DISCUSSION
CLASSIFICATION AND NOMENCLATURE SYSTEMS FOR PETROLEUM AND PETROLEUM RESERVES
1987 REPORT

Chairman: A. R. MARTINEZ, Consultant on Energy Policy, Venezuela

The Chairman said he was of course in agreement with the Report, being a member of the Study Group. It tried to reach a consensus: no one would like all aspects of the Report, and at the same time everyone would agree with most of it. He said this was not the end of the venture, but a beginning; some five or six countries used the definitions for the calculation of year end 1986 reserves. There had been contacts with the World Energy Conference and the Society of Petroleum Engineers, among others; the Report would be discussed at various regional and international organizations. He said it would be necessary to move to another level of discussions, if one wished to obtain a truly universal scope. He asked for short comments, since the closing ceremony of the Congress would take place in a few minutes. The comments would be analysed; although the Study Group as such has been disbanded, the individual members might retain a sort of watching brief. He announced that the Executive Board of the World Petroleum Congresses had just accepted an offer from the Venezuelan National Committee to continue this work, together with other National Committees which were willing or wanted to be involved in spreading the gospel, the recommended gospel.

Mr. HANK RAY (USA) said he had worked with the terms for 50 years; he congratulated the Study Group and agreed completely with the terms as proposed.

Ir. JAN VAN DAM (Netherlands) said that his National Committee had been rather critical of the work of the Study Group and had thought that the work of the SPE of the USA would probably provide a more professional, engineering oriented approach; the WPC Study Group looked for consensus and simplicity. He regretted that, after four years, the SPE had greatly disappointed him; it had deviated to definitions based more on the accounting needs of bankers and become completely useless for engineers. He strongly supported the work of the Study Group and agreed that the work should continue. He said it was difficult to define the boundaries between the various volumes as proposed, and he still felt that the differences between probable and possible reserves lacked clarity. Another point Mr. VAN DAM mentioned was the exact meaning of economic terms at the date of definition. For future work one should also distinguish the purpose for which reserves are calculated, whether technical or business. One basis was the resources in the physical sense, the second for decision-makers, and finally, for banking purposes.

Dr. AMIR BADAKHSHAN (Canada) asked about the nature of the terminology and its uses. He would like to know how the drop in the price of oil affected the terminology.

Mr. JUAN ROGER (Venezuela) said that everybody was entitled to his own opinion. He was not speaking on behalf of the Oil and Gas Reserves Committee of the SPE, of which he was a member. The definitions of the WPC and the SPE were essentially the same, as there were no differences in the basic concepts. On proved reserves, economic aspects were well defined, but not so in the case of unproved reserves. He also commented that economic recovery from already discovered deposits was restrictive and might be termed 'associated', as the SPE did for unproved reserves.
Mr. JIM EL-DEFRAWY (Canada) said his only problem was with the definition of oil and bitumen; it might not correspond to the Unitar definitions, since there might be an undefined area between 10 000 and 100 000 mPa.s viscosity. He also said hydrates should be included in natural gas. (Chairman's note: the definitions of the Study Group and Unitar are exactly the same.)

Dr. CHARLES MASTERS (USA) said he represented a group that had been doing resource calculations for the last two Congresses, using a different set of definitions from that of the Study Group. He agreed with Mr. VAN DAM that it was difficult to refer to some of the definitions, such as proved to unproved, and probable to possible; no one could make distinctions of that kind. Proved undeveloped reserves included additions by water-flooding and by reservoir expansion; the API (American Petroleum Institute of the USA) published very important data on water-flooding, but not on physical reservoir growth, which would mix the two sets of data; that was why, in the US system, they were called the 'indicated' reserves. 'Measured' was used, for certain regulatory reasons, by the US Geological Survey. 'Inferred' reserves in the USA referred to the physical expansion of the reservoirs. He said he did not think countries did what was shown in the Table in the Report, for instance in the USSR, where reserves were calculated on a different basis. He proposed that the definitions used in the USA be carefully studied, as stated in his paper four years ago or in the US Geological Survey literature.

The Chairman stated that the Appendix on the usage of reserves terms had been prepared from data supplied by the National Committees, and that in the course of the last seven years no word had been received that the information had been misused in any way.

Mr. BOB LANG (Canada) said he was the Chairman of the Reserves Committee of the Canadian Petroleum Association. The fundamental issue was the economic aspects; as prices increased, there was scarcely any difference of opinion on the economics; it was merely one consideration. The reporting last year of gas reserves in Alaska compared to the year before was the same for one company, half the volume for another, and no reserves by a third company. He said there were two main uses of reserves: one was for banking and accounting; the other was for standardizing on the international scale, as the WPC was trying to do.

A participant from PR China said that the Report now included China. He added that the definitions of probable or possible were not clear but confusing. He explained that in China, the definition was made on the basis of risk, i.e. 30% for probable reserves, and more than 50% for possible.

Mr. DESORCY said he would like to respond to many of the comments, but there was no time to do so. With reference to China, he hoped to have much better information in writing. He stated that there had been a continuous exchange of correspondence with the SPE, and that an information meeting with that group had taken place the day before.

The Chairman thanked those present at that late hour and closed the session.