

Applications of PRMS Guidelines and SEC Rules: Coping with Ethical Conflicts in Organizations*

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Abstract

One of the most difficult challenges geoscientists and engineers face in E & P organizations is the continuing issue of organizational pressures to influence their objective estimates of both Reserves and Resources, which, of course, are inherently uncertain. Usually the pressures are for more optimistic volumes and values, but in some cases, conservative pressures may take place. Sometimes such influence may be overt; more often it is subtle, thus deniable by those responsible. The subject professional may feel vulnerable with regard to peer approval, professional career advancement, remuneration, or even job security. Less experienced professionals may be particularly susceptible to such pressures, often having insufficient financial resources to weather a termination. Examples of such pressures were reviewed in this session.

Remedies to counter inappropriate organizational pressures include 1] Education of staff, supervisors, managers, and executives regarding technology, uncertainty, and ethics; 2] Policies requiring a clear paper trail recording the rationale, maps, calculations, and assumptions involved in estimations of Reserves and Resources; 3] Having respected senior professionals available to mentor younger professionals and counsel senior managers and executives; 4] Having the Reserves and Resources function be independent of operating units, reporting to the corporate Board of Directors, with a senior ombudsman available to mediate material conflicts; 5] Mandating that the compensation and incentives of those responsible for Reserves and Resources estimates are independent of their annual results; and 6] Making clear to all Professionals that, in irresolvable ethical conflicts, they should be prepared to tender honorable resignations, rather than compromise their integrity.

“You are There” Scenarios

Two realistic example scenarios were presented utilizing PRMS principles, in which the Moderator introduced an unfolding ethical situation and sought discussion as to resolution at various stages of its resolution. There was opportunity for role-play involving attendees.

APPLICATIONS OF PRMS GUIDELINES AND SEC RULES:

Coping with Ethical Conflicts in Organizations

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Coping with Ethical Conflicts in Organizations

Conflicts? What conflicts?

Organizational “Pressures” – Can be Overt or Subtle

Optimistic Estimates – Reserve & Resource Volumes

- Prospect/Project Approval
- Inflated Corporate Goals – Often Tied to Bonuses
- Market Pressure – Quarterly Earnings Reports

Conservative Estimates – Production & Costs Forecasts

- Incentives to Meet Targets
- Fear of “Being Wrong” – Real or Perceived

Coping with Ethical Conflicts in Organizations

Conflicts? What conflicts?

Personal “Pressures” – Real or Perceived

- Peer Approval and Recognition
- Career Advancement
- Compensation
- Job “Security”

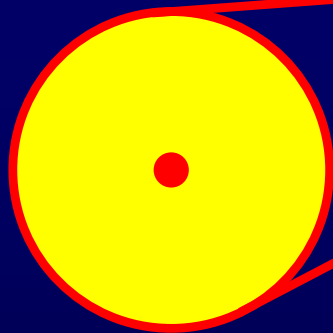
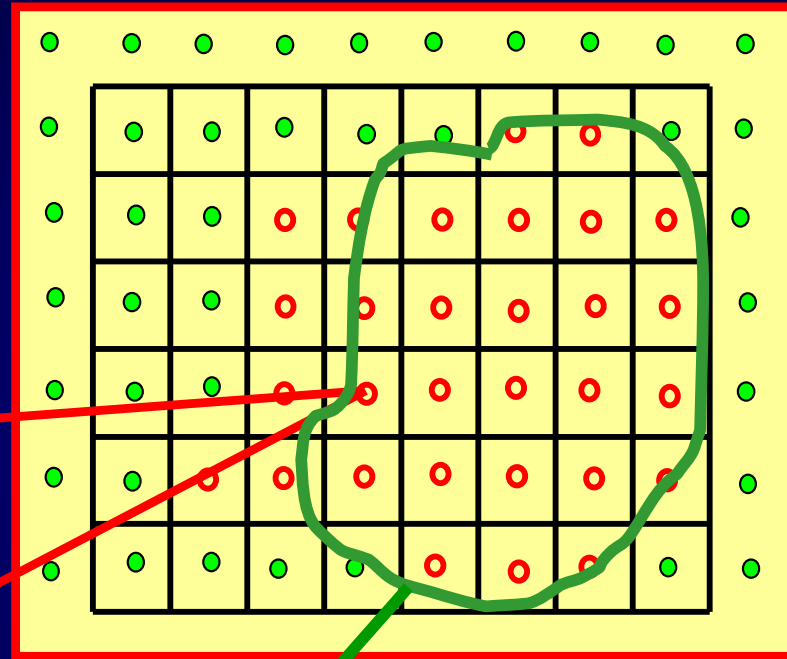
Younger Professionals Often More Susceptible

Coping with Ethical Conflicts in Organizations

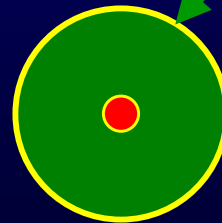
1. Education of Executives, Managers & Staff
 - Technology
 - Uncertainty
 - Ethics
2. Clear Reserve/Resource Documentation
 - Rationale
 - Maps & Data
 - Assumptions
3. Senior Professionals – Mentors & Counselors
4. Provide a process to resolve Ethical issues
 - Independent Reserve Group
 - Senior Ombudsman – Conflict Mediator
5. Proper Incentives
6. Acting on Principles – Honorably Resign Rather Than Compromise Integrity

Case Study 1 – “You Are There”

EUR estimated based on 40-acre analogs within the same field



3 Years Later...



Production data indicate drainage areas between 20 and 35 acres

Case Study 1 – “You Are There”

What would you do?

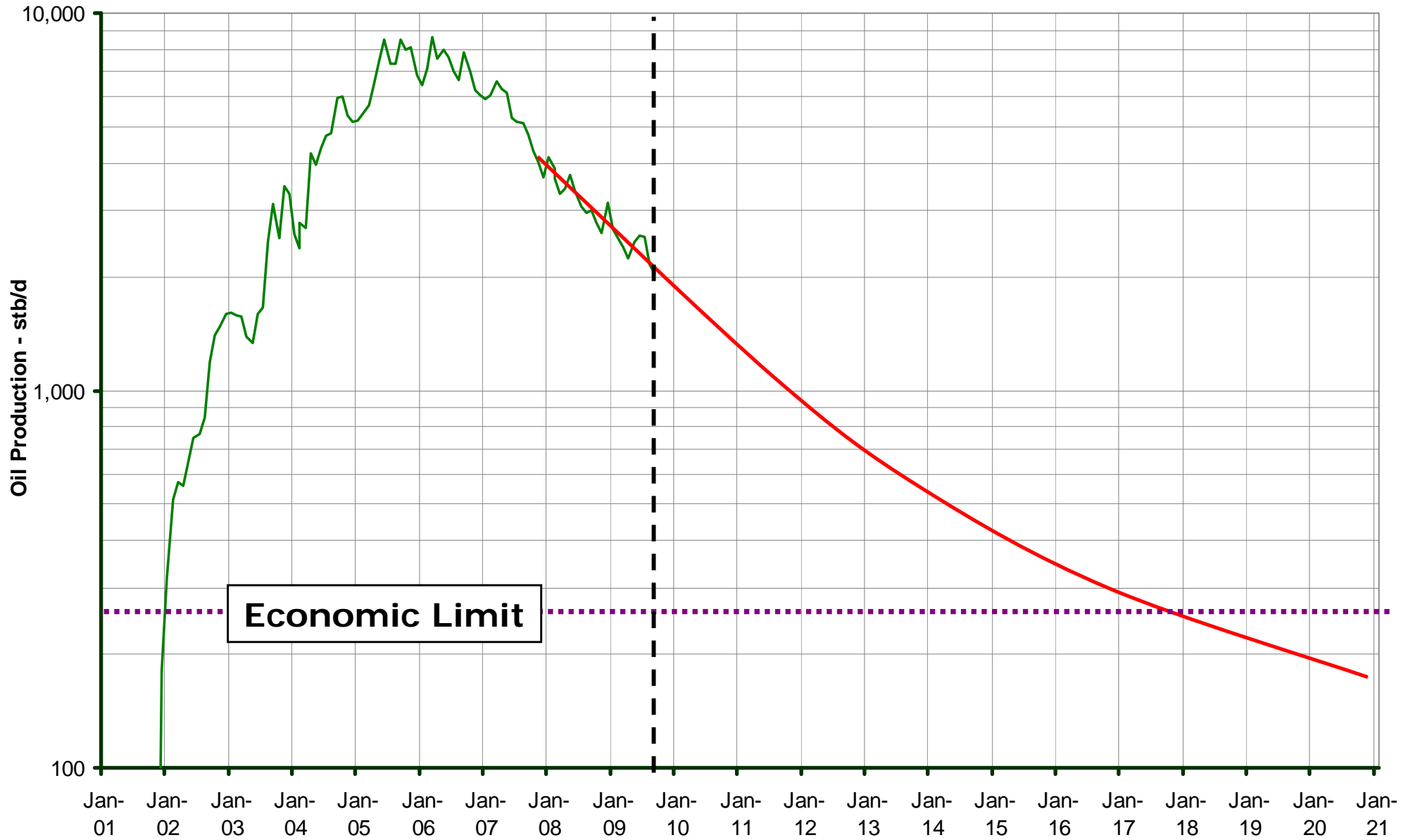
Case Study 2 – “You Are There”

You are part of an Asset Team responsible for 10 producing fields.

Your Boss tells you that the Company is behind on its Reserve Adds Target and ask you if you can help! “Be aggressive”, you are told, “we can always de-book later.”

Let's look at the forecast for one field

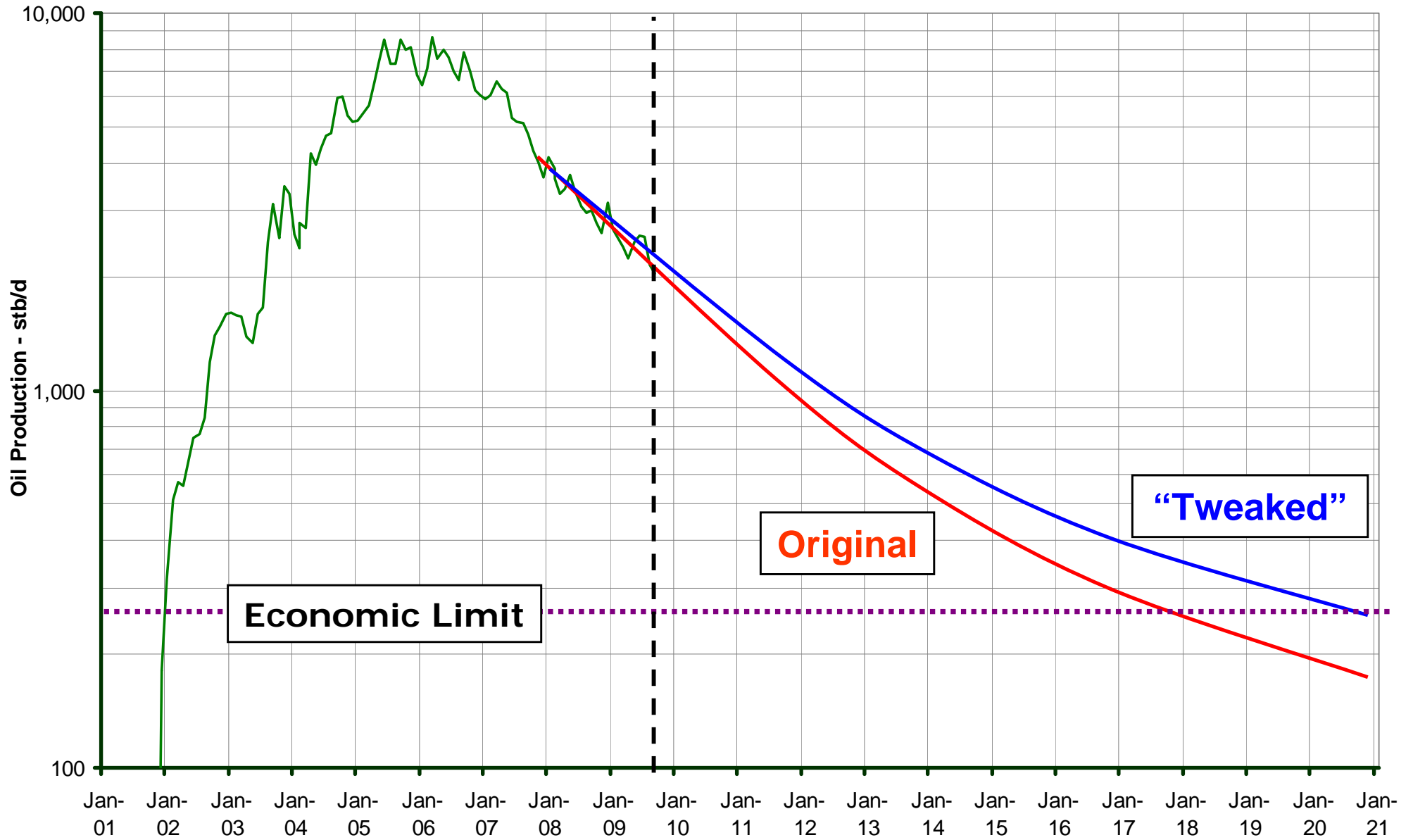
Case Study 2 – “You Are There”



Case Study 2 – “You Are There”

What do you say?

Case Study 2 – “You Are There”



Coping with Ethical Conflicts in Organizations

Remember...

“It takes many good deeds to build a good reputation, and only one bad one to lose it.”

Benjamin Franklin

Human nature looks for rules and formulas to replace thinking. Principles-based systems (e.g. PRMS) require thinking, analysis, judgment and a good ethical foundation.