



**RYDER SCOTT COMPANY**  
**PETROLEUM CONSULTANTS**

Houston

Denver

Calgary



**2009 Ryder Scott Reserves Conference**  
**“Evaluation Challenges in a Changing World”**

**“First of the Month Prices....How hard can that be to get right?”**

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# DISCLAIMER



The information presented in today's presentations represents informed opinions about U.S. SEC reserves reporting regulations but does not purport to be identical to advice to be obtained from the SEC. As with any set of reserves definitions, the applicability of the guidance should be considered on a case by case basis.

# AGENDA



2009 SEC Price Regulations

Determining First-Day-of-the-Month Oil Prices

Determining First-Day-of-the-Month Gas Prices

Sources for Pricing Information

Comments on Price Differentials

2009 First-Day-of-the-Month Prices Year-to-Date

Brief Q&A Session

# SEC RE-DEFINES YE PRICE



The 2009 SEC pricing regulations state:

Existing economic conditions for determining economic producibility include the *“...12-month average price, calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12-month period prior to the end of the reporting period...”*<sup>1</sup>

<sup>1</sup> Federal Register / Vol 74, No. 9 / January 14, 2009 / Rules and Regulations / Pg 2160, Section II, B, 1.

# SEC RE-DEFINES YE PRICE

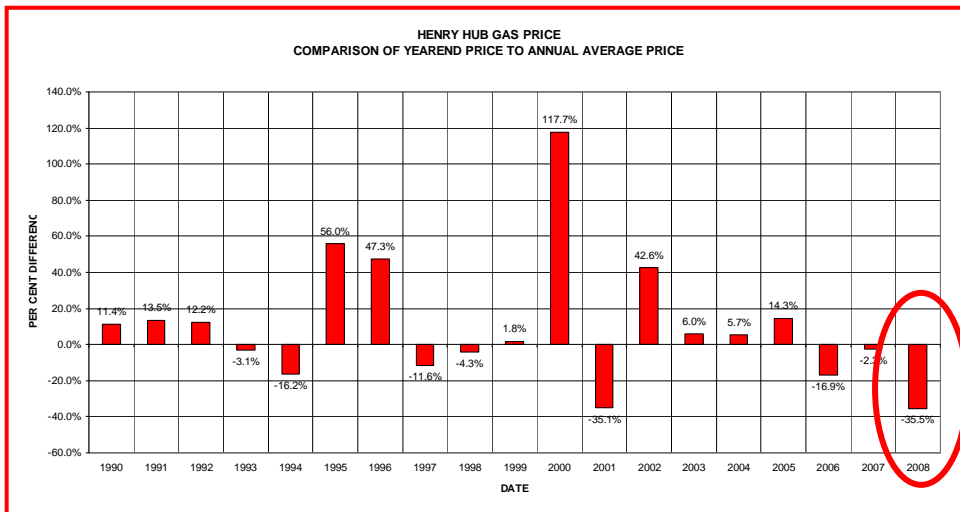
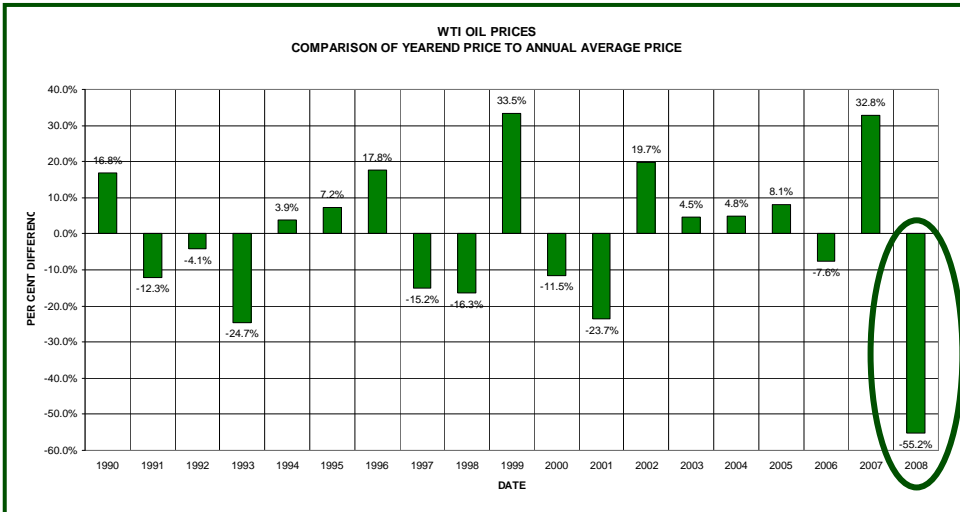


As of the date of this presentation, FASB 69 still requires that Standardized Measure calculations still be performed on the single day price at the end of the reporting period.

The SEC stated they would “...continue to communicate with the FASB staff to align their accounting standards with these rules”<sup>2</sup> for reserve disclosure purposes.

<sup>2</sup> Federal Register / Vol 74, No. 9 / January 14, 2009 / Rules and Regulations / Pg 2161, Section II, B, 2.

# A Look Back at Historical Prices



**2008 One Day Price**  
**Oil-\$44.60/BBL (-55.2%)**  
**Gas-\$5.71/MMBTU (-35.5%)**

**Vs**

**2008 Avg Annual Price\*\***  
**Oil-\$99.60/BBL**  
**Gas-\$8.85/MMBTU**

\*\*The prices shown in the charts and noted are based on the average last-day-of-the-month prices and are intended for comparative purposes only.

***The SEC requires use of first-day-of-the-month prices.***

***However, oil prices are NOT published on holidays and weekends...***

# SPOT CASH MARKET PRICES



<u>Date</u>	<u>WTI Cushing SPOT Cash Market Price - \$/Bbl</u>	<u>Day</u>
12/31/2008	\$44.60	Wednesday
<b>1/1/2009</b>	Not published	Thursday
1/2/2009	\$46.34	Friday
1/30/2009	\$41.68	Friday
1/31/2009	Not published	Saturday
<b>2/1/2009</b>	Not published	Sunday
2/2/2009	\$40.08	Monday



**SO NOW WHAT DO YOU DO?**

**Should you use the first published price  
of the month**

**or**

**Use the preceding price?**

**Before you answer that, how are oil  
POSTINGS handled?**

Oil POSTINGS are in effect until a new POSTING goes into effect.

So how were Oil POSTINGS published during this same time frame?

# OIL POSTINGS



<u>Bulletin No.</u> (PLAINS MARKETING, LP)	<u>Date</u>	<u>WTI – Midland POSTING - \$/Bbl</u>	<u>Day</u>
2008-244	12/31/2008	\$41.00	Wednesday
	<b>1/1/2009</b>		Thursday
2009-001	1/2/2009	\$42.75	Friday
2009-020	1/30/2009	\$38.25	Friday
	1/31/2009		Saturday
	<b>2/1/2009</b>		Sunday
2009-021	2/2/2009	\$36.50	Monday

***POSTINGS ARE ALSO NOT PUBLISHED  
OR REVISED ON WEEKENDS OR  
HOLIDAYS***

# OIL POSTINGS



<u>Bulletin No.</u> (PLAINS MARKETING, LP)	<u>Date</u>	<u>WTI – Midland POSTING - \$/Bbl</u>	<u>Day</u>
2008-244	12/31/2008	\$41.00	Wednesday
	<b>1/1/2009</b>	\$41.00 still in effect	Thursday
2009-001	1/2/2009	\$42.75	Friday
2009-020	1/30/2009	\$38.25	Friday
	1/31/2009	\$38.25 still in effect	Saturday
	<b>2/1/2009</b>	\$38.25 still in effect	Sunday
2009-021	2/2/2009	\$36.50	Monday

# OIL POSTINGS



Since a POSTED price is in effect until it is changed....

And if one is not published on the 1<sup>st</sup> of the month.....

the First-of-the-Month Price would be the **PRECEDING** day's price,

**So using this same logic for oil SPOT  
CASH MARKET PRICES.....**



# SPOT CASH MARKET PRICES



<u>Date</u>	<u>WTI Cushing SPOT Cash Market Price - \$/Bbl</u>	<u>Day</u>
12/31/2008	\$44.60	Wednesday
<b>1/1/2009</b>	<b>\$44.60 still in effect</b>	Thursday
1/2/2009	\$46.34	Friday
1/30/2009	\$41.68	Friday
1/31/2009	\$41.68 still in effect	Saturday
<b>2/1/2009</b>	<b>\$41.68 still in effect</b>	Sunday
2/2/2009	\$40.08	Monday

**What about gas?**

**Does it have the same issues as oil?**

# ***GAS SPOT MARKET PRICES***



If you attended the RSC Reserve Conference last year,  
you will recall .....

# GAS SPOT MARKET PRICES



GAS is priced one day in advance on the SPOT Market

In general, Gas delivered on 1/1 is actually sold at a price determined on 12/31.

The price determined on the “*Transaction Date*” (12/31) sets the price for gas sold on the “*Flow Date*” (1/1)

*This process continues through holidays or weekends, so there are no missing prices during those times.*

# GAS SPOT MARKET PRICES



So with the new SEC Price regulations in mind....

The price determined on the “*Transaction Date*” (12/31)  
sets the price for gas sold on the “*Flow Date*” (1/1)

# GAS SPOT MARKET PRICES



Transaction Date	Flow Date	Henry Hub Price - \$/MMBtu
Tues 12/30/2008	Wed 12/31/2008	\$5.71
Wed 12/31/2008	<b>Thurs 1/1/2009</b>	<b>\$5.61</b>
Thurs 1/1/2009	Fri 1/2/2009	\$5.61
Thurs 1/29/2009	Fri 1/30/2009	\$4.70
Fri 1/30/2009	Sat 1/31/2009	\$4.70
Sat 1/31/2009	<b>Sun 2/1/2009</b>	<b>\$4.77</b>
Sun 2/1/2009	Mon 2/2/2009	\$4.77

***So where do you get the First-Day-of-the-Month OIL and GAS prices???***

***How do you know if you have the  
RIGHT ONES???***

# **SEC RE-DEFINES YE PRICE**



*One way is to call your RYDER SCOTT engineer*

**OR**



# SEC RE-DEFINES YE PRICE



A consistent reference for WTI SPOT MARKET OIL prices is located on the EIA website:

*<http://www.eia.doe.gov/emeu/international/prices.html#Crude>*

***Click on the “xls” button***

The “Source” for these prices is stated to be from the Wall Street Journal.

# SEC RE-DEFINES YE PRICE

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For OIL POSTINGS go to Companies' website such as  
Plains Marketing:

[http://www.paalp.com/fw/main/Crude\\_Oil\\_Price\\_Bulletins-1363.html](http://www.paalp.com/fw/main/Crude_Oil_Price_Bulletins-1363.html)

# SEC RE-DEFINES YE PRICE

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For BRENT Prices, another EIA website quotes prices from Reuter's:

<http://www.eia.doe.gov/emeu/international/oilprice.html>

And Select the *“F.O.B Spot Price of Brent Crude oil in Europe...from Reuters Ltd...”*

# SEC RE-DEFINES YE PRICE



**For GAS prices ....**

## **COMMERCIAL GAS SUBSCRIPTION:**

*Natural Gas Week*, by Energy Intelligence [www.energyintel.com](http://www.energyintel.com)

## **PUBLIC SOURCES are:**

### GAS SPOT PRICES:

<http://intelligencepress.com/features/intcx/gas/>

Then select the Hub you're interested in.

## ALSO REMEMBER.....

It is **EXTREMELY IMPORTANT** that differentials be applied to these benchmark prices based on **CONSISTENT** methods of comparing actual sales prices to the appropriate benchmarks.

It is **NOT APPROPRIATE** to apply the differential of sales prices and **POSTED** prices to benchmark **SPOT** prices or vice versa.

# ***SEC RE-DEFINES YE PRICE***

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**OR GO TO .....**

# SEC RE-DEFINES YE PRICE



## ***THE RSC website***

<http://www.ryderscott.com>

Then click on the “***What’s New?***” tab

**2009 First-of-the-Month Benchmark Oil and Gas Prices**

# SEC RE-DEFINES YE PRICE



## 2009 First-of-the-Month Benchmark Oil and Gas Prices

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	AVG
<b><u>OIL (in USD/Bbl)</u></b>													
WTI Cushing, Okla <b>SPOT</b> Price	\$44.60	\$41.68	\$44.76	\$48.39									
Plains Marketing, L.P. <b>POSTED</b> Price for WTI (Midland)	\$41.00	\$38.25	\$41.25	\$44.75									
Europe BRENT <b>SPOT</b> Price F.O.B.	\$35.82	\$44.17	\$44.41	\$45.92									
<b><u>GAS (in USD/MMBTU)</u></b>													
Henry Hub Gas Cash Market Price	\$5.61	\$4.77	\$4.05	\$3.58									
Colorado Interstate Gas Cash Market Price	\$3.87	\$3.40	\$2.27	\$2.52									
AECO Canadian Gas Cash Market Price	\$6.01	\$4.40	\$3.69	\$2.90									



## **QUESTIONS?**

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