



February 18th, 2008

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

Re: File Number S7-29-07
Concept Release 33-8870

Dear Ms. Morris

TRACS International is a specialist consulting firm actively carrying out reserves valuations and audits on behalf of a multitude of clients including banks, government authorities, national oil companies, independent oil companies and private investors. On the basis of our experience with disclosure rules and associated reserves and resources definitions and reporting systems, we would like to make the following comments on the SEC's Concept Release 33-8870 (Concept Release on Possible Revisions to the Disclosure Requirements Relating to Oil and Gas Reserves):

As an overall comment, we would like to express that we see no advantage in replacing the current SEC definitions¹ with yet another set of definitions, which may or may not be fully compatible with other existing definitions. The SPE-PRMS² may not be perfect, but it is the most widely accepted reserves and resource definitions system available, and these definitions should be acceptable for the purpose of public disclosure. It is our opinion that it would be in everyone's interest for the SEC to wholly and fully adopt the reserves and resource definitions outlined in the SPE-PRMS. As and when the SPE-PRMS is revised, these revisions should also be accepted by the SEC.

Specifically ad question 2:

As far as the disclosure requirements is concerned, the reporting of both proven and proven plus probable reserves should be a minimum; the latter as a reflection of the expected volumes of oil and gas reserves to be recovered, the former to give an appreciation of the uncertainty associated with the expectation value.

The additional reporting of contingent and prospective resources is encouraged, and would certainly give the investment community a better understanding of the full value of the entity reporting the reserves and resources. In this context, we strongly support the approach prescribed by the AIM guidelines³, wherein the explicit reporting of a "risk factor", reflecting the chance that the quoted volumes will be commercially extracted for contingent resources or discovered and matured for prospective resources, is required.

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Specifically ad question 10:

Both the SPE-PRMS and the NI 51-101⁴ stipulate that the reporting entity's reasonable forecast for product prices and costs be used for the estimation of reserves. In practice, this should be something close to the prevailing market price forecast on the day of the evaluation, e.g. the benchmark futures prices. This could be made less ambiguous by requiring the use of a quoted set of generally accepted benchmark price forecasts as a price reference. A sensitivity analysis around the quoted price would be of value, but should not be prescribed.

Specifically ad question 15:

No matter how prescriptive the definitions, reserves and resource estimates will always remain susceptible to bias, intentional or not. It is in the reporting entity's strong interest to address this, either by having their reserves and resource estimates audited and approved by an independent reviewer, or by having some degree of independent supervision of the reserves reporting process.

The current system, where internal estimators and their taskmasters are governed by the Sarbanes-Oxley act⁵ and where the independent review is carried out by a limited number of specialist consulting firms with their reputation as their only asset, appears to work in practice. A more formalised qualification system would not alter this balance.

For the purpose of "policing", an explicit and comprehensive explanation should be required for any reserves or resource volume revisions exceeding an acceptable limit (e.g. 10%).

We wish you the best in your efforts to revise the oil and gas disclosure requirements.

Sincerely, on behalf of TRACS International,

A handwritten signature in black ink, appearing to read 'Sven Tiefenthal', with a large, sweeping flourish above the name.

Sven Tiefenthal, MSc Pet. Eng., MSc Fin. Econ.,
Reserves Auditor,
TRACS International

¹ Regulation S-X, Rule 4-10(a)

² SPE/WPC/AAPG/ SPEE Petroleum Resources Management System (2007)

³ Guidance note for Mining, Oil and Gas Companies, LSE/AIM (2006)

⁴ National Instruments 51-101, Standards of Disclosure for Oil and Gas Activities, CSA/ASC (2007)

⁵ Sarbanes-Oxley Act of 2002, Pub.L. 107-204; 116 Stat. 745 (2002)