



## U.S. Securities and Exchange Commission

### Letter to Companies with Oil and Gas Operations in the Gulf of Mexico

April 15, 2004

Chief Financial Officer  
Company  
Address

Re: Company  
File No.: xxx-xxxx

Dear Chief Financial Officer:

I am writing as a follow-up to our October 1, 2002 comment letter to you in which we requested supplemental information regarding your operations in the Gulf of Mexico. In that letter, we asked, among other things, whether you book proved reserves without a production flow test in a discovery situation.

In your response, you advised us that you did not conduct a production flow test prior to booking proved undeveloped reserves in the deepwater Gulf of Mexico. Instead, you indicated that you utilized all of the tools and the associated technical information listed below:

- Open hole logs - assessment of reservoir characteristics with structure, porosity, hydrocarbon saturation, net pay as a minimum;
- Core samples - characterization of reservoir rock including pay zone permeability;
- Wire line conveyed sampling - sampling for, and measurement of, reservoir permeability, pressure, temperature and fluid properties; and
- Seismic surveys - reservoir structure interpretation in conjunction with well logs.

After considering your response to our October 1, 2002 letter, we advised you that we had no further comment on this matter. However, since that time, we have received a number of questions from the companies to whom we issued these comments. We believe it is appropriate to respond to these questions by providing you with our basis for accepting your reserve disclosure as presented.

We did not object to your claiming proved undeveloped reserves in the deepwater Gulf of Mexico prior to a production flow test since your estimates are fully supported by *all* the results from *all* the procedures included above. Please understand that we take this position only with respect to the determination of proved undeveloped reserves in the deepwater Gulf of Mexico and no other location. In doing so, we recognize certain cost and environmental considerations that are particular to that geographic location and make the cost

of traditional flow testing prohibitive. Regardless of any position we take with regard to your proved undeveloped reserves in the deepwater Gulf of Mexico, keep in mind that you are still required to comply with Rule 4-10(a)(4) of Regulation S-X with regard to proved undeveloped reserves attributed to offset locations.

If you have any questions with regard to this or any other matter regarding your reserve reporting, please feel to contact me at (202) 942-1870.

Sincerely,

H. Roger Schwall  
Assistant Director

<http://www.sec.gov/divisions/corpfin/guidance/oilgasltr04152004.htm>

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