

EVALUATION ETHICS

Ethics for Petroleum Evaluation Engineers

Denver Chapter of SPEE

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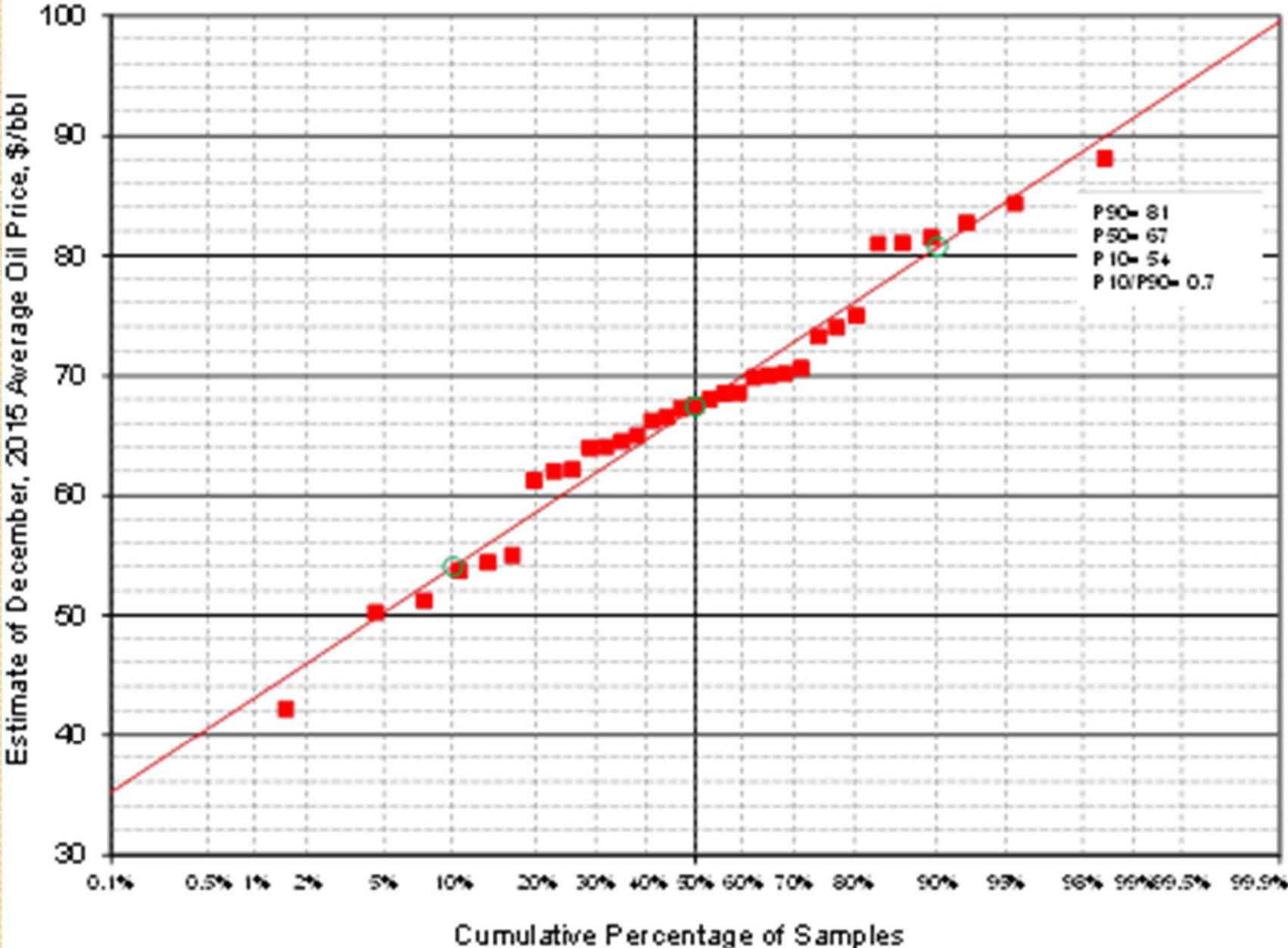




SPEE Mission Statement

Recognizing that Petroleum Evaluation Engineering is a specialized field, the Society is dedicated to the promotion of professional growth of the membership and to the advancement of the profession of Petroleum Evaluation Engineering by demonstrating by example the highest standard of ethics, by promoting continuing education of our membership and by education of the public in the area of oil and gas reserve definitions, reserve evaluations, and fair market value.

Denver SPEE 2/11/15 Luncheon Contest



To educate a man in mind and
not in morals is to educate a
menace to society

Teddy Roosevelt



SPE Ethics Preamble*

SPE Professionals are to exhibit the highest standards of competency, honesty, integrity, and impartiality, and are fair and equitable; and accept a personal responsibility for adherence to applicable laws, the protection of the environment, and safeguarding the public welfare in their professional actions and behavior. These principles govern professional conduct in serving the interests of the public, clients, employers, colleagues, and the profession.

*SPE: Society Petroleum Engineers- Guide for Professional Conduct approved Sept. 29, 2013(www.spe.org)

Engineers' Creed*

As a Professional Engineer I dedicate my professional knowledge and skill to the advancement and betterment of human welfare.

I pledge:

- To give the utmost of performance;
- To participate in none but honest enterprise;
- To live & work according to the laws of man and the highest standards of professional conduct;
- To place service before profit, the honor and standing of the profession before personal advantage, and the public welfare above all other considerations.

In humility and with need for Divine Guidance, I make this pledge.

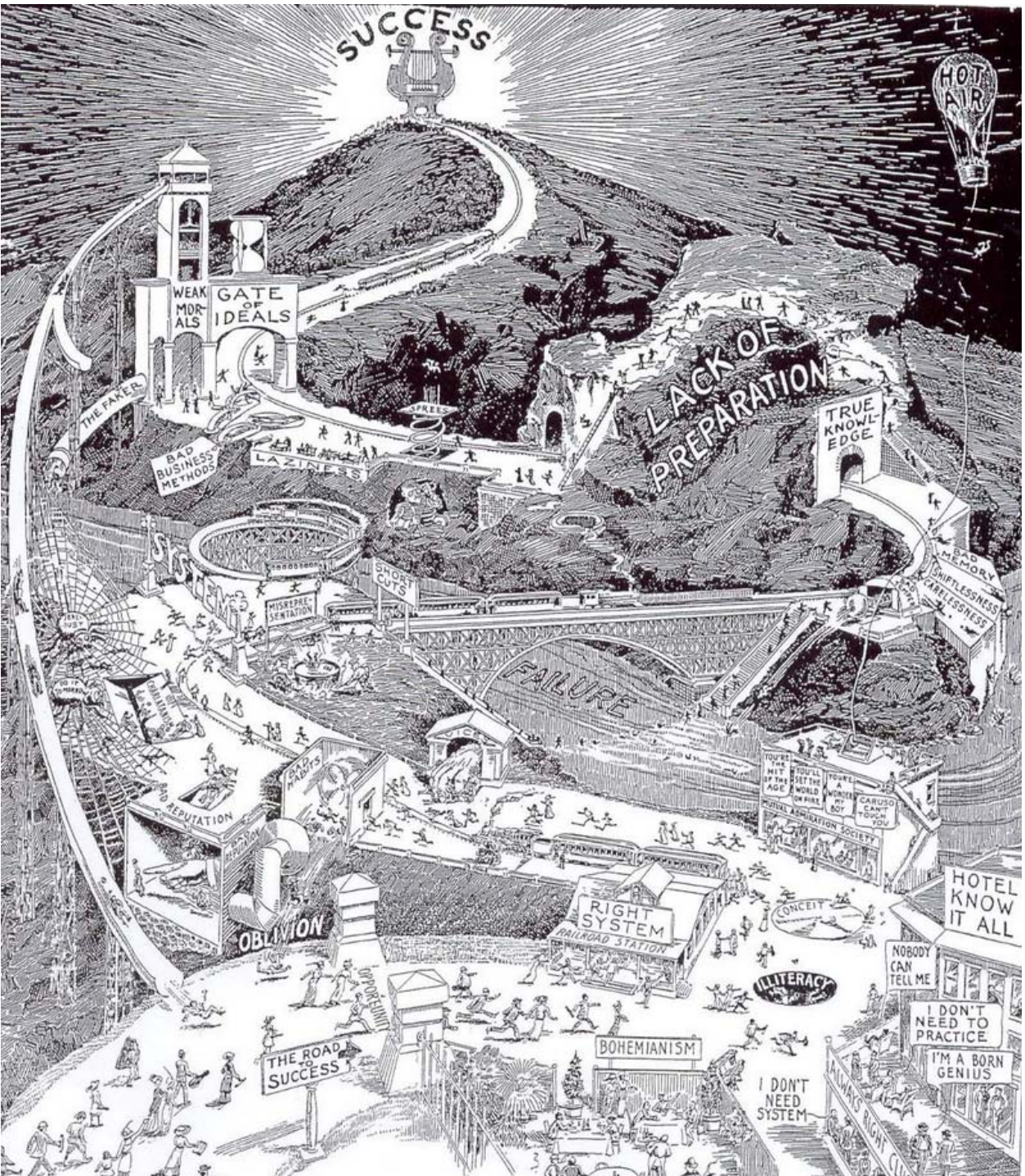
*Adopted by the National Society of Professional Engineers, June 1954 (www.nspe.org)

ETHICS- DECISION FRAMEWORK*

Ask yourself:

- Would the resulting action be legal?
- Would I feel good about the resulting action?
- Would stakeholders see the action as responsible stewardship?
- Would I mind having information regarding the decision publicized?
- Have I consulted with peers/others regarding the perceived action and possible ramifications?
- Would the public view the perceived act as a responsible professional action?

“Caruso Can't Touch You”
A Road Map to Success



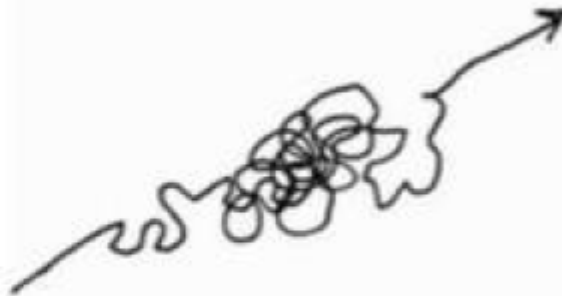
SUCCESS

Success



what people think
it looks like

Success



what it really
looks like

CASE #1

SCENARIO:

You are a manager in a publically traded E&P company that has been hit hard by low oil prices. Confidential information has been shared with you that in the next two months the company will be reducing all staff by 20%. This information will not be shared publically for at least another month. In your department you have 10 direct reports. Someone else will choose who will be cut and will not involve any input from you.

CASE #1 (Cont'd)

SITUATION:

Of your 10 reports you know 2 will be released but do not know who. Of the 10 reports they include a close friend of 20 years, a person you just hired, a person who has shared he has been considering quitting, a person who has routinely had bad reviews, and a person who is a top performer.

1. Before the company's announcement is made public, what obligation do you have to keep the information private? Does any obligation exist to communicate with your staff regarding the possible impact of the confidential information?
2. Does the manager have any obligation to defend to higher level management for keeping the top performer, his friend, or to try to get the person with bad reviews cut or release the person who may quit?
3. If you learn of an open job at a competitive company that could be a good fit for two or three of your staff that has an application deadline the end of this week, would it be ethical to tell them to apply?

CASE #2

SCENARIO:

You are a petroleum engineer for a public E&P company. During a field visit with a team of geologists you identify a ranch that has a for sale by owner sign posted at the gated entrance. Nobody knew this property was for sale because it had not been listed. Upon return to the office the team learns the ranch owns all surface and minerals over a 3,000 acre area that is a prime target for oil and gas development. You then lead a team to make a recommendation to management to purchase the property.

CASE #2 (Cont'd)

SITUATION:

Your company says they are interested in the ranch and plan to make an offer but over a 3 month period does not. In the mean time you leave the company and are hired by a competitor company operating in the same area.

1. When hired at a new company, knowing the ranch is a good fit, should the engineer recommend they purchase it?
2. Does the engineer have any obligation to communicate with his old employer about his recommendation to the new employer?
3. Would it make any difference if the petroleum engineer was let go by the first company?

CASE #3

SCENARIO:

You are the Northern U.S. bank manager for an energy lender. With the recent drop in oil prices you are having trouble justifying the existing borrowing base for several oil companies. The bank president shares with you that the Southern bank division did not have as significant a drop in PDP lending base and then pressures you to adjust your divisions PDP values to keep the borrowing base steady.

CASE #3 (Cont'd)

SITUATION:

You know from talk in the past with the Southern manager that he has been using a modified hyperbolic method for older wells, while your group has been using an terminal exponential method for older wells.

1. What level of responsibility do you have to communicate about the estimating differences to the bank president?
2. What responsibility do you have to keep your reserves as is versus changing them to accommodate the presidents request?
3. You know based on your new borrowing base values that the bank may risk falling short of its quarterly obligations, should this have any effect on your estimates?



OUR PURPOSE

**Enabling safe, affordable energy,
improving people's lives**