

From: [Olds, Dan](#)
To: [Comments](#)
Subject: comment on The Auditor's Use of the Work of Specialists.
Date: Wednesday, August 30, 2017 4:53:15 PM

Question 6: The Board requests comment generally on the potential benefits to investors, auditors, and other capital market participants. Are there additional benefits the Board should consider?

Response:

The Public Company Accounting Oversight Board's proposal to amend its auditing standard to strengthen the requirements that apply when auditors use the work of specialists fails to address any practice standards that the specialist may employ in the performance of their duties. In the area of determining the volumes and cash flow projections of petroleum reserves, petroleum evaluation engineers have practices and procedures that are well established and a mature body of guidelines (U.S. Securities and Exchange Commission's (SEC) SX 4-10, Canada's NI51-101, SPE-PRMS, etc.) exist under which they develop their reserve estimates. Both the work performed under SEC SX 4-10 and Canada's NI51-101 standards are subject to strict regulatory scrutiny. Further, these practices continue to evolve as innovations and enhancements (unconventional reservoirs, increasingly complex completion technology, etc.) are introduced into the industry. Organizations or professional groups such as the Society of Petroleum Evaluation Engineers, the Society of Petroleum Engineers' Oil & Gas Reserves Committee, and other resources such as the Canadian Oil and Gas Evaluation Handbook serve as industry-wide forums for the development and dissemination of advances and peer reviewed best practices.

One of the key factors in the development of quality petroleum reserve estimates is the availability and access to all pertinent data, along with sufficient time to analyze that data. Independent reserve evaluators often work closely with staff from their clients in developing reserve estimates. In theory, the reserve estimates prepared by an independent reserve evaluator for a particular property would be the same regardless of whether the evaluator worked for the company or for the auditor. However, if the evaluator was restricted from direct access to the client, or the project was performed under a restricted time frame, the quality of the reserve evaluation may suffer.

We note that the PCAOB's concern on using the work of specialists is addressed by charging the accountants with more responsibility in their oversight of a process where their lack of expertise is acknowledged. While we cannot speak for any other group of specialists, we believe that independent petroleum evaluation specialists can meet any standards that the PCAOB (or FASB) might set for our practice. For example, Canadian companies must use certified independent evaluators to help insure that investors receive an unbiased evaluation of the assets of oil and gas companies. Such standards should be transparent and acknowledged as measurable performance items.

The PCAOB has expressed an interest in determining the potential costs of the proposed amendments. If the PCAOB requires the auditor to perform the evaluation role, it would introduce additional overhead and could potentially result in lower quality evaluations, two potential costs that would not serve the interests of the shareholders.

For this reason, we urge the PCAOB to consider the potential implications that the proposed

changes may have on the work product of the specialists. Changes that may result in an inferior work product should not be an unintended consequence.

Respectfully submitted on the behalf of Ryder Scott Company, L.P., Petroleum Engineering Consultants since 1937.

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