

RESERVOIR SOLUTIONS

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We've had a good run and it's not over yet

-- Mike Wysatta, Public Relations Manager

In the almost 24 years I have written and edited *Reservoir Solutions* newsletter, I rarely spoke directly to you, our readers. With this, my last newsletter, I can now thank you directly for reading the quarterly, in some cases, for decades. I'm retiring from Ryder Scott, but the firm will continue to publish a newsletter, so stay tuned. Please see details on Page 13.

“...our hard-copy newsletters started to show up in boardrooms and on desks of top management”

Retro approach

When I started at Ryder Scott in the late 1990s, I noticed that companies were abandoning the mailing of printed publications in favor of digital. In addition, I spent more time to go through junk emails than “snail mail.”

With a contrarian strategy in hand, Ryder Scott began to mail printed newsletters — a clutter cutter — with a focus on the reserves evaluation sector.

From early on, our hard-copy newsletters started to show up in boardrooms and on desks of top management because of the editorial approach and our leadership in events that shaped our industry.



Model saves millions of dollars in development capital, initial spacing requirements, we were able to capture well and do a better job in controlling the initial reservoir depletion around each wellbore." — Tom McCollum,

After the fall of Enron Corp. and Arthur Andersen LLP, now 20 years ago, the U.S. SEC took dead aim at energy companies. Subsequent rulemaking in Sarbanes-Oxley Act stoked fear of big government enforcement and criminal penalties, even though SOX did not apply to unaudited reserves estimates per se.

In December 2002, the newsletter headlines were as follows:

- SEC engineer cites red flags in reserves reporting
- Ryder Scott meets the press, discusses field technology
- Industry argues for booking reserves without flow tests
- Ryder Scott deepwater survey confirms booking practices
- O’Shea sees more audits of engineering work

During that time, we not only followed and reported on SEC issues, but were participants in the dialogue. As an independent reserves auditor, Ryder Scott

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"The Wall Street Journal called Ryder Scott for interviews, citing a B2B newsletter that had covered reserves issues six years before..."

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preferred not to have "a dog in the fight," between industry and regulators.

However, industry's technical arguments, including ours, were so strong that we became an advocate of sorts, while never losing sight that our main job was to assist clients to be SEC compliant.

We used editorial license to practice "gonzo journalism" where the reporter is part of the story.

"...our editorial approach and leadership in events shaped our industry."

For instance, Ryder Scott published a newsletter article on a presentation we delivered at an industry forum, calling for the SEC to drop the Gulf of Mexico flow test rule in 2002. Industry supported its position based on advancing technology, cost-benefit analyses and safety concerns.

Internet were Canadian firms.

"Marketing" was still a dirty word for some dyed-in-the-wool professional services firms. They continued to rely on word of mouth and referrals to drive sales. (Those traditional methods worked and still work today.)

Then, "public relations" was personal selling, e.g., taking colleagues to lunch and "glad handing."

For decades, Ryder Scott top execs belonged to the downtown Houston Petroleum Club, an oil-and-gas hot spot

for power lunches and gala events. It was the place to see and be seen.

As one source published, "Some of the deals that shaped the modern oil and gas industry were hatched at the bar and at dinner tables in Houston's Petroleum Club."

in a global marketplace.

Firms realized that sales calls were much costlier than "hits" on a website. "Virtual" success became just as important to the bottom line as referrals and face-to-face selling.

The newsletter kept our website current over the first decade of the 2000s up to the present day. That includes in 2006, when the U.S. shale revolution began.

Some 15 years later, industry is still learning. See blurb, "Shale plays as challenging as ever," on Page 7.

The latest editorial shift now focuses on ESG with an emphasis on environmental. See articles on pages 4 and 5.

To you, with care

Each newsletter was scrutinized by our newsletter committees made up of CEOs, presidents and others, including me, who reviewed the drafts closely.

This has been a team effort all the way up to the top of our consulting firm that stayed the course with its long-term commitment to fund newsletter costs.



SEC engineer cites red flags in reserves reporting • Jim Murphy, a petroleum engineer at the U.S. Securities and Exchange Commission, told industry at a forum hosted by the Society of Petroleum Evaluation Engineers in October that the agency discusses "red flag items in reviews of the reserves reporting of oil and gas companies. "Most of the time, these issues are ignored or not addressed by the company," he said. Murphy cited the following items applicable to public issuers with oil and gas operations:

The SEC reviewed comments and abolished the regulation. That marked the beginning of the "modernization" of SEC oil and gas regulations.

After that, Ryder Scott was thrust into headline-making news. In 2004, Royal Dutch Shell admitted it had overbooked proved oil reserves by 4.5-billion barrels, about 23 percent of its total, wiping billions of dollars off its market value.

The debacle led to the resignation of Shell's chairperson, head of the core oil and gas division and chief financial officer. Shell called in Ryder Scott to "clean up" the reserves bookings that year. Our firm conducted an accelerated review of the Shell reserves classifications.

The *Wall Street Journal* called Ryder Scott for interviews, citing a B2B newsletter that had covered reserves issues six years before the Shell writedown. *Dow Jones*, *Reuters* and others followed, and Ryder Scott gained recognition with the news media.

This was quite a change from the 1990s, when Ryder Scott was not widely known outside its industry sector. (During the go-go '90s, Wall Street investment bankers knew Ryder Scott for its reliable technical due diligence on IPO launches.)

The only reserves consultants with a presence on the

New reckonings

During 2000 to 2010 — a decade of rising oil and gas prices — globalization accelerated.

Broadening the field were partial privatizations of state-owned companies including those in China, continued economic growth in Russia, rise of AIM and other alternative markets, and passage of free trade agreements.

(The economic impact of 9/11 was minimal. Markets

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bounced back to new highs in a few, short months.)

In 2003, Ecopetrol SA restructured to list on the NYSE. We did due diligence for the partial privatization after the CEO contacted us through information in the printed newsletter.

A strange evolution happened on the way to the future. The relatively tiny evaluations sector became enmeshed

Under a steady game plan to report news on the evaluations sector, our circulation reached almost 10,000 recipients before industry layoffs ensued post 2014.

Instead of downsizing, we went big.

In 2014, an outside professional graphics designer joined our internal team. I no longer had to do what was a rudimentary layout of *Reservoir Solutions*.

With more time for editorial, I increased the copy and page count, and the newsletter became a magaletter.

Industry chronicled

So many other conditions and events surfaced in the last 2 1/2 decades that touched our industry, sector and Ryder Scott. If you want to see how much has changed, go to <https://ryderscott.com/newsletters/> and read the earlier articles.

One headline of June 2002 reads, "Unconventional U.S. gas resources could stave off shortages, but technical hurdles persist."

That sums it up.

Ryder Scott plans to launch a newsletter with a new name, look and focus in the April issue.

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For my part, I am leaving much wiser than when I started out in the industry in the 1990s, as a mid-career change.

I'm looking forward to simple pleasures punctuated with a few adventures. I won't stray too far away from a keyboard though. Ink runs through my veins.

You've been a good audience. Thanks for hanging in there with me. The future is yours.

*Editor's Note: Ryder Scott wants to hear from you, our readers, with comments and suggestions for future editorial content. Please send an email to **Dean Rietz**, CEO; **Pamela Sabo**, business development manager; and **Mike Wysatta** at info@ryderscott.com.*