirs in a field that are separated vertically by intervening impermeable rock, laterally by local geologic barriers, or both. The term may be defined differently by individual regulatory authorities. For unconventional reservoirs without hydrodynamic influences, a field is often defined by regulatory or ownership boundaries as necessary.
Final Investment Decision (FID)	2.1.3.1	Project approval stage when the participating companies have firmly agreed to the project and the required capital funding.
Flare Gas	3.2.2	The total quantity of gas vented and/or burned as part of production and processing operations (but not as fuel).

Flow Test	2.1.1	An operation on a well designed to demonstrate the existence of recoverable petroleum in a reservoir by establishing flow to the surface and/or to provide an indication of the potential productivity of that reservoir (such as a wireline formation test). May also demonstrate the potential of certain completion techniques, particularly in unconventional reservoirs.
Fluid Contacts	4.2	The surface or interface in a reservoir separating two regions characterized by predominant differences in fluid saturations. Because of capillary and other phenomena, fluid saturation change is not necessarily abrupt or complete, nor is the surface necessarily horizontal.
Forecast Case	3.1.2	A descriptor applied to a scenario when production and associated cash-flow estimates are based on those conditions (including costs and product price schedules, inflation indexes, and market factors) forecast by the evaluator to reasonably exist throughout the evaluation life (i.e., defined conditions). Inflation or deflation adjustments are made to costs and revenues over the evaluation period.
Gas Balance	3.2.8	In gas production operations involving multiple working interest owners, maintaining a statement of volumes attributed to each, depending on each owner's portion received. Imbalances may occur that must be monitored over time and eventually balanced in accordance with accepted accounting procedures.
Gas Cap Gas	Table 3	Free natural gas that overlies and is in contact with crude oil in the reservoir. It is a subset of associated gas.
Gas Hydrates	2.4	Naturally occurring crystalline substances composed of water and gas, in which a solid water lattice accommodates gas molecules in a cage-like structure or clathrate. At conditions of standard temperature and pressure, one volume of saturated methane hydrate will contain as much as 164 volumes of methane gas. Gas hydrates are included in unconventional resources, but the technology to support commercial maturity has yet to be developed.
Gas/Oil Ratio	4.1.4	Ratio that is calculated using measured natural gas and crude oil volumes at stated conditions. The gas/oil ratio may be the solution gas/oil ratio, $R_s$ ; produced gas/oil ratio, $R_p$ ; or another suitably defined ratio of gas production to oil production.
Geostatistical Methods	4.2.2	A variety of mathematical techniques and processes dealing with the collection, methods, analysis, interpretation, and presentation of large quantities of geoscience and engineering data to (mathematically) describe the variability and uncertainties within any reservoir unit or pool, specifically related here to resources estimates.
High Estimate	2.2.2	With respect to resources categorization, this is considered to be an optimistic estimate of the quantity that will actually be recovered from an accumulation by a project. If probabilistic methods are used, there should be at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate.
Hydrates	2.4	See Gas Hydrates.
Hydrocarbons	1.1	Hydrocarbons are chemical compounds consisting wholly of hydrogen and carbon molecules.
Improved Recovery	2.3.4	The extraction of additional petroleum, beyond primary recovery, from naturally occurring reservoirs by supplementing the natural forces in the reservoir. It includes waterflooding and gas injection for pressure maintenance, secondary processes, tertiary processes, and any other means of supplementing natural reservoir recovery processes. Improved recovery also includes thermal and chemical processes to improve the in-situ mobility of viscous forms of petroleum. (Also called enhanced recovery.)
Injection	3.2.5	The forcing, pumping, or natural flow of substances into a porous and permeable subsurface rock formation. Injected substances can include either gases or liquids.

Justified for Development	2.1.3.5 Table 1	A development project that has reasonable forecast commercial conditions at the time of reporting and there are reasonable expectation that all necessary approvals/ contracts will be obtained. A project maturity sub-class of Reserves.
Kerogen	2.4	The naturally occurring, solid, insoluble organic material that occurs in source rocks and can yield oil upon heating. Kerogen is also defined as the fraction of large chemical aggregates in sedimentary organic matter that is insoluble in solvents (in contrast, the fraction that is soluble in organic solvents is called bitumen). (See also Oil Shales.)
Known Accumulation	2.1.1	An accumulation that has been discovered.
Lead	2.1.3.5 Table 1	A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation to be classified as a Prospect. A project maturity sub-class of Prospective Resources.
Learning Curve	2.4	Demonstrated improvements over time in performance of a repetitive task that results in efficiencies in tasks to be realized and/or in reduced time to perform and ultimately in cost reductions.
Likelihood	1.1	Likelihood (the estimated probability or chance) is equal (1- risk). (See Probability and Risk.)
Low/Best/High Estimates	2.2.2	Reflects the range of uncertainty as a reasonable range of estimated potentially recoverable quantities.
Low Estimate	2.2.2	With respect to resources categorization, this is a conservative estimate of the quantity that will actually be recovered from the accumulation by a project. If probabilistic methods are used, there should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate.
Lowest Known Hydrocarbons (LKH)	4.1.2	The deepest documented occurrence of a producible hydrocarbon accumulation as interpreted from well log, flow test, pressure measurement, core data, or other conclusive and reliable evidence.
Market	1.1	A consumer or group of consumers of a product that has been obtained through purchase, barter, or contractual terms.
Marketable Quantities	2.0	Those quantities of hydrocarbons that are estimated to be producible from petroleum accumulations and that will be consumed by the market. (Also referred to as marketable products.)
Mean	4.2.5	The sum of a set of numerical values divided by the number of values in the set.
Measurement	3.2	The process of establishing quantity (volume, mass, or energy content) and quality of petroleum products delivered to a reference point under conditions defined by delivery contract or regulatory authorities.
Mineral Lease	3.3	An agreement in which a mineral owner (lessor) grants an entity (lessee) rights. Such rights can include (1) a fee ownership or lease, concession, or other interest representing the right to extract oil or gas subject to such terms as may be imposed by the conveyance of the lease; (2) royalty interests, production payments payable in oil or gas, and other non-operating interests in properties operated by others; and/or (3) those agreements with foreign governments or authorities under which a reporting entity participates in the operation of the related properties or otherwise serves as producer of the underlying reserves (as opposed to being an independent purchaser, broker, dealer, or importer).
Monte Carlo Simulation	4.2	A type of stochastic mathematical simulation that randomly and repeatedly samples input distributions (e.g., reservoir properties) to generate a resulting distribution (e.g., recoverable petroleum quantities).

Multi-Scenario Method	4.2	An extension of the deterministic scenario method. In this case, a significant number of discrete deterministic scenarios are developed by the evaluator, with each scenario leading to a single deterministic outcome. Probabilities may be assigned to each discrete input assumption from which the probability of the scenario can be obtained; alternatively, each outcome may be assumed to be equally likely.
Natural Bitumen	2.4	The portion of petroleum that exists in the semi-solid or solid phase in natural deposits. In its natural state, it usually contains sulfur, metals, and other non-hydrocarbons. Natural bitumen has a viscosity greater than 10,000 mPa·s (or 10,000 cp) measured at original temperature in the deposit and atmospheric pressure, on a gas free basis. In its natural viscous state, it is not normally recoverable at commercial rates through a well and requires the implementation of improved recovery methods such as steam injection. Natural bitumen generally requires upgrading before normal refining.
Natural Gas	3.2.3	Portion of petroleum that exists either in the gaseous phase or is in solution in crude oil in a reservoir, and which is gaseous at atmospheric conditions of pressure and temperature. Natural gas may include some amount of non-hydrocarbons.
Natural Gas Liquids (NGLs)	3.2.3	A mixture of light hydrocarbons that exist in the gaseous phase in the reservoir and are recovered as liquids in gas processing plants. NGLs differ from condensate in two principal respects: (1) NGLs are extracted and recovered in gas plants rather than lease separators or other lease facilities, and (2) NGLs include very light hydrocarbons (ethane, propane, or butanes) as well as the pentanes-plus that are the main constituents of condensates.
Net Entitlement	1.1 3.3	That portion of future production (and thus resources) legally accruing to an entity under the terms of the development and production contract or license. Under the terms of PSCs, the producers have an entitlement to a portion of the production. This entitlement, often referred to as “net entitlement” or “net economic interest,” is estimated using a formula based on the contract terms incorporating costs and profits.
Net Pay	4.1.1	The portion (after applying cutoffs) of the thickness of a reservoir from which petroleum can be produced or extracted. Value is referenced to a true vertical thickness measured.
Net Revenue Interest	3.3.1	An entity’s revenue share of petroleum sales after deduction of royalties or share of production owing to others under applicable lease and fiscal terms. (See also Entitlement and Net Entitlement)
Netback Calculation	3.2.1	Term used in the hydrocarbon product price determination at reference point to reflect the revenue of one unit of sales after the costs associated with bringing the product to a market (e.g., transportation and processing) are removed.
Non-Hydrocarbon Gas	3.2.4	Associated gases such as nitrogen, carbon dioxide, hydrogen sulfide, and helium that are present in naturally occurring petroleum accumulations.
Non-Sales	1.1	That portion of estimated recoverable or produced quantities that will not be included in sales as contractually defined at the reference point. Non-sales include quantities CiO, flare, and surface losses, and may include non-hydrocarbons.
Oil Sands	2.4	Sand deposits highly saturated with natural bitumen. Also called “tar sands.” Note that in deposits such as the western Canada oil sands, significant quantities of natural bitumen may be hosted in a range of lithologies, including siltstones and carbonates.
Oil Shales	2.4	Shale, siltstone, and marl deposits highly saturated with kerogen. Whether extracted by mining or in-situ processes, the material must be extensively processed to yield a marketable product (synthetic crude oil). (Often called kerogen shale.)

On Production	2.1.3.5 Table 1	A project maturity sub-class of Reserves that reflects the operational execution phase of one or multiple development projects with the Reserves currently producing or capable of producing. Includes Developed Producing and Developed Non-Producing Reserves.
Overlift/Underlift	3.2.8	Production entitlements received that vary from contractual terms resulting in overlift or underlift positions. This can occur in annual records because of the necessity for companies to lift their entitlement in parcel sizes to suit the available shipping schedules as agreed upon by the parties. At any given financial year-end, a company may be in overlift or underlift. Based on the production matching the company's accounts, production should be reported in accord with and equal to the liftings actually made by the company during the year and not on the production entitlement for the year.
P1	1.1	Denotes Proved Reserves. P1 is equal to 1P.
P2	1.1	Denotes Probable Reserves.
P3	1.1	Denotes Possible Reserves.
Penetration	Table 3	The intersection of a wellbore with a reservoir.
Petroleum	1.0	Defined as a naturally occurring mixture consisting of hydrocarbons in the gaseous, liquid, or solid phase. Petroleum may also contain non-hydrocarbon compounds, common examples of which are carbon dioxide, nitrogen, hydrogen sulfide, and sulfur. In rare cases, non-hydrocarbon content of petroleum can be greater than 50%.
Petroleum Initially-in-Place (PIIP)	1.1	The total quantity of petroleum that is estimated to exist originally in naturally occurring reservoirs, as of a given date. Crude oil in-place, natural gas in-place, and natural bitumen in-place are defined in the same manner.
Pilot Project	2.3	A small-scale test or trial operation used to assess technology, including recovery processes, for commercial application in a specific reservoir.
Play	2.1.3.5 Table 1	A project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation to define specific Leads or Prospects. A project maturity sub-class of Prospective Resources.
Pool	4.2.2	An individual and separate accumulation of petroleum in a reservoir within a field.
Possible Reserves	2.2.2	An incremental category of estimated recoverable quantities associated with a defined degree of uncertainty. Possible Reserves are those additional reserves that analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.
Primary Recovery	2.3.4	The extraction of petroleum from reservoirs using only the natural energy available in the reservoirs to move fluids through the reservoir rock to other points of recovery.
Probability	2.2.1	The extent to which an event is likely to occur, measured by the ratio of the favorable cases to the whole number of cases possible. PRMS convention is to quote cumulative probability of exceeding or equaling a quantity where P90 is the small estimate and P10 is the large estimate. (See also Uncertainty.)
Probabilistic Method	4.2.3	The method of estimation of resources is called probabilistic when the known geoscience, engineering, and economic data are used to generate a continuous range of estimates and their associated probabilities.

Probable Reserves	2.2.2	An incremental category of estimated recoverable quantities associated with a defined degree of uncertainty. Probable Reserves are those additional Reserves that are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
Production	1.1	The cumulative quantities of petroleum that have been recovered at a given date. Production can be reported in terms of the sales product specifications, but project evaluation requires that all production quantities (sales and non-sales), as measured to support engineering analyses requiring reservoir voidage calculations, are recognized.
Production Forecast	2.1.3.7	A forecasted schedule of production over time. For Reserves, the production forecast reflects a specific development scenario under a specific recovery process, a certain number and type of wells and particular facilities and infrastructure. When forecasting Contingent or Prospective Resources, more than one project scope (e.g., wells and facilities) is frequently carried to determine the range of the potential project and its uncertainty together with the associated resources defining the low, best, and high production forecasts. The uncertainty in resources estimates associated with a production forecast is usually quantified by using at least three scenarios or cases of low, best, and high, which lead to the resources classifications of, respectively, 1P, 2P, 3P and 1C, 2C, 3C or 1U,2U and 3U.
Production- Sharing Contract (PSC)	3.3.2	A contract between a contractor and a host government in which the contractor typically bears the risk and costs for exploration, development, and production. In return, if exploration is successful, the contractor is given the opportunity to recover the incurred investment from production, subject to specific limits and terms. Ownership of petroleum in the ground is retained by the host government; however, the contractor normally receives title to the prescribed share of the quantities as they are produced. (Also termed production-sharing agreement (PSA).
Project	1.2	A defined activity or set of activities that provides the link between the petroleum accumulation's resources sub-class and the decision-making process, including budget allocation. A project may, for example, constitute the development of a single reservoir or field, an incremental development in a larger producing field, or the integrated development of a group of several fields and associated facilities (e.g. compression) with a common ownership. In general, an individual project will represent a specific maturity level (sub-class) at which a decision is made on whether or not to proceed (i.e., spend money), suspend, or remove. There should be an associated range of estimated recoverable resources for that project. (See also Development Plan.)
Property	1.2	A defined portion of the Earth's crust wherein an entity has contractual rights to extract, process, and market specified in-place minerals (including petroleum). In general, defined as an area but may have depth and/or stratigraphic constraints. May also be termed a lease, concession, or license.
Prospect	2.1.3.5 Table 1	A project associated with an undrilled potential accumulation that is sufficiently well defined to represent a viable drilling target. A project maturity sub-class of Prospective Resources.
Prospective Resources	1.1 Table 1	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects.

Proved Reserves	2.2.2 Table 3	An incremental category of estimated recoverable quantities associated with a defined degree of uncertainty. Proved Reserves are those quantities of petroleum that, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term “reasonable certainty” is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.
Pure Service Contract	3.3	Agreement between a contractor and a host government that typically covers a defined technical service to be provided or completed during a specific time period. The service company investment is typically limited to the value of equipment, tools, and expenses for personnel used to perform the service. In most cases, the service contractor’s reimbursement is fixed by the contract’s terms with little exposure to either project performance or market factors. No Reserves or Resources can be attributed to these activities.
Qualified Reserves Auditor	1.2	A reserves evaluator who (1) has a minimum of ten years of practical experience in petroleum engineering or petroleum production geology, with at least five years of such experience being in responsible charge of the estimation and evaluation of Reserves information; and (2) either (a) has obtained from a college or university of recognized stature a bachelor’s or advanced degree in petroleum engineering, geology, or other discipline of engineering or physical science or (b) has received, and is maintaining in good standing, a registered or certified professional engineer’s license or a registered or certified professional geologist’s license, or the equivalent, from an appropriate governmental authority or professional organization. (see SPE 2007 “Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information”)
Qualified Reserves Evaluator	1.2	A reserves evaluator who (1) has a minimum of five years of practical experience in petroleum engineering or petroleum production geology, with at least three years of such experience being in the estimation and evaluation of Reserves information; and (2) either (a) has obtained from a college or university of recognized stature a bachelor’s or advanced degree in petroleum engineering, geology, or other discipline of engineering or physical science or (b) has received, and is maintaining in good standing, a registered or certified professional engineer’s license or a registered or certified professional geologist’s license, or the equivalent, from an appropriate governmental authority or professional organization. (modified from SPE 2007 “Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information”)
Range of Uncertainty	2.2	The range of uncertainty of the in-place, recoverable, and/or potentially recoverable quantities; may be represented by either deterministic estimates or by a probability distribution. (See Resources Categories.)
Raw Production	3.2.1	All components, whether hydrocarbon or other, produced from the well or extracted from the mine (hydrocarbons, water, impurities such as non-hydrocarbon gases, etc.).
Reasonable Certainty	2.2.2	If deterministic methods for estimating recoverable resources quantities are used, then reasonable certainty is intended to express a high degree of confidence that the estimated quantities will be recovered. Typically attributed to Proved Reserves or 1C Resources quantities.
Reasonable Expectation	2.1.2	Indicates a high degree of confidence (low risk of failure) that the project will proceed with commercial development or the referenced event will occur. (Differs from reasonable certainty, which applies to resources quantity technical confidence, while reasonable expectation relates to commercial confidence.)

Recoverable Resources	1.1 Table 1	Those quantities of hydrocarbons that are estimated to be producible by the project from either discovered or undiscovered accumulations.
Recovery Efficiency	1.2	A numeric expression of that portion (expressed as a percentage) of in-place quantities of petroleum estimated to be recoverable by specific processes or projects, most often represented as a percentage. It is estimated using the recoverable resources divided by the hydrocarbons initially in-place. It is also referenced to timing; current and ultimate (or estimated ultimate) are descriptors applied to reference the stage of the recovery. (Also called recovery factor.)
Reference Point	3.2.1	A defined location within a petroleum extraction and processing operation where quantities of produced product are measured under defined conditions before custody transfer (or consumption). Also called point of sale, terminal point, or custody transfer point.
Report	2.0	The presentation of evaluation results within the entity conducting the assessment. Should not be construed as replacing requirements for public disclosures under guidelines established by regulatory and/or other government agencies.
Reserves	1.1 Table 1	Those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of a given date) based on the development project(s) applied.
Reservoir	1.2	A subsurface rock formation that contains an individual and separate natural accumulation of petroleum that is confined by impermeable barriers, pressure systems, or fluid regimes (conventional reservoirs), or is confined by hydraulic fracture barriers or fluid regimes (unconventional reservoirs).
Resources	1.1	Term used to encompass all quantities of petroleum (recoverable and unrecoverable) naturally occurring in an accumulation on or within the Earth's crust, discovered and undiscovered, plus those quantities already produced. Further, it includes all types of petroleum whether currently considered conventional or unconventional. (See Total Petroleum Initially-in-Place.)
Resources Categories	2.2 Table 3	Subdivisions of estimates of resources to be recovered by a project(s) to indicate the associated degrees of uncertainty. Categories reflect uncertainties in the total petroleum remaining within the accumulation (in-place resources), that portion of the in-place petroleum that can be recovered by applying a defined development project or projects, and variations in the conditions that may impact commercial development (e.g., market availability and contractual changes). The resource quantity uncertainty range within a single resources class is reflected by either the 1P, 2P, 3P, Proved, Probable, Possible, or 1C, 2C, 3C or 1U, 2U, 3U resources categories.
Resources Classes	2.1 Table 1	Subdivisions of resources that indicate the relative maturity of the development projects being applied to yield the recoverable quantity estimates. Project maturity may be indicated qualitatively by allocation to classes and sub-classes and/or quantitatively by associating a project's estimated likelihood of commerciality.
Resources Type	2.4	Describes the accumulation and is determined by the combination of the type of hydrocarbon and the rock in which it occurs.
Revenue-Sharing Contract	3.3.2	Contracts that are very similar to the PSCs with the exception of contractor payment in these contracts, the contractor usually receives a defined share of revenue rather than a share of the production.
Risk	2.1.3	The probability of loss or failure. Risk is not synonymous with uncertainty. Risk is generally associated with the negative outcome, the term "chance" is preferred for general usage to describe the probability of a discrete event occurring.

Risk and Reward	3.3	Risk and reward associated with oil and gas production activities are attributed primarily from the variation in revenues cause by technical and economic risks. The exposure to risk in conjunction with entitlement rights is required to support an entity’s resources recognition. Technical risk affects an entity’s ability to physically extract and recover hydrocarbons and is usually dependent on a number of technical parameters. Economic risk is a function of the success of a project and is critically dependent on cost, price, and political or other economic factors.
Risk Service Contract (RSC)	3.3	Agreements that are very similar to the production-sharing agreements in that the risk is borne by the contractor but the mechanism of contractor payment is different. With a RSC, the contractor usually receives a defined share of revenue rather than a share of the production.
Royalty	3.3.1	A type of entitlement interest in a resource that is free and clear of the costs and expenses of development and production to the royalty interest owner. A royalty is commonly retained by a resources owner (lessor/host) when granting rights to a producer (lessee/contractor) to develop and produce that resource. Depending on the specific terms defining the royalty, the payment obligation may be expressed in monetary terms as a portion of the proceeds of production or as a right to take a portion of production in-kind. The royalty terms may also provide the option to switch between forms of payment at discretion of the royalty owner.
Sales	3.2	The quantity of petroleum and any non-hydrocarbon product delivered at the custody transfer point (reference point) with specifications and measurement conditions as defined in the sales contract and/or by regulatory authorities.
Shale Gas	2.4	Although the terms shale gas and tight gas are often used interchangeably in public discourse, shale formations are only a subset of all low-permeability tight formations, which include sandstones and carbonates, as well as shales, as sources of tight gas production
Shale Oil	2.4	Although the terms shale oil and tight oil are often used interchangeably in public discourse, shale formations are only a subset of all low-permeability tight formations, which include sandstones and carbonates, as well as shales, as sources of tight oil production
Shut-In Resources	2.1.3.6 Table 2	Resources planned to be recovered from (1) completion intervals that are open at the time of the estimate, but which have not started producing; (2) wells that were shut-in for market conditions or pipeline connections; or (3) wells not capable of production for mechanical reasons that can be remediated at a limited cost compared to the cost of the well.
Split Classification	2.2	A single project should be uniquely assigned to a sub-class along with its uncertainty range, For example, a project cannot have quantities categorized as 1C, 2P, and 3P. This is referred to as “split classification.” If there are differing commercial conditions, separate sub-classes should be defined.
Split Conditions	2.2	The uncertainty in recoverable quantities is assessed for each project using resources categories. The assumed commercial conditions are associated with resource classes or sub-classes and not with the resources categories. For example, the product price assumptions are those assumed when classifying projects as Reserves, and a different price would not be used for assessing Proved versus Probable reserves. That would be referred to as “split conditions.”
Stochastic	4.2.3	Adjective defining a process involving or containing a random variable or variables or involving likelihood or probability, such as a stochastic simulation.

Sub-Commercial	1.1	A project subdivision that is applied to discovered resources that occurs if either the technical or commercial maturity conditions of project have not yet been achieved. A project is sub-commercial if the degree of commitment is such that the accumulation is not expected to be developed and placed on production within a reasonable time-frame. Sub-commercial projects are classified as Contingent Resources.
Sunk Cost	3.1.2	Money spent before the effective date and that cannot be recovered by any future action. Sunk costs are not relevant to future business decisions because the cost will be the same regardless of the outcome of the decision. Sunk costs differ from committed (obligated) costs, where there is a firm and binding agreement to spend specified amounts of money at specific times in the future (i.e., after the effective date).
Synthetic Crude Oil	3.2.9	A mixture of hydrocarbons derived by upgrading (i.e., chemically altering) natural bitumen from oil sands, kerogen from oil shales, or processing of other substances such as natural gas or coal. Synthetic crude oil may contain sulfur or other non-hydrocarbon compounds and has many similarities to crude oil.
Taxes	3.1.1	Obligatory contributions to the public funds, levied on persons, property, or income by governmental authority.
Technical Forecast	2.1.2	The forecast of produced resources quantities that is defined by applying only technical limitations (i.e., well-flow-loading conditions, well life, production facility life, flow-limit constraints, facility uptime, and the facility's operating design parameters). Technical limitations do not take into account the application of either an economic or license cutoff. (See also Technically Recoverable Resources).
Technical Uncertainty	2.2	Indication of the varying degrees of uncertainty in estimates of recoverable quantities influenced by the range of potential in-place hydrocarbon resources within the reservoir and the range of the recovery efficiency of the recovery project being applied.
Technically Recoverable Resources	1.1	Those quantities of petroleum producible using currently available technology and industry practices, regardless of commercial or accessibility considerations.
Technology Under Development	2.1.1	Technology that is currently under active development and that has not been demonstrated to be commercially viable. There should be sufficient direct evidence (e.g., a test project/pilot) to indicate that the technology may reasonably be expected to be available for commercial application.
Tight Gas	2.4	Gas that is trapped in pore space and fractures in very low-permeability rocks and/or by adsorption on kerogen, and possibly on clay particles, and is released when a pressure differential develops. It usually requires extensive hydraulic fracturing to facilitate commercial production. Shale gas is a sub-type of tight gas.
Tight Oil	2.4	Crude oil that is trapped in pore space in very low-permeability rocks and may be liquid under reservoir conditions or become liquid at surface conditions. Extensive hydraulic fracturing is invariably required to facilitate commercial maturity and economic production. Shale oil is a sub-type of tight oil.
Total Petroleum Initially-in-Place	1.1	All estimated quantities of petroleum that are estimated to exist originally in naturally occurring accumulations, discovered and undiscovered, before production.
Uncertainty	2.2	The range of possible outcomes in a series of estimates. For recoverable resources assessments, the range of uncertainty reflects a reasonable range of estimated potentially recoverable quantities for an individual accumulation or a project. (See also Probability.)

Unconventional Resources	2.4	Unconventional resources exist in petroleum accumulations that are pervasive throughout a large area and lack well-defined OWC or GWC (also called “continuous-type deposits”). Such resources cannot be recovered using traditional recovery projects owing to fluid viscosity (e.g., oil sands) and/or reservoir permeability (e.g., tight gas/oil/CBM) that impede natural mobility. Moreover, the extracted petroleum may require significant processing before sale (e.g., bitumen upgraders).
Undeveloped Reserves	2.1.3.5 Table 2	Those quantities expected to be recovered through future investments: (1) from new wells on undrilled acreage in known accumulations, (2) from deepening existing wells to a different (but known) reservoir, (3) from infill wells that will increase recovery, or (4) where a relatively large expenditure (e.g., when compared to the cost of drilling and completing a new well) is required to recomplete an existing well.
Undiscovered Petroleum Initially-in-Place	1.1	That quantity of petroleum estimated, as of a given date, to be contained within accumulations yet to be discovered.
Unrecoverable Resources	1.1	Those quantities of discovered or undiscovered PIIP that are assessed, as of a given date, to be unrecoverable by the currently defined project(s). A portion of these quantities may become recoverable in the future as commercial circumstances change, technology is developed, or additional data are acquired. The remaining portion may never be recovered owing to physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.
Upgrader	2.4	A general term applied to processing plants that convert extra-heavy crude oil and natural bitumen into lighter crude and less viscous synthetic crude oil. While the detailed process varies, the underlying concept is to remove carbon through coking or to increase hydrogen by hydrogenation processes using catalysts.
Wet Gas	3.2.3	Natural gas from which no liquids have been removed before the reference point. The wet gas is accounted for in resources assessments, and there is no separate accounting for contained liquids. It should be recognized that this is a resources assessment definition and not a phase behavior definition.
Working Interest	3.3	An entity’s equity interest in a project before reduction for royalties or production share owed to others under the applicable fiscal terms.