

# The Work of Oil and Gas Specialists

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# How does the Industry Work?

- No SEC requirement to use a third party firm for reserves. Many companies calculate their own reserves with internal staff.
- Third party firms like Ryder Scott may be engaged by companies to either calculate all or part of their reserves, or audit their reserve calculations.
- Reasons for using a third party:
  - Independent, objective view. May be required by Board of Directors' audit committee or financial backers.
  - Specialized technical expertise or specific experience in a particular area, especially since typical third party firms get to see many different projects around the world.
  - Familiarity with SEC requirements and latest industry issues.
  - Outsourcing – less company staff required.

# Quality Control at Ryder Scott

- Staff is required to avoid any investments in client companies or oil and gas properties that would create or give the appearance of a conflict of interest.
- Significant continuing education, both in-house and outside; state licensing required to be a company officer.
- Younger staff works under the direction of more experienced staff. Company officers review final reports before signing off.
- Various error checking procedures used throughout the process to ensure the integrity of reports, including frequent communication with the client.
- Neither our employment to do the work nor the compensation is contingent on our estimates of reserves for the properties in our reports.

# Working for an Audit Firm

- Audit firms have oil and gas staff well qualified to opine on accounting issues and general SEC compliance.
- Audit firms may have limited or no staff with sufficient experience to opine on detailed engineering issues – for example:
  - Future performance trends of unconventional shale wells exhibiting high initial rates and hyperbolic performance with limited production history.
  - Appropriate determination of reserve classification for undeveloped locations – proved, probable, or possible.

# How would working for an audit firm differ from working for the company?

- Ryder Scott would not differentiate – would expect to follow the same work flow and to arrive at the same conclusions regardless of the client. We often work for multiple companies who have interests in the same property.
- Working directly with the company generally ensures better access to data and company's staff.
- Reserve work goes on year-round. Clients often have us working on projects during the off-season that support the year end reserve work.