Abstract: Historical Comparison of PD vs PUD: Largest Publicly Traded Oil Companies,

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The January 2004 Shell restatement of reserves created suspicion that a systemic problem would cause a wave of other reserve reduction announcements to fall on Wall Street. In May 2004, Congressman John Dingell investigated; “What is the relevance and importance of oil and gas reserve disclosures to investors? To national energy policy decisions?”

An historical (from 1986) comparison of publicly available SEC 10K data, finding the ratio of PUD/PD, for the fifteen largest publicly traded oil and gas companies shows overall similar conservative PUD/PD ratios. Shell is conspicuously one of the companies with high PUD/PD ratio, now lessened by their restatement of reserves. However, what are the reasons for many companies recent overall upward creep in reporting higher PUD reserves?

Legitimate causes behind a high PUD ratio include a significant new discovery proved up, 3D enhanced knowledge of existing reserves base, or purchase of significant PUD properties. A high PUD ratio indicates solid future development; is there pressure from the analyst community to overstate PUDs? How can the upward trend in PUDs be explained since fewer large discoveries being made?

The outdated, flawed SEC reserve definitions do not accurately reflect a reserve base of proved, probable and possible reserves to the investor or to the nation. Unconventional reservoirs (coal bed methane, gas shales) would undervalued on the 10K because of SEC single offset rule; deepwater fields without production history may be overvalued on the 10K because the reservoir may turn out to be more compartmentalized.

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