



Numbers to Count On. Experts to Trust.

LATEST THEMES IN SEC COMMENT LETTERS – WHAT TO EXPECT

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DISCLAIMER



The information conveyed in the following presentation represents informed opinions about certain laws, regulations and interpretations but should not be considered as advice or counsel about any specific provision or topic. The applicability of the guidance provided herein should be considered on a case by case basis.

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PURPOSE OF PRESENTATION



- Recent Comment Letters
- Shut-In Wells for 2020
- Comments about SEC Seeker
- Demonstration of Edgar

*Special Thanks to Cecilia Flores, Steve Gardner, and Susan Mitchell
for help preparing this material*

NATURE OF SEC COMMENT LETTERS



- When public filers submit documents to the SEC for public disclosure, comment letters are the first direct form of communication between the SEC and the filer.
- Filers are obligated to respond to comments submitted by the SEC staff.
- Letters (and returned correspondence) become public after the issues discussed are concluded to the satisfaction of the SEC.
 - Confidential treatment is permitted under certain circumstances

WHY PAY ATTENTION TO COMMENT LETTERS



- Other than the Compliance and Disclosure Interpretations (C&DIs), comment letters represent only other written indication of how the SEC staff interprets or expects the rules to be interpreted by filers.
- C&DIs are created for the oil and gas industry very infrequently.
 - 1 C&DI issued in 2013
- Comment letters allow us to understand thinking of SEC staff
 - But comment letters cannot change the regulations
 - Comment letters should not be considered definitive for many circumstances

“In closing, we remind you that the company and its management are responsible for the accuracy and adequacy of their disclosures, notwithstanding any review, comments, action or absence of action by the staff.”

WHAT WE ARE AVOIDING



“We issued an oral comment to you on the above captioned filing on XXX, XX XXXX. As of the date of this letter, this comment remains outstanding and unresolved. We expect you to provide a complete, substantive response to this comment by XXX, XX XXXX.

If you do not respond, we will, consistent with our obligations under the federal securities laws, decide how we will seek to resolve material outstanding comments and complete our review of your filing and your disclosure. Among other things, we may decide to release publicly, through the agency's EDGAR system, all correspondence, including this letter, relating to the review of your filing, consistent with the staff's decision to publicly release comment and response letters relating to disclosure filings it has reviewed..”

(SEC Staff to Filer)

LETTERS FOR TODAY'S DISCUSSION

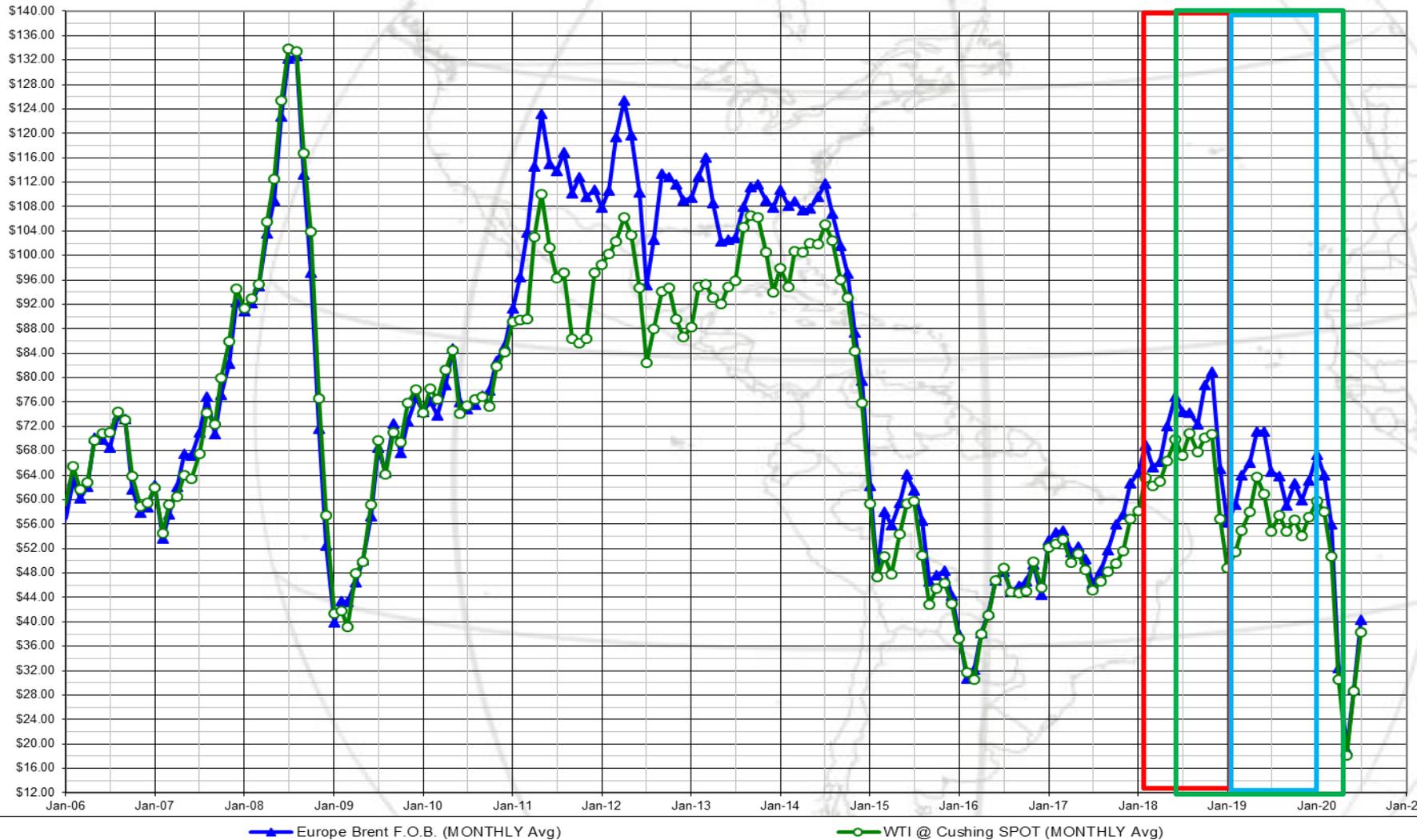


- Looking at letters sent to oil and gas filers between May 2018 to May 2020.
- Comments respond to a many types of filing, predominately 10-K forms for years ending 12/31/2017 and 12/31/2018.

Some SIC's Of Interest					
1000	1311	1381	1382	2911	6792
METAL MINING	CRUDE PETROLEUM & NATURAL GAS	DRILLING OIL & GAS WELLS	OIL & GAS FIELD EXPLORATION SERVICES	PETROLEUM REFINING	OIL ROYALTY TRADERS

Before Screening	After Screening
49	21
111	32
383	179
	Companies
	Letters
	Reserves Related Comments

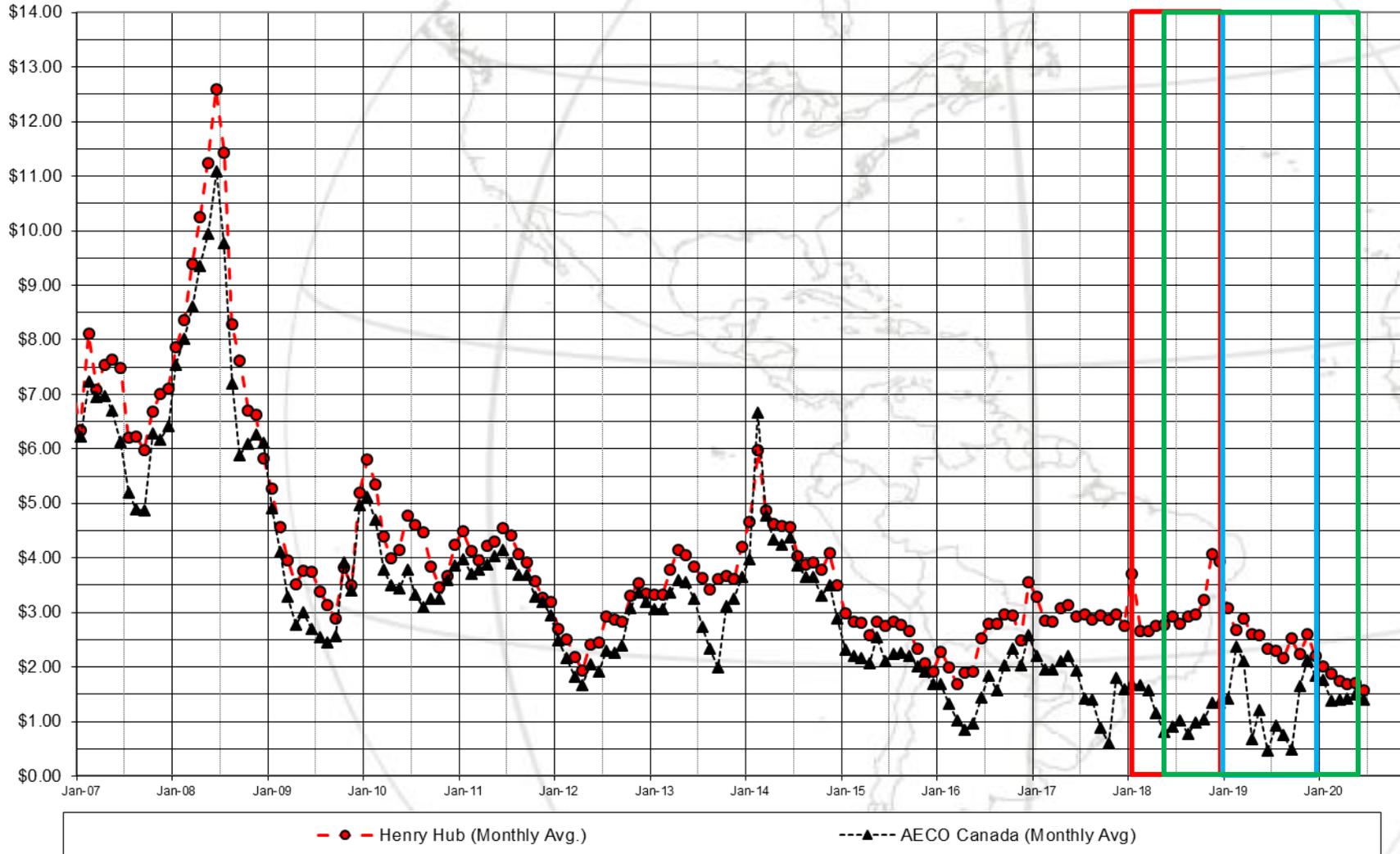
PRICING BACKDROP



- Letters Pulled from May 2018 onward (Green Box)
- Includes many 10K (20-F) for the year ending 12/31/2018 (Red Box)
- Some comments for 12/31/2019 so far (Blue Box)

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OUTLOOK FOR YE2020 SEC PRICE



First Day of Month Prices

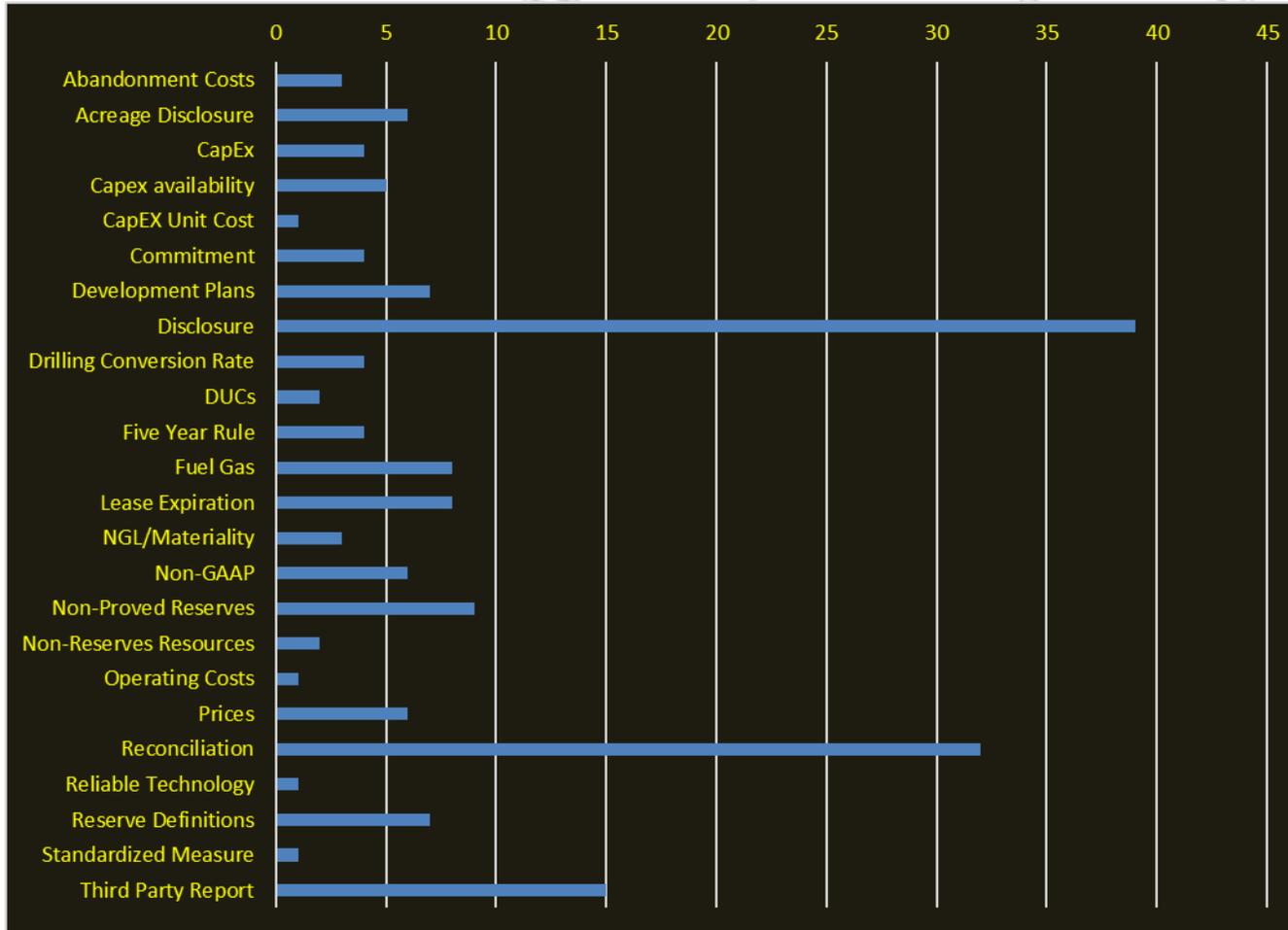
	WTI	Henry Hub
Jan-20	\$ 61.06	\$ 2.05
Feb-20	\$ 51.56	\$ 1.85
Mar-20	\$ 44.76	\$ 1.73
Apr-20	\$ 20.31	\$ 1.69
May-20	\$ 19.78	\$ 1.69
Jun-20	\$ 36.44	\$ 1.60
Jul-20	\$ 39.82	\$ 1.69
Aug-20	\$ 40.27	\$ 1.75
Sep-20	\$ 40.27	\$ 1.75
Oct-20	\$ 40.27	\$ 1.75
Nov-20	\$ 40.27	\$ 1.75
Dec-20	\$ 40.27	\$ 1.75
31-Dec-20	\$ 39.59	\$ 1.75

If we use the same price for August 2020 First Day of Month (FDOM) and carry it forward for the remainder of the year the prices look to be just under \$40/bbl for WTI and \$1.75 for gas.

SHUT-IN WELLS

- Since the pandemic started and prices dropped many of our SEC based clients have approached us regarding how to handle shut-in wells
- General themes include:
 - Plan to restore wells and timing
 - Appropriate capital (if any) to restore production
 - Economic once returned to production?
 - Capacity and/or a market to sell this product
- For SEC based reserves the issue comes to play for the most part at year end when reporting volumes to the SEC.
- Commitment needs to be clear!

RECENT TOPICS



Surprising Number of Comments on:

- Non-Proved Reserves
- Disclosure of Fuel Gas
- Reserves Definitions
- Third Party Reports

POINTS TO DISCUSS



- Non-Proved Reserves
- Disclosure of Fuel Gas
- Reserves Definitions
- Third Party Reports

Overall fewer letters and fewer comments.
Some comments drawn from sources
other than 10-K & 20-F

***Any stressed** portions of
SEC Comment Letter quotations are
added emphasis by Ryder Scott*

THEMES NOT TO LOSE SIGHT OF



There are still many comments addressing familiar themes for SEC Reserves, such as:

- Development Plans and the filers commitment
- The recent track record of converting undeveloped reserves to developed reserves, is it consistent with stated plans going forward
- The Five-Year rule, and why an undeveloped project may be exempt
- DUCs – when to recognize these as developed, and how this meets the definition of developed

NON-PROVED RESERVES COMMENTS



“Expand your discussion of the uncertainty relating to probable and possible reserves to incorporate appropriate cautionary language indicating estimates of probable and possible reserves (i) are more uncertain than proved reserves, (ii) have not been adjusted for risk attributable to that uncertainty, and (iii) may not be comparable with each other and should not be summed arithmetically with each other or with estimates for proved reserves. Refer to Item 1202(a)(5) of Regulation S-K and the Compliance and Disclosure Interpretation Question 105.01.”

(SEC Staff to Filer)

NON-PROVED RESERVES COMMENTS



“In response to the Staff’s comment, we will include in future filings beginning with the 2019 Form 10-K, the following footnote to the table of estimated reserves: Estimates of probable and possible reserves are more uncertain than proved reserves, but have not been adjusted for risk due to that uncertainty. Accordingly, estimates of probable and possible reserves are not comparable and have not been, and should not be, summed arithmetically with each other or with estimates of proved reserves. Additionally, we respectfully direct the Staff to pages 10, 11 and 15 of the 2018 Form 10-K for our current disclosure indicating that probable and possible reserves are more uncertain than proved reserves. We will include this disclosure in future filings.”

(SEC Staff to Filer)

FUEL GAS COMMENTS



“If your proved natural gas reserves include material amounts of natural gas consumed in operations as fuel, explain to us how these reserves were accounted for in the calculation of the standardized measure of discounted future net cash flows. This comment applies to the comparable disclosure of your standardized measure presented throughout your prospectus. Refer to the disclosure requirements pursuant to FASB ASC 932-235-50-36.”

(SEC Staff to Filer)

“Tell us the extent to which the reserve volumes reported under this section include amounts consumed in operations. If any such volumes are material, revise your disclosure to indicate that reported volumes include amounts consumed in operations and to quantify, for all periods, the amounts so included.”

(SEC Staff to Filer)

RESERVES DEFINITIONS COMMENTS



“The disclosure provided on page 6 related to the Partnership’s drilling activity indicates six new wells were drilled in October and November 2017 with costs incurred of approximately \$1.3 million in the year ended December 31, 2017. The disclosure also indicates two of these wells were completed in March 2018 and the remaining four wells were completed in April, June and July of 2018 with costs incurred of approximately \$6.5 million in the year ended December 31, 2018. As 83% of the total cost of drilling and completing these wells was not incurred until 2018, tell us why you considered the proved undeveloped reserves attributable to these six wells to be converted to proved developed status during 2017. Refer to Rule 4-10(a)(6) of Regulation S-X.”

(SEC Staff to Filer)

RESERVES DEFINITIONS COMMENTS



“As a non-operator of the wells, the Partnership does not have the visibility into the status of completion and the timing of when expenses are billed for a well. Of the six wells in progress at December 31, 2017, the known costs billed to the Partnership by the operators ranged from 7% to 37% of the anticipated total costs to complete the wells. The two wells in which the Partnership had the largest ownership and represented approximately 64% of the estimated total costs began producing in late February and early March 2018. The Partnership believed these two wells had minor amounts of work to be completed at December 31, 2017 based on first production dates, and therefore met the criteria to be defined as proved developed reserves. The reserves of these two wells totaled approximately 330,000 BOE and the reserves for all six wells totaled 519,000 BOE, or 2.4% and 3.8%, respectively, of the Partnership’s total proved developed reserves. The remaining four wells were not significant to the total reserves. The Partnership will provide, as necessary, additional detail regarding its classification of in-process wells between developed and undeveloped proved reserves in future filings.”

(SEC Staff to Filer)

THIRD PARTY COMMENTS



“Tell us why you believe audits of the estimates made for a prior fiscal year end, e.g. estimates as of December 31, 2017, provide assurance of the reasonable certainty of the reserves estimates for the current fiscal year end, e.g. as of December 31, 2018.”

(SEC Staff to Filer)

THIRD PARTY COMMENTS



“We acknowledge the Staff’s comment and affirm that the determination of our reserves is solely the responsibility of management and our internal reserve engineers. The company has established a robust series of controls and processes, including well-by-well analysis, which is the basis for our assurance of the reasonable certainty of reserve estimates. As disclosed in the 10-K, we engage independent engineering firms to perform an audit of our estimated reserves. The company’s policy to have a portion of our proved reserves audited is intended to help demonstrate that our internal procedures and methodologies comply with SEC regulations. Our track record over the past 10 years shows that there were no instances where our internal estimates of proved reserves at the field level differed by more than the +/-10% tolerance from the estimates subsequently audited by third-party consultants.”

(SEC Staff to Filer)

THIRD PARTY COMMENTS



“The reserve report refers to additional supplemental information that is not included with the report, e.g. ‘Definitions’ that describe all categories of reserves and a ‘Discussion’ that describes the basis of the evaluation. Obtain and file a revised report to include the referenced supplemental information. Alternatively, remove the reference if you do not intend to include this supplemental information.”

(SEC Staff to Filer)

THIRD PARTY COMMENTS



“The Company respectfully acknowledges the Staff’s comment and will ensure that the requested information is included in any future reserve reports prepared by XXXXXX. As noted above in Response 2, the Company currently has no intention of procuring the services of XXXXXX in the future.”

(SEC Staff to Filer)

ANNOUNCEMENT ABOUT SEEKER



- Ryder Scott Developed and maintained the Seeker Application in order to facilitate the search of EDGAR filings by clients and others in the industry in finding relevant filings.
- However, the SEC has improved the searchability of EDGAR over time.
- Therefore Ryder Scott is winding down support for Seeker.
- The following is a brief demonstration for finding relevant findings and comments in EDGAR.

EDGAR DEMONSTRATION

Gateway into EDGAR – where you start general searches of EDGAR.

- <https://www.sec.gov/edgar.shtml>

Helpful list of Standard Industrial Classification (SIC) codes.

- <https://www.sec.gov/info/edgar/siccodes.htm>

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EDGAR DEMONSTRATION



EDGAR search set up to look for the following:

- All (but the very most recent) EDGAR documents for 2020 that are:
 - For SIC 1311 (CRUDE PETROLEUM & NATURAL GAS).
 - Are of type UPLOAD (SEC letters to filers – Comment Letters).
 - This type of search can be modified easily to change the SIC, the date range, and the type of document desired.
 - This is not useful for finding specific text within documents.
- <https://www.sec.gov/cgi-bin/srch-edgar?text=ASSIGNED-SIC%3D1311+AND+form-type%3D%28upload%29&first=2020&last=2020>

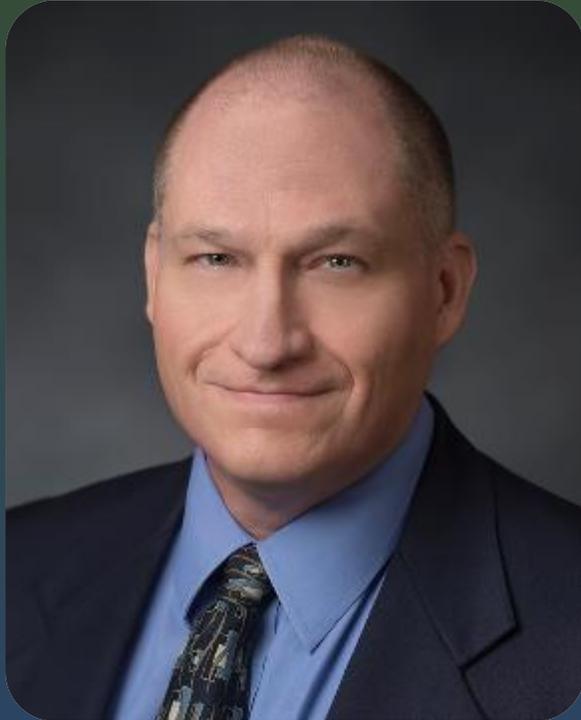
EDGAR DEMONSTRATION



EDGAR search set up to look for the following:

- Full text search of archives set up to scan documents for the written words “five year” within the text of the document. It is scanning each document that meets the following:
 - For SIC 1311 (CRUDE PETROLEUM & NATURAL GAS).
 - Are of type UPLOAD (SEC letters to filers – Comment Letters).
 - Is within a period from January 1 2018 to August 12 2020.
- This is a powerful tool to find specific types of comments:
 - Easily modified to look for other keywords in other types of documents
 - *It is limited to documents within the most recent 5 years.*
 - Entering (“five year”) yields less documents than entering (five year), but probably provides more relevant results.
 - https://searchwww.sec.gov/EDGARFSCClient/jsp/EDGAR_MainAccess.jsp?search_text=%22five%20year%22&sort=Date&formType=FormUPLOAD&isAdv=true&stemming=true&numResults=100&querySic=1311&fromDate=01/01/2018&toDate=08/12/2020&numResults=100

MILES PALKE, P.E.



Senior Managing Vice President – Simulation Ryder Scott Board of Directors

Miles Palke, P.E., Managing Senior Vice President and member of the board of directors at Ryder Scott Company, has over 25 years of diverse experience as a reservoir engineer, working for E&P companies and Petroleum Engineering consultancies in a wide variety of roles.

Prior to his current position as the manager of the reservoir simulation group at Ryder Scott, Miles worked at Arco and BHP Billiton on operated and non-operated offshore properties in the Gulf of Mexico and Trinidad. Miles has a wide span of expertise, ranging from the practical application of technical reservoir engineering tools to field development, optimization, and reserves estimation, with heavy emphasis on the application of reservoir simulation.

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