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Nancy M. Morris, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: File Number S7-XX-07

Dear Ms. Morris,

Thank you for the opportunity to comment on possible revisions to the U.S. Securities and Exchange Commission's disclosure requirements for oil and gas reserves.

Our overall recommendation is that the Commission should adopt the resources framework, definitions and guidelines for petroleum reserves and resources as detailed in the Petroleum Resources Management System (SPE-PRMS) approved by the Society of Petroleum Engineers (SPE), the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG) and the Society of Petroleum Evaluation Engineers (SPEE). We also recommend that in adopting the current SPE-PRMS definitions, the Commission should use wording to ensure that future approved revisions to the SPE-PRMS are automatically adopted by the Commission.

We recommend the SPE-PRMS because it has been developed through consultation with a wide cross-section of the oil and gas industry and has been ratified by technical societies whose membership and expertise covers all sectors of the industry. These technical societies, SPE, WPC, AAPG and SPEE, are committed to ensuring that the SPE-PRMS framework, definitions and guidelines are kept evergreen and remain aligned with future technological advances. At BHP Billiton, we have embraced the SPE-PRMS definitions for our non-proved volumes, with the result being a clearer view of our entire petroleum portfolio.

In answer to your specific questions, we are pleased to present the following:

- 1. Should we replace our rules-based current oil and gas reserves disclosure requirements, which identify in specific terms which disclosures are required and which are prohibited, with a principles-based rule? If yes, what primary disclosure principles should be the Commission consider? If the Commission were to adopt a principles-based reserves disclosure framework, how could it affect disclosure quality, consistency and comparability?**

BHP Billiton recommends that the current rules-based disclosure requirements be replaced with the principles-based SPE-PRMS resource classification framework, reserves definitions and guidelines. By aligning the Commission's disclosure requirements with these widely accepted definitions and guidelines, the Commission could reasonably expect to receive quality disclosures which are consistent and comparable. In addition, adopting the SPE-PRMS definitions and guidelines would allow investors to view a company's resource estimates through management's eyes.

- 2. Should the Commission consider allowing companies to disclose reserves other than proved reserves in filings with the SEC? If we were to allow companies to include reserves other than proved reserves, what reserves disclosure should we consider? Should we specify categories of reserves? If so, how should we define those categories?**

BHP Billiton recommends that the Commission allow companies the option to disclose other categories and classes of resources in addition to proved reserves in their filings with the SEC, provided such disclosures are in line with the SPE-PRMS resource classification framework and definitions. At a minimum, companies should be allowed the option to report their 2P (proved plus probable) reserves in filings with the SEC. This would allow companies to more fully present the volumes behind their investment decisions.

- 3. Should the Commission adopt all or part of the Society of Petroleum Engineers – Petroleum Resources Management System? If so, what portions should we consider adopting? Are there other classification frameworks the Commission should consider? If the Commission were to adopt a different classification framework, how should the Commission respond if that framework is later changed?**

BHP Billiton recommends that the Commission should adopt the entire classification framework, definitions and guidelines for petroleum reserves and resources detailed in the SPE-PRMS, as revised from time to time, and that no other classification framework should be considered. The SPE Oil and Gas Reserves Committee is already engaged with the proponents of other international classification systems with a view to aligning the various proposals over time. Any changes resulting from that alignment process will emerge through future amendments to SPE-PRMS which should then be automatically adopted by the Commission.

- 4. Should we consider revising the current definition of proved reserves, proved developed reserves and proved undeveloped reserves? If so, how? Is there a way to revise the definition or the elements of the definition, to accommodate future technological innovations?**

BHP Billiton recommends that the Commission adopt the definitions of proved reserves, proved developed reserves and proved undeveloped reserves as detailed in the SPE-PRMS, as revised from time to time.

- 5. Should we specify the tests companies must undertake to estimate reserves? If so, what tests should we require? Should we specify the data companies must produce to support reserves conclusions? If so, what data should we require? Should we specify the process a company must follow to assess that data in estimating its reserves?**

BHP Billiton recommends that the Commission adopt the guidelines for estimating reserves detailed in the SPE-PRMS, as revised from time to time. We also recommend that, in the spirit of a principles-based disclosure framework, the Commission should not impose any additional rules in relation to the data companies must produce to support their reserves conclusions or the process that a company must follow to assess that data.

- 6. Should we reconsider the concept of reasonable certainty? If we were to replace it, what should we replace it with? How could that affect disclosure quality? Should we consider requiring companies to make certain assumptions? Should we prohibit others?**

BHP Billiton recommends that the Commission adopt the definition of reasonable certainty detailed in the SPE-PRMS, as revised from time to time. This definition states that *“reasonable certainty is intended to imply a high degree of confidence that the estimated quantities will be recovered”*. This definition is very similar to the current guidance from the Commission on reasonable certainty and should not affect disclosure quality. We also recommend that, in the spirit of a principles-based disclosure framework, the Commission should not impose any additional rules in relation to the concept of reasonable certainty.

- 7. Should we reconsider the concept of certainty with regard to proved undeveloped reserves? Should we allow companies to indefinitely classify undeveloped reserves as proved?**

We recommend that the Commission adopt the definition of proved undeveloped reserves and the guideline for a reasonable development timeframe as detailed in the SPE-PRMS, as revised from time to time. The SPE-PRMS recommends a 5-year benchmark as a *“reasonable time-frame for the initiation of development”*, but allows that *“a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented”*. We believe that this

guideline with its requirement for clear documentation of the development timetable does ensure that proved undeveloped reserves remain associated with genuine projects.

8. Should we reconsider the concept of economic producibility? If we were to replace it, what should we replace it with? How could that affect disclosure quality? Should we consider requiring companies to make certain assumptions? Should we prohibit others?

BHP Billiton recommends that the Commission adopt the SPE-PRMS guidelines for economic producibility. The SPE-PRMS guidelines state that *“there must be a high confidence in the commercial producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests”*. This wording is very similar to the current SEC definition, but allows some flexibility to include volumes where there is high confidence in the productivity based upon analogs. We believe that these principles-based guidelines would not affect disclosure quality and that no additional rules are required.

9. Should we reconsider the concept of existing operating conditions? If we were to replace it, what should we replace it with? How could that affect disclosure quality? Should we consider requiring companies to make certain assumptions? Should we prohibit others?

BHP Billiton recommends that the Commission replace the concept of existing operating conditions with the SPE-PRMS guidelines for determining the commerciality of a project. These guidelines require that *“the entity claiming commerciality has demonstrated firm intention to proceed with development”* and that such intention is based upon evidence for a number of criteria. Amongst these criteria is the requirement for *“evidence that the necessary production and transportation facilities are available or can be made available”*. We believe that this guideline provides sufficient assurance that only volumes associated with genuine projects are reported as reserves. In the spirit of a principles-based system, we recommend that no additional rules be imposed by the SEC.

10. Should we reconsider requiring companies to use a sale price in estimating reserves? If so, how should we establish the price framework? Should we require or allow companies to use an average price instead of a fixed price or a futures price instead of a spot price? Should we allow companies to determine the price framework? How would allowing companies to use different prices affect disclosure quality and consistency? Regardless of the pricing method that is used, should we allow or require companies to present a sensitivity analysis that would quantify the effect of price changes on the level of proved reserves?

BHP Billiton recommends that the Commission adopt the SPE-PRMS guidelines on economic criteria for evaluating reserves. The SPE-PRMS guidelines require that *“the economic evaluation underlying the investment decision is based on the entity’s reasonable forecast of future conditions, including costs and prices, which will exist during the life of the project”*. We believe that any

reduction in consistency of economic evaluations is outweighed by allowing investors to view a company's resource estimates and investment decisions through management's eyes.

If the Commission considers that an economic evaluation based upon a fixed price is still required in filings with the SEC, BHP Billiton recommends that the Commission adopts the SPE-PRMS definition of current conditions. The SPE-PRMS defines current conditions as *"the average of those existing during the previous 12 months"*.

11. Should we consider eliminating any of the current exclusions from proved reserves? How could removing these exclusions affect disclosure quality?

BHP Billiton recommends that the Commission adopt the SPE-PRMS definitions and guidelines for proved reserves which allow proved reserves in undeveloped locations *"provided that:*

- *The locations are in undrilled areas of the reservoir that can be judged with reasonably certain to be commercially productive.*
- *Interpretations of available geoscience and engineering data indicate with reasonable certainty that the objective formation is laterally continuous with drilled Proved locations"*.

We believe that removing the current requirement for absolute certainty in regard to undrilled locations will allow for a more consistent approach to the determination of reasonably certain proved reserves, thus keeping investors more fully informed and improving disclosure quality.

12. Should we consider eliminating any of the current exclusions from oil and gas activities? How could removing these exclusions affect disclosure quality?

BHP Billiton recommends eliminating all exclusions from oil and gas activities, in line with the guidelines of the SPE-PRMS. These guidelines state that, in assessing the economic limit, *"operating costs may be reduced, and thus project life extended, by various cost-reduction and revenue-enhancement approaches, such as sharing of production facilities, pooling maintenance contracts, or marketing of associated non-hydrocarbons"*. We believe that inclusion of these revenue streams in the economic evaluations will provide the investor with a more accurate assessment of the value of the company's assets.

13. Should we consider eliminating the current restrictions on including oil and gas reserves from sources that require further processing, e.g., tar sands? If we were to eliminate the current restrictions, how should we consider a disclosure framework for those reserves? What physical form of those reserves should we consider in evaluating such a framework? Is there a way to establish a disclosure framework that accommodates unforeseen resource discoveries and processing methods?

BHP Billiton recommends that the Commission adopt the SPE-PRMS definitions and guidelines in their entirety. The SPE-PRMS definitions and classification framework are designed to be *"appropriate for all types of petroleum accumulations, regardless of their in-place characteristics, extraction method applied, or degree of processing required"*. We believe that removing the current

restrictions on proved reserves will permit more complete reporting of a company's hydrocarbon assets, thus keeping investors more fully informed and improving disclosure quality.

14. What aspects of technology should we consider in evaluating a disclosure framework? Is there a way to establish a disclosure framework that accommodates technological advances?

BHP Billiton recommends that, in adopting the SPE-PRMS definitions, the Commission should use wording which ensures that future approved revisions to the SPE-PRMS are automatically adopted by the Commission. The SPE and their fellow technical societies, AAPG, WPC and SPEE, are committed to ensuring that proven technological advances are reflected in future revisions to the SPE-PRMS framework, definitions and guidelines.

15. Should we consider requiring companies to engage an independent third party to evaluate their reserves estimates in the filings they make with us? If yes, what should that party's role be? Should we specify who would qualify to perform this function? If so, who should be permitted to perform this function and what professional standards should they follow? Are there professional organizations that the Commission can look to set and enforce adherence to those standards?

BHP Billiton does not recommend that companies should be required to engage an independent third party to evaluate their reserves estimates. We believe that the requirements of the Sarbanes-Oxley Act ensure that resource estimates disclosed in filings with the SEC should be subject to a rigorous control environment. We recommend that each company be allowed to determine how it will implement an appropriate control environment which satisfies the requirements of the Sarbanes-Oxley Act.

In summary, BHP Billiton recommends that the Commission rely on evergreen updates to the industry's reserves and resources definitions and guidelines as provided by industry professionals through their various technical societies and documented in the SPE-PRMS. Any new technologies will be addressed by this group in a timely manner, incorporating feedback from a wide range of sources. Any future approved updates should be accepted automatically by the Commission.

Yours sincerely,


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