

Petroleum Resources Classification System and Definitions

Estimates derived under these definitions rely on the integrity, skill, and judgement of the evaluator and are affected by the geological complexity, stage of exploration or development, degree of depletion of the reservoirs, and amount of available data. Use of the definitions should sharpen the distinction between various classifications and provide more consistent resources reporting.

Definitions

The resource classification system is summarized in Figure 1 and the relevant definitions are given below. Elsewhere, resources have been defined as including all quantities of petroleum which are estimated to be initially-in-place; however, some users consider only the estimated recoverable portion to constitute a resource. In these definitions, the quantities estimated to be initially-in-place are defined as Total Petroleum-initially-in-place, Discovered Petroleum-initially-in-place and Undiscovered Petroleum-initially-in-place, and the recoverable portions are defined separately as Reserves, Contingent Resources and Prospective Resources. In any event, it should be understood that reserves constitute a subset of resources, being those quantities that are discovered (i.e. in known accumulations), recoverable, commercial and remaining.

Total Petroleum-Initially-in-Place

Total Petroleum-initially-in-place is that quantity of petroleum which is estimated to exist originally in naturally occurring accumulations. Total Petroleum-initially-in-place is, therefore, that quantity of petroleum which is estimated, on a given date, to be contained in known accumulations, plus those quantities already produced therefrom, plus those estimated quantities in accumulations yet to be discovered. Total Petroleum-initially-in-place may be subdivided into Discovered Petroleum-initially-in-place and Undiscovered Petroleum-initially-in-place, with Discovered Petroleum-initially-in-place being limited to known accumulations.

It is recognized that all Petroleum-initially-in-place quantities may constitute potentially recoverable resources since the estimation of the proportion which may be recoverable can be subject to significant uncertainty and will change with variations in commercial circumstances, technological developments and data availability. A portion of those quantities classified as Unrecoverable may become recoverable resources in the future as commercial circumstances change, technological developments occur, or additional data are acquired.

Discovered Petroleum-Initially-in-Place

Discovered Petroleum-initially-in-place is that quantity of petroleum which is estimated, on a given date, to be contained in known accumulations, plus those quantities already produced therefrom. Discovered Petroleum-initially-in-place may be subdivided into Commercial and Sub-commercial categories, with the estimated potentially recoverable portion being classified as Reserves and Contingent Resources respectively, as defined below.

RESERVES. Reserves are defined as those quantities of petroleum which are anticipated to be commercially recovered from known accumulations from a given date forward. Reference should be made to the full SPE/WPC Petroleum Reserves Definitions for the complete definitions and guidelines.

Estimated recoverable quantities from known accumulations which do not fulfil the requirement of commerciality should be classified as Contingent Resources, as defined below. The definition of commerciality for an accumulation will vary according to local conditions and circumstances and is left to the discretion of the country or company concerned. However, reserves must still be categorized according to the specific criteria of the SPE/WPC definitions and therefore proved reserves will be limited to those quantities that are commercial under current economic conditions, while probable and possible

reserves may be based on future economic conditions. In general, quantities should not be classified as reserves unless there is an expectation that the accumulation will be developed and placed on production within a reasonable timeframe.

In certain circumstances, reserves may be assigned even though development may not occur for some time. An example of this would be where fields are dedicated to a long-term supply contract and will only be developed as and when they are required to satisfy that contract.

Contingent Resources

Contingent Resources are those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from known accumulations, but which are not currently considered to be commercially recoverable.

It is recognized that some ambiguity may exist between the definitions of contingent resources and unproved reserves. This is a reflection of variations in current industry practice. It is recommended that if the degree of commitment is not such that the accumulation is expected to be developed and placed on production within a reasonable timeframe, the estimated recoverable volumes for the accumulation be classified as contingent resources.

Contingent Resources may include, for example, accumulations for which there is currently no viable market, or where commercial recovery is dependent on the development of new technology, or where evaluation of the accumulation is still at an early stage.

Undiscovered Petroleum Initially-in-Place

Undiscovered Petroleum-initially-in-place is that quantity of petroleum which is estimated, on a given date, to be contained in accumulations yet to be discovered. The estimated potentially recoverable portion of Undiscovered Petroleum-initially-in-place is classified as Prospective Resources, as defined below.

Prospective Resources

Prospective Resources are those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations.

Estimated Ultimate Recovery

Estimated Ultimate Recovery (EUR) is not a resource category as such, but a term which may be applied to an individual accumulation of any status/maturity (discovered or undiscovered). Estimated Ultimate Recovery is defined as those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from an accumulation, plus those quantities already produced therefrom.

Aggregation

Petroleum quantities classified as Reserves, Contingent Resources or Prospective Resources should not be aggregated with each other without due consideration of the significant differences in the criteria associated with their classification. In particular, there may be a significant risk that accumulations containing Contingent Resources or Prospective Resources will not achieve commercial production.

Range of Uncertainty

The Range of Uncertainty, as shown in Figure 1, reflects a reasonable range of estimated potentially recoverable volumes for an individual accumulation. Any estimation of resource quantities for an

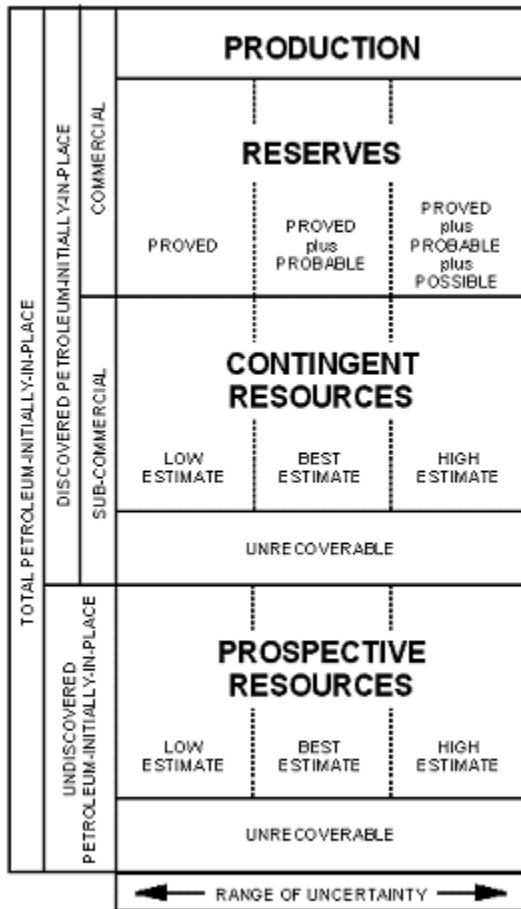
accumulation is subject to both technical and commercial uncertainties, and should, in general, be quoted as a range. In the case of reserves, and where appropriate, this range of uncertainty can be reflected in estimates for Proved Reserves (1P), Proved plus Probable Reserves (2P) and Proved plus Probable plus Possible Reserves (3P) scenarios. For other resource categories, the terms Low Estimate, Best Estimate and High Estimate are recommended.

The term "Best Estimate" is used here as a generic expression for the estimate considered to be the closest to the quantity that will actually be recovered from the accumulation between the date of the estimate and the time of abandonment. If probabilistic methods are used, this term would generally be a measure of central tendency of the uncertainty distribution (most likely/mode, median/P50 or mean). The terms "Low Estimate" and "High Estimate" should provide a reasonable assessment of the range of uncertainty in the Best Estimate.

For undiscovered accumulations (Prospective Resources) the range will, in general, be substantially greater than the ranges for discovered accumulations. In all cases, however, the actual range will be dependent on the amount and quality of data (both technical and commercial) which is available for that accumulation. As more data become available for a specific accumulation (e.g. additional wells, reservoir performance data) the range of uncertainty in EUR for that accumulation should be reduced.

Resources Classification System Graphical Representation

FIGURE 1 - RESOURCES CLASSIFICATION SYSTEM



Not to scale

Figure 1 is a graphical representation of the definitions. The horizontal axis represents the range of uncertainty in the estimated potentially recoverable volume for an accumulation, whereas the vertical axis represents the level of status/maturity of the accumulation. Many organizations choose to further subdivide each resource category using the vertical axis to classify accumulations on the basis of the commercial decisions required to move an accumulation towards production.

As indicated in Figure 1, the Low, Best and High Estimates of potentially recoverable volumes should reflect some comparability with the reserves categories of Proved, Proved plus Probable and Proved plus Probable plus Possible, respectively. While there may be a significant risk that sub-commercial or undiscovered accumulations will not achieve commercial production, it is useful to consider the range of potentially recoverable volumes independently of such a risk.

If probabilistic methods are used, these estimated quantities should be based on methodologies analogous to those applicable to the definitions of reserves; therefore, in general, there should be at least a 90% probability that, assuming the accumulation is developed, the quantities actually recovered will equal or exceed the Low Estimate. In addition, an equivalent probability value of 10% should, in general, be used for the High Estimate. Where deterministic methods are used, a similar analogy to the reserves definitions should be followed.

As one possible example, consider an accumulation that is currently not commercial due solely to the lack of a market. The estimated recoverable volumes are classified as Contingent Resources, with Low, Best and High estimates. Where a market is subsequently developed, and in the absence of any new technical data, the accumulation moves up into the Reserves category and the Proved Reserves estimate would be expected to approximate the previous Low Estimate.

Approved by the Board of Directors, Society of Petroleum Engineers (SPE) Inc., the Executive Board, World Petroleum Council (WPC, formerly World Petroleum Congresses), and the Executive Committee, American Association of Petroleum Geologists (AAPG), February 2000