



Society of Petroleum Engineers

Oil and Gas Reserves Committee Governance Document

**Initial Approval September 2007
Revised and Approved June 2019**

1. RATIONALE, PURPOSE AND OBJECTIVES

Rationale

The appropriate recognition of reserves and resources is fundamental to the health of the oil and gas industry. Embedded within this recognition is the need to have in place a reliable stewardship body, not only to help foster the development and maintenance of a sound definition and classification system, but also to act as the conduit for the dissemination of information pertinent to that role. The Society of Petroleum Engineers (SPE), as an independent professional organization with its own Code of Conduct (Attachment 1), has long been recognized as the leading organization to take on such a role. Within SPE, the OGRC has been charged with oversight responsibilities for handling issues related to reserves and resources. The nature of that responsibility demands that a governance model is in place to assure that the objectives of the committee are being achieved.

Purpose and Objectives

The purpose of the Governance Model is to provide the level of confidence described above, which meets the expectations and requirements of all key stakeholders. Additionally, the model must be evergreen in nature, recognizing the need to adapt to an ever-changing industry landscape while fulfilling the needs of SPE's membership. The objectives of the model are to:

- Define OGRC membership makeup and qualifications
- Articulate clearly committee roles and responsibilities
- Set expectations for meeting venue and logistics
- Tie to other SPE processes or groups as appropriate. Such processes or groups include, but may not be limited to:
 - SPE Board and their meetings
 - Other standing committees
 - Ad hoc leadership requests
- Define relationships with other groups and/or processes
- Provide guidelines on the production and review of reserves and resources-related publications
- Outline the manner in which communication of OGRC activities will be handled
- Establish independence and prevent conflict of interests

This document was developed by a subcommittee of the OGRC and approved by the OGRC and the SPE Board of Directors.

2. OGRC MEMBERSHIP

Members

The OGRC is made up of 12 to 16 members, except as deemed necessary for special projects or special skill sets. Members serve three-year terms and the Chairperson serves a two-year term, followed by another two-year term as a member to ensure continuity in leadership. A Vice-Chair will be nominated and submitted to the SPE Board of Directors at the end of the first year of the chairperson's tenure. All positions and members of the OGRC are subject to approval by the SPE Board of Directors before being appointed to the committee. Members are appointed on a rotating basis such that one-third of the members are replaced during the course of a normal year. Board Members may consult with the existing OGRC Chair or other committee members for the nomination of potential candidates for the committee. Members serve at the pleasure of the SPE Board of Directors. The charge for the OGRC can be changed by the Board, including the composition of the committee. In certain instances, members are asked by the Board to extend their term to fill critical functions or complete ongoing activities. Except as noted above, members cannot be appointed for consecutive terms. The membership pool includes SPE members who are degreed engineers and geoscientists with at least 10 years' experience in reserves and resources estimation, who are generally perceived in the industry to be subject matter experts. Committee members are selected from large and small private and public producers, consultants, educators, regulators, and other appropriate organizations. Every

effort is made to achieve a balanced, global representation across the industry, reflecting where possible the nature of SPE's overall membership. A list of OGRC members is posted on the SPE website.

Observers

Additionally, SPE may ask organizations to provide OGRC observers. These observers serve as liaisons between the OGRC and the respective organization on reserves and resources matters. Observers are typically highly experienced members of similar technical societies such as the American Association of Petroleum Geologists (AAPG), the Society of Exploration Geophysicists (SEG), the Society of Petroleum Evaluation Engineers (SPEE), the World Petroleum Council (WPC), the European Association of Geoscientists and Engineers (EAGE), the Society of Petrophysicists and Well Log Analysts (SPWLA), and other international professional societies or governmental, regulatory and reporting bodies such as the United States Energy Information Administration (EIA), with the authority to represent the organization. Appointments and terms of OGRC observers are dictated by the appointing organization. Requests to add a specific organization as an observer group can be proposed by the OGRC through a request to the SPE Board. Care should be taken to maintain a relevant observer group, but not so large as to be cumbersome to any OGRC functions. The entire committee should be maintained at an efficient level – common sense should prevail.

SPE Staff for the OGRC

An SPE Manager or above serves as the primary staff person to the OGRC. The staff person works with the committee Chair to help ensure progress on committee activities. The staff person:

- Advises the committee on appropriate handling of SPE processes and procedures
- Presents committee reports and recommendations to the Board in the absence of the Committee Chair
- Serves as a resource to research past activities of the committee
- Assists in recording meeting minutes and scheduling meeting venues

3. COMMITTEE ROLES AND RESPONSIBILITIES

Role

The role of the OGRC is to fulfill the needs of the SPE Board relative to petroleum reserves and resources matters. The SPE Board frequently directs the activities of the OGRC to assure alignment with the goals and objectives of the society through interaction with both the Chair and the SPE staff.

The committee is charged with:

- Overseeing SPE programs dealing with oil and gas reserves and resources matters, including reserves and resources definitions, terms, recommended practices, and standards
- Disseminating reserves and resources information to other organizations, agencies, and companies involved in reserves matters, including cooperation with other committees and organizations in development and delivery of relevant training courses
- Liaising with other organizations in efforts to achieve worldwide use of standard reserves and resources definitions
- Monitoring of activities of other organizations in the reserves and resources definition area and providing reports to the SPE Board on these matters
- Providing periodic reports to the SPE Board on oil and gas reserves and resources issues, including recommendations for revisions to SPE's reserves and resources definitions

Participation

Serving on the OGRC is an honor that requires commitment of both time and resources by committee members. Members are expected to actively engage in committee functions, including meetings, educational and presentation opportunities, and other functions performed to achieve the goals of the committee. Depending on circumstances surrounding absences, members who cannot actively participate in at least one regular meeting per year will be asked by the OGRC Chair to relinquish their seats on the committee. The affected member may appeal such action to the Board Committee with approval authority over the membership of the OGRC. Members should also generally

be available for discussion of reserves matters with other committee members, SPE personnel, or industry representatives outside of normally scheduled meetings as may be necessary. Guest attendees may be invited as is pertinent to meeting discussion, and in general the meetings are open to any SPE member upon their request to attend.

Leadership

The OGRC is led by a Chair that is selected by the SPE Board of Directors from the committee membership (current or previous) for a 2-year term. Historically, this person has been someone entering their third year of committee service, but this is subject to overall SPE/OGRC needs. It is the responsibility of the Chair, with input from the SPE staff person, to create meeting agendas, organize and conduct meetings, appoint subcommittees as necessary, and generally direct the activities of the committee. The Chair remains on the committee for 2 years following his/her term to ensure continuity with the incoming Chair.

Subcommittees

The Chair may appoint subcommittees as necessary to effectively accomplish the objectives of the committee. The subcommittee may be of any size, but is generally between 3 to 5 members. A subcommittee Chair will be appointed by the OGRC Chair. Active participation in subcommittees is another expectation of committee members.

The OGRC includes one standing subcommittee, the Reserves Education Subcommittee (RES). The RES is comprised of 3 to 6 OGRC members, depending on activity level. The RES has as its prime directive the design and creation of educational vehicles, programs and initiatives in support of the dissemination and application of the SPE Petroleum Resources Management System (PRMS).

Decision Making

Activities of the committee are dictated by the will of the committee. In general, a quorum of members, defined as a simple majority, will decide the position of the committee. The Chair may choose to poll the committee outside of a meeting format to determine the will of the committee to facilitate fulfillment of the committee's functions. Decisions on critical issues, such as the approval of new OGRC sanctioned SPE publications, are made by a vote of the OGRC membership, a simple majority prevailing. All discussions within the OGRC are held under Chatham house rules and are therefore to be kept confidential. Final decisions will be recorded in the meeting minutes.

Informing the Public

Informing the public of the activities and functions of the OGRC is the responsibility of SPE through the official website or other SPE publications. The OGRC should act as an advisory group in this regard.

4. MEETING VENUE AND LOGISTICS

Meeting Expectations

Meetings will be held semi-annually, either face to face or via teleconference. One such meeting may be held in conjunction with the SPE Annual Technical Conference and Exhibition (ATCE), at the same location as that event, or via teleconference, unless an alternative time and location is agreed by the committee. A meeting will also be held in the first half of the calendar year, the ATCE historically being held in the September-to-November timeframe. While it may be most appropriate to align with other SPE-sponsored events, such meetings will be scheduled to best suit the needs of the committee.

A call for a meeting shall be made in advance, by either the Chair or the SPE staff person. Reasonable effort will be made to ensure that the meeting does not conflict with other events that will reduce member attendance. The draft agenda shall be distributed allowing reasonable time for OGRC member comment, and distribution of the final agenda prior to the meeting. The Chair of the OGRC and the staff person will be responsible for the organization of venue, which may be international in location. If a quorum (simple majority) of members is not available for a meeting, then the meeting should be postponed until such a level of participation can be reached. A count to determine a quorum includes those OGRC members participation via telephone if not able to attend in person.

Additional meetings via teleconference may also be held as special circumstances dictate. The SPE staff will assist in setting these up in certain instances.

Minutes for regularly scheduled meetings will be recorded by the SPE staff person, and distributed for member comment following the meeting. Comments should be received and final minutes issued within a reasonable time after the meeting. Minutes are approved by vote at the next official OGRC meeting.

Action items shall be developed based on meeting results and agreed upon by the full committee prior to meeting close. Meeting presentations and reports should be forwarded to all meeting attendees along with the minutes.

5. RELATIONSHIP TO OTHER GROUPS AND/OR PROCESSES

Purpose

Relationships should be sought with any independent professional body that can add value to the OGRC Charter. The development and maintenance of working relationships with certain external bodies are fundamental and key to the accomplishment of the OGRC's mission to produce and disseminate a sound definition and classification system of reserves and resources.

Definition of Relationships

The definitions and "rules" of these relationships should be limited to this document without the need for specific charters between organizations.

Descriptions of Relationships

Strong working relationships with certain organizations are viewed as critical to the success of the OGRC's Charter. Among those organizations are certain professional societies whose members are in key user groups of the Petroleum Resources Management System (PRMS), namely WPC, AAPG, SEG, SPEE, EAGE, and SPWLA, who, together with SPE, are the sponsors of the PRMS 2018. An active observer status should be encouraged for these groups with every effort made toward maintaining their sponsorship status in various OGRC primary publications.

Relationships with other external bodies are important for multifaceted perspective and input into the development and maintenance of the various primary OGRC publications, but their lack of sponsorship does not affect the validity or importance of those publications.

Accounting (and economic) functions are critical to reserves classification, and working relationships should be sought and fostered with organizations such as the International Accounting Standards Board (IASB).

The following represents a list of activities or groups, both internal and external for which specific relationships have evolved. The OGRC Chair is charged with ensuring these relationships are fostered as necessary to meet committee obligations.

Relationships Within SPE

SPE Board

The OGRC is expected to prepare a brief summary of activity for presentation at scheduled Board meetings at least once a year. This summary will reflect major activities that have occurred since previous reports. The presentation is usually prepared for the Board Committee to which the OGRC reports, which meets during the same time frame as the full Board. A further summary is made by the Board Committee Chair to the full SPE Board at the regular Board meeting. Generally, the SPE staff person will make the presentation, but depending on the relative importance of a specific issue, the OGRC Chair may be called upon to make this presentation. The SPE staff person will act as the focal point for dissemination of information relative to Board requirements, through contact with the OGRC

Chair. An organization chart is included as Attachment 3 to illustrate the overall relationship of the OGRC within the SPE hierarchy.

Petrowiki Moderation

A two to three member subcommittee should be established to moderate reserves and resources areas of Petrowiki. Moderation includes reviewing any additions submitted to reserves and resources content in Petrowiki and declining or approving the submission. It also includes making revisions to Petrowiki content to reflect revisions in OGRC documents or to address technology changes.

Other SPE Committees/Subcommittees

The OGRC may from time to time be requested to supply representatives to participate on other SPE committees or joint subcommittees. Members will be solicited to volunteer to participate, and the OGRC will make reasonable efforts to provide participants with the means to meet such requests on membership commitments.

Relationships to External Bodies

For-Profit Organizations

Formal relationships with commercial bodies that are basically business organizations must be carefully considered due to the structure, independent status, and mission of SPE and the OGRC. Such relationships are to be avoided and are to be managed at the SPE organizational level as deemed necessary.

Lobby Organizations

Relationships with industry organizations that are involved in lobbying could be problematic for the OGRC and SPE due to their legal status. If established at all, relationships with these types of organizations are to be kept at arms-length, and any such relationships maintained only at the SPE organizational level.

Regulatory Bodies

Relationships with worldwide regulatory bodies are viewed as appropriate when the relationship is based on the exchange of technical knowledge, consistent with SPE's mission, especially considering the implications of the PRMS on both the operating industry (and the organizations representing that industry) and the regulatory bodies to which the industry reports. It would be further appropriate, if possible, to foster a formal relationship (and observer status on the OGRC) with the International Organization of Security Commissions (IOSCO) which has representation from 110 separate regulatory bodies, including the SEC, CSA, ASC, and UK FSA.

United Nations Economic Council of Europe (UNECE)

Due to the worldwide scope of the UNECE's work with the Expert Group on Resource Management (EGRM) and the development of the United Nations Framework Classification (UNFC) system, and in consideration of the Memorandum of Understanding (MOU) signed between the UNECE and SPE in October 2006, the OGRC maintains a formal relationship with the UNECE and a presence with the EGRM, in so far as attempting to ensure that the UNFC encompasses the PRMS and application of the MOU terms. The Chair of the OGRC (or nominated representative) should occupy the position on the Extended Bureau of the EGRM allotted for SPE. The Extended Bureau is essentially the Executive Committee of the EGRM. For further information on the EGRM and its activities, see the UNECE website. The OGRC Chair is responsible for reporting back to the full committee on EGRM activity. One to two meetings of the EGRM are called each year, with the annual meeting usually scheduled in April/May in Geneva, Switzerland. The OGRC Chair or nominated representative is expected to attend. The EGRM also holds monthly conference calls.

Committee for Mineral Reserves International Reporting Standards (CRIRSCO)

The relationship between the OGRC and CRIRSCO should be maintained due to the relationship of reserves and accounting issues inherent in both the petroleum and mining industries. This relationship is valuable considering any evolving international standards for the extractive industries as being developed by such organizations as IASB, IOSCO, and UNECE.

International Accounting Standards Board (IASB)

The OGRC has committed to provide technical advice on reserves and resources classification and definition issues to the IASB in support of developing International Financial Reporting Standards applicable to extractive industries (petroleum and minerals).

Joint Committee on Reserves Evaluator Training (JCRET)

JCRET is a not-for-profit committee created in July 2006 through the cooperation of five founding organizations – SPE, WPC, AAPG, SEG, and SPEE. These societies support JCRET by supplying representatives to meet a generally recognized need for quality training for individuals responsible for petroleum reserves and resources evaluation. The SPE representatives on the committee ensure that the OGRC is kept apprised of JCRET activity. The OGRC Chair has an advisory role to the committee, but is not a direct representative.

6. PROVIDE GUIDELINES ON THE PRODUCTION AND REVIEW OF RESERVES-RELATED PUBLICATIONS

The OGRC is the custodian of a set of definitions, standards and guidelines referred to as the “Technical Publications.” The documents which make up the Technical Publications may vary from time to time and currently comprise the following:

- The SPE/WPC/AAPG/SPEE/SEG/EAGE/SPWLA *Petroleum Resources Management System*, approved by the SPE Board in June 2018 (“PRMS”). The PRMS was developed in collaboration with the WPC, AAPG, SPEE, SEG, EAGE, and SPWLA and has been endorsed by their respective boards.
- *Guidelines for Application of the Petroleum Resources Management System*, approved by the Board of the SPE in November 2011 (henceforth called “the Guidelines”). The Guidelines were developed in collaboration with the AAPG, SEG, SPEE and WPC and have been endorsed by their respective boards. This document is a valuable source of information regarding the application of reserves and resources estimating principles and is subject to update following the PRMS 2018.
- Standards Pertaining to the Estimation and Auditing of Oil and Gas Reserves Information, approved by the SPE Board in June 2019 (“Auditing Standards”).
- Comparison of Selected Reserves and Resources Classifications and Associated Definitions, Final Report and Appendix A, SPE OGRC December 2005 (Mapping Report).

In the future, Technical Publications may also include Best Practices for Reporting, Examples, Supplementary Practice Notes and Bulletins which may be issued from time to time to support the technical standards.

In line with its function, the OGRC is required to recommend revisions to the Technical Publications and may also periodically produce explanatory notes, bulletins, presentation material, or other documents which may be used to promote, communicate or clarify the Technical Publications.

The OGRC will create a designated subcommittee responsible for the review and production of the Technical Publications when needed.

Timetable for Periodic Review of the Technical Publications

The OGRC will ensure that the Technical Publications are kept current and represent industry recommended practices where practical. The frequency of revisions will need to balance their efficacy, the need for stakeholders to have stability in their application and the degree of effort required to update and communicate changes. The situation must be avoided where continual updates to the Technical Publications results in too frequent restating or re-classifying of reserves and/or resources. The definitions included in the PRMS, in particular, represent a set of values or principles that should not be readily changed.

The judgment of the OGRC for issuing revisions to the Technical Publications should consider changes in technology and industry practice in the intervening period and the overall benefit of the stakeholders. The following guidelines for the frequency of reviews are recommended:

- Annual internal OGRC reviews of the need for revised Technical Publications, bulletins and/or supplementary practice notes. The annual review will include a recommendation on when formal revisions are anticipated to be required.
- Formal revisions of the Technical Publications by a designated subcommittee every 5 to 7 years unless special circumstance arises.

Review and Publication Process

Stakeholders who have an interest in Technical Publications include, but may not be limited to, the following:

- Oil and gas industry companies and service providers
- Oil and gas industry professionals
- Governments and non-government organizations
- Financial institutions
- Stock exchanges and regulatory agencies
- Professional organizations, including the sponsoring bodies of the Technical Publications that have observer status on the OGRC
- Representative industry organizations

The review process should be as inclusive as possible and stakeholders should be consulted when necessary. The designated OGRC subcommittee will maintain a current list of stakeholders to be directly consulted when changes to the Technical Publications are proposed.

Formal revisions of the Petroleum Resources Management System and certain other Technical Publications will include a public consultation period of typically 3 to 4 months duration, require approval by the SPE Board, and provide the opportunity for endorsement by other sponsoring bodies.

SPE Board approval is generally sought during the course of regularly-scheduled Board meetings held three times annually. Approval is sought through the Board Committee to which the OGRC reports. The final versions of the committee-approved documents are generally sent to the Board Committee three to four weeks ahead of the Board meeting to allow time for appropriate review. In any case, overall review and approval processes may vary depending on the specific document, and the SPE staff person should in all cases be consulted as to the proper approval protocol, which may be subject to periodic change. In the course of Board Committee review, Board Committee members critically review the proposed document, providing their comments and suggested revisions. Only when all final comments are adequately addressed will the Board Committee approve, by majority vote, the proposed document, and pass through for final full Board approval.

Supplementary Practice Notes, Examples, or Bulletins as approved by the OGRC, may not require Board approval and if not, will be issued with the caveat that they represent the consensus opinion of the OGRC. However, major and new changes must be approved by the SPE Board and endorsed by the sponsoring societies.

The OGRC will maintain a set of standard presentation and publication materials for use by OGRC members. OGRC members may amend this material as considered appropriate for their audience, using their best judgment, and are free to offer their personal opinions provided they are declared as such. Material sourced from the OGRC should be clearly acknowledged. If the changes materially alter the conclusions of the OGRC material, prior approval should be sought from the OGRC Chair.

Papers, presentation materials and publications prepared by OGRC members on behalf of the OGRC should be approved by the OGRC Chair before dissemination. The Chair should call on other OGRC members to assist in review of such materials as appropriate. In all cases, commercial brand names and logos shall not be used, consistent with the SPE's policy and general guidelines to authors.

The OGRC also will maintain a catalog for future use of presentations, articles, papers and publications made by OGRC members on behalf of the OGRC. This material should be provided to the catalog as presented, along with details of the presenter and the event.

From time to time, the OGRC may be requested to review or endorse reserves-related publications generated by others outside of SPE. Such requests should be considered on a case-by-case basis with the overriding concern that it is in the interests of the stakeholders and within the mission of the OGRC. Any endorsement must be approved by both the OGRC and the SPE Board.

Requests for peer review of reserves-related papers and publications should be handled by individual members of the OGRC in their personal professional capacity at their own discretion.

OGRC members, as part of their role, may be requested to communicate to stakeholders via conferences, workshops, seminars, and the media. Reasonable efforts should be made to support these requests, based on the specific situation. It is appropriate to liaise with SPE International to discuss potential attendance and media responses.

7. COMMUNICATION

Due to the often critical nature of the activities undertaken by the OGRC, and the potential industry impact, development of communication plans with membership, sister organizations and the external community as a whole becomes very important. There are several vehicles that are, or potentially can be, utilized:

SPE Website

To encourage communication within the industry regarding the activities and mission of the OGRC and to promote transparency, the industry should be aware of the OGRC's complete membership. The names of all members and observers should be posted on the SPE website. Additionally, as may be acceptable by observer groups, observers' names and OGRC roles, as a minimum, should be published on observers' organization websites. Additional pertinent OGRC information may be posted to the observers' organization's website if acceptable to both organizations.

Journal of Petroleum Technology (JPT)

OGRC updates on significant committee activities may be published in JPT. The OGRC Chair shall be responsible for coordinating *JPT*-related activities with staff.

8. INDEPENDENCE AND CONFLICT OF INTEREST

SPE, of which the OGRC is a standing committee, is an independent organization that exists to serve for the benefit of its members, the oil and gas industry, and its stakeholders. To maintain its credibility as a professional organization, when representing the OGRC, the OGRC and its members must avoid situations which create either actual or perceived conflicts of interest regarding its independence. Such situations may arise if OGRC members are placed in a position of representing or providing favor to vested interests or providing an opinion on individual cases.

The OGRC is a body on which the stakeholders will rely for setting technical standards. Because of the often interpretive nature of classification and categorization of oil and gas reserves and resources, from time to time, the OGRC and its members when representing the OGRC, may be requested to provide opinions. To preserve its independence, the OGRC will not opine on individual cases. OGRC members are, of course, free to provide opinions on individual cases, provided they are represented as personal or professional opinions and not those of the OGRC.

The OGRC will not review or comment on specific applications of the PRMS. However, the OGRC will respond to requests for technical interpretations of the PRMS when the issues raised have to do with an interpretation of the

meaning of language in the standard. Requests for technical interpretations will be referred to the OGRC Chair. Such interpretations will be reviewed by the committee before being issued by SPE.

OGRC members and prospective members should read and understand SPE's Professional Code of Conduct and related policies. If OGRC members feel that they are not able to comply with the code, they should decline to serve on the OGRC. Additionally, OGRC members must comply with SPE's Conflict of Interest Policy (Attachment 1). Each year, members will be asked to sign a form indicating they have read the policy and will abide by it.

Attachment 1

[SPE Code of Conduct](#)

[Conflict of Interest Policy](#)

Attachment 2

SOCIETY OF PETROLEUM ENGINEERS, INC.

OIL AND GAS RESERVES COMMITTEE

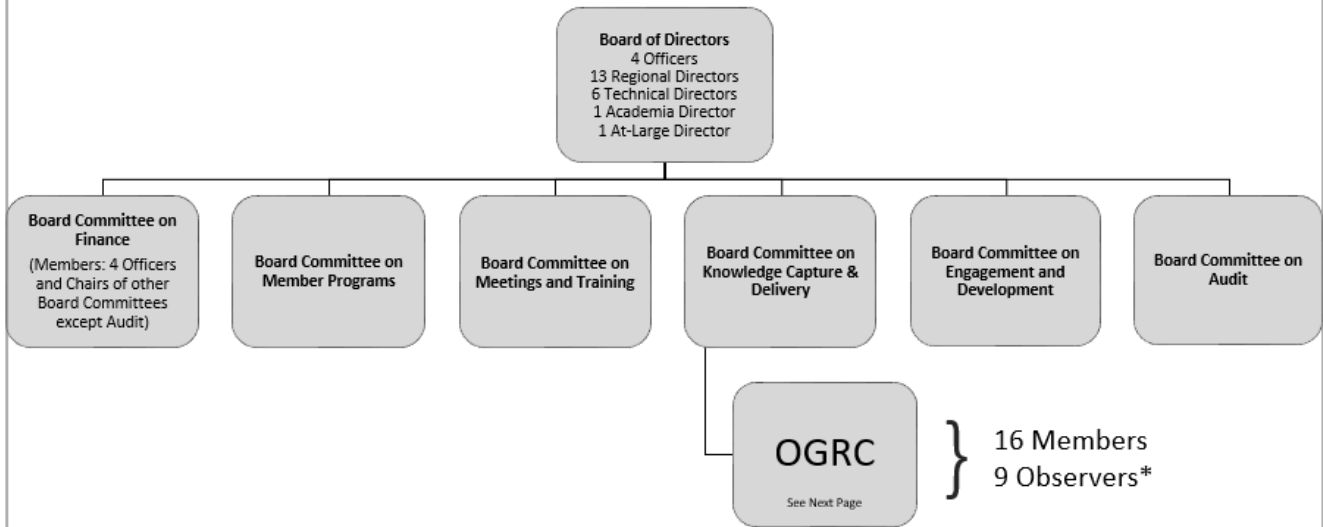
STRUCTURE: The Oil and Gas Reserves Committee (OGRC) typically includes twelve to sixteen SPE members (or more when deemed necessary for special projects or special skill sets) who are degreed engineers and geoscientists with at least 10 years' experience in reserves and resources estimation. Traditionally members serve 3-year terms. In addition to the Society of Petroleum Engineers, other organizations may provide OGRC observers. These observers serve as liaisons between the OGRC and the respective organization on reserves and resources matters. Observers are typically highly experienced members of similar technical societies.

FUNCTION: The committee is charged with:

1. Having responsibility for programs dealing with oil and gas reserves and resources matters, including reserves and resources definitions, terms, recommended practices, and standards
2. Disseminating reserves and resources information to other organizations, agencies, and companies involved in reserves matters, including cooperation with other committees and organizations in development and delivery of relevant training courses
3. Liaising with other organizations in efforts to achieve worldwide use of standard reserves and resources (definitions)
4. Monitoring of activities of other organizations in the reserves and resources definition area and provide reports to the SPE Board on these matters
5. Providing periodic reports to the SPE Board on oil and gas reserves and resources issues, including recommendations for revisions to SPE's reserves and resources definitions

Attachment 3

OGRC and the SPE Board



*As of April 2019

