



**UNIVERSITY
OF ALBERTA**

ECON 366: Energy Economics

Topic 2.3: Oil and Gas Reserves, Resources, and Financial Viability

Andrew Leach, Professor of Economics and Law

 aleach@ualberta.ca

 [leachandrew](https://github.com/leachandrew)

 [@andrew_leach](https://twitter.com/andrew_leach)

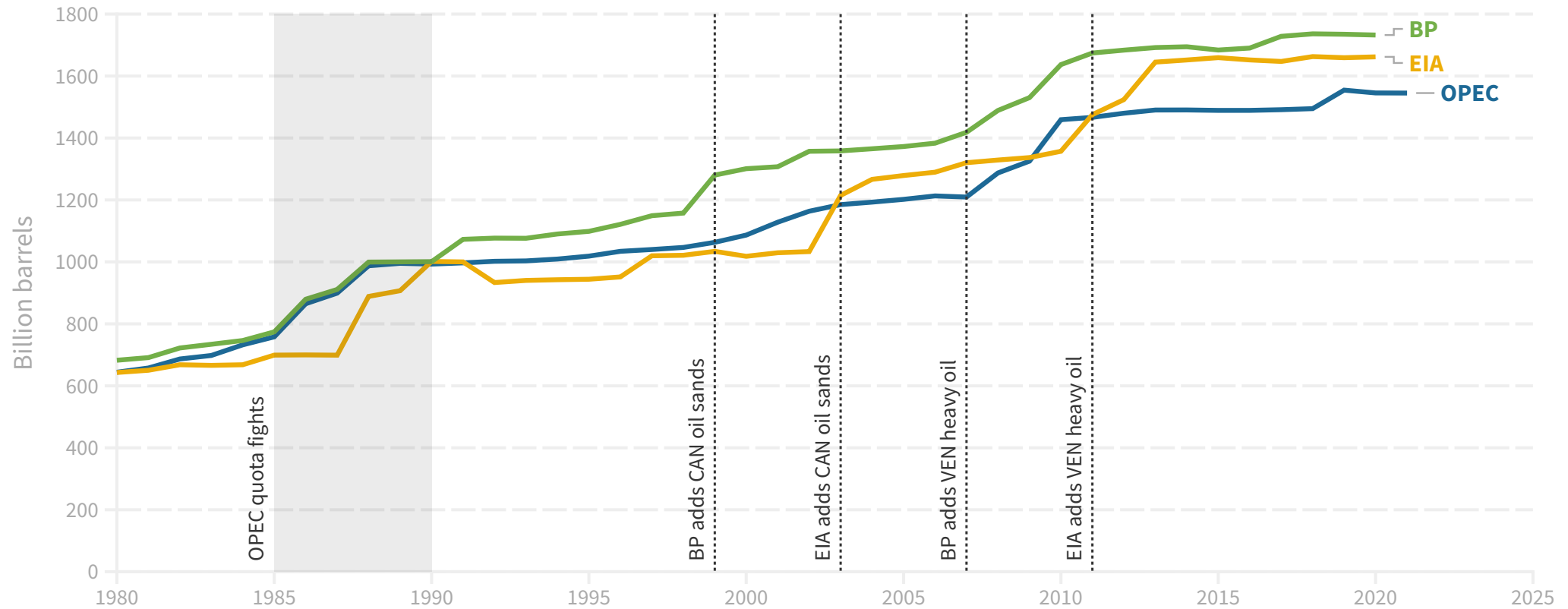
Reserves and Resources

- What do you think of when you imagine an oil reserve?
 - the physical quantity of oil in the ground?
 - how much oil we *have left*?
- Reserves are an economic concept, not a physical one
- Reserves are an *endogenous* variable; they are a function of prices, technology, and markets
- Are oil reserves increasing or decreasing?

Reserves and Resources

World proved oil reserves, 1980-2021

The basic concept of proved reserves is widely accepted. In practice, publicly available data exhibit large differences. Political motivations and low transparency make it difficult to untangle the differences, especially since most oil is held by state (government) owned enterprises with little or no public accountability.
CAN=Canada VEN=Venezuela



Understanding Oil Reserves

- Reserves are a difficult concept, since you tend to think of physical quantities
- Fossil fuel reserves are discovered, accessible, recoverable, economically viable quantities of petroleum
- Price influences both exploration and viability
- Reserves may increase or decrease over time (or not?)
- *Peak Oil* and other doomsday scenarios often caused by not understanding what we see in reserve data
- Oil sands reserves are speculative, economic figures, not simply a measure of the quantity of oil in place



COGE Handbook PDF Download

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Download a PDF version of the **Canadian Oil and Gas Evaluation Handbook** PDF. **This document was revised on January, 2022 and contains:**

Volume 1 – Reserves Definitions and Evaluation Practices and Procedures; **Volume 2** – Detailed Guidelines for Estimation and Classification of Oil and Gas Resources and Reserves; **Volume 3** – CBM Reserves and Resources/International Properties/Bitumen and SAGD Reserves Resources; and the **Guidelines for the Estimation and Classification of Resources Other Than Reserves (ROTR)**

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Resources

The term *resource* refers to a volume of petroleum estimated to exist in a naturally occurring accumulation within rocks and includes all known volumes and estimated volumes yet to be discovered.

The COGEH recognizes two *resource* subcategories:

- *contingent resources* are hydrocarbon deposits that are discovered but not commercially viable;
- *prospective resources* are hydrocarbon deposits that are not yet discovered.

Reserves

Reserves refers to the remaining volume of petroleum that could be recovered from a known resource that is either already being produced or could begin production within about five years. Reserves must be recoverable under proven technology, and production must be economically viable.

The COGEH recognizes three *reserve* categories:

- *proved* (1P), *proved plus probable* (2P) and *possible* (3P) reserves;

Canadian entities are required to report on proved (1P) and proved + probable (2P) reserves under [NI 51-101](#).

See [AER ST-98](#)

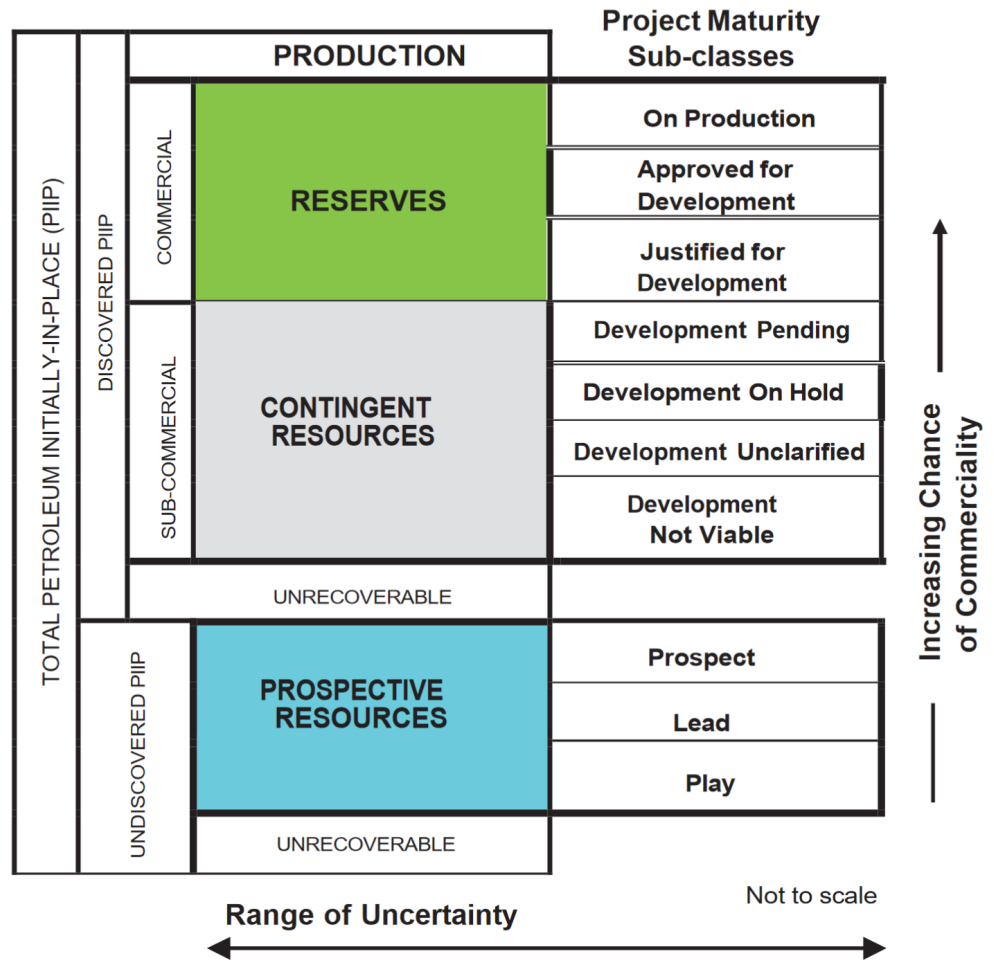
Proved (P) and Proved plus Probable (2P) Reserves

Proved Reserves are those quantities of Petroleum that, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be *commercially recoverable* from *known reservoirs* and under *defined technical and commercial conditions*. There should be at least a *90% probability* that the quantities actually recovered will equal or exceed estimated proved reserves.

Probable Reserves are *additional reserves* over-and-above proved reserves, estimated such that it is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated *Proved plus Probable (2P)* reserves (i.e. there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate).

A *discovered petroleum accumulation* is determined to exist when **one or more exploratory wells** have established through **testing, sampling, and/or logging** the existence of a **significant quantity** of **potentially recoverable** hydrocarbons and thus have established a known accumulation.

See [SPE PRMS](#)



See [SPE PRMS](#)

Alberta Bitumen Reserves

Table R3.1 In-place volumes and established reserves of crude bitumen (10^9 m^3)

Recovery method	Initial volume in-place	Initial established reserves	Cumulative production	Remaining established reserves	Remaining established reserves under active development
Mineable	20.8	6.16	1.06	5.10	3.37
In situ	272.3	21.9	0.75	21.2	0.43
Total	293.1	28.1^a	1.81	26.3^a	3.80^a

^a Any discrepancies are due to rounding.

Alberta Crude Oil Reserves

Table R4.1 Reserves and production changes in crude oil (10⁶ m³)			
	2020	2021	Change
Initial established reserves^a			
Light-medium	2684.2	2700.5	+16.3
Heavy	461.4	469.8	+8.4
Total	3145.6	3170.3	+24.7
Cumulative production^b			
Light-medium	2485.5	2504.1	+18.6
Heavy	397	403.7	+6.7
Total	2882.5	2907.8	+25.3
Remaining established reserves^a			
Light-medium	198.7	196	-2.7
Heavy	64.3	66	+1.7
Total	263	262	-1.0
Annual production			
Light-medium	18.9	19.0	+0.1
Heavy	5.8	6.4	+0.6
Total	24.7	25.4	+0.7

^a Any discrepancies are due to rounding.

^b Change in cumulative production is a combination of annual production and all adjustments to previous production records.

Classifying Oil Reserves

Companies may also report more detailed reserve breakdowns:

- developed vs undeveloped
- producing vs non-producing
- hydrocarbon type
- location
- extraction technology

US vs Canadian disclosure

US disclosure is based on historic prices and costs

- future prices assumed to follow the trailing 12-month average price, calculated as the average of the first-day-of-the-month price for of the previous 12 months prior to the end of the reporting period
- SEC used to use single day value, pre-2008
- 2009 changes also included bitumen as a potential oil reserve!

Canadian disclosure is based on forecast prices and costs

Canadian disclosure

Sproule

McDaniel

GLJ

Price Deck Sample

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See [GLJ Pricing PDF](#)

Example: Suncor Reserve Declaration

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See [Suncor 2022 AIF excerpt](#)

Example: Suncor 2015 Reserve Declaration

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See [Suncor 2015 AIF excerpt](#)

Key concept review

- Reserves and resources
- 1P 2P reserves, contingent resources
- US vs Canadian disclosure
- Suncor info: NPV10, boe, etc. (not specific numerical details, but basic concepts)