



## CONVERSATIONS WITH THE SEC

*Proved Undeveloped Reserves:  
Undrilled Locations Must Be Converted to Developed Status  
within Five Years of Initial Disclosure*

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Miller and Lents  
909 Fannin Street, Suite 1300  
Houston, Texas 77010 USA





## Introduction

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Recent Comment Letters issued by the Security and Exchange Commission (SEC) have shown that current SEC staff interprets the requirement commonly referred to as the “Five Year Rule” as more restrictive than the plain language of the regulation. The requirement, found in Rule 4-10(a)(31)(ii) of Regulation S-X, reads:

*Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.*

This publication explores exchanges between the SEC and Cabot Oil and Gas Corporation and between the SEC and Par Pacific Holdings, Inc. regarding wells that were scheduled to be drilled within five years, but not converted to developed status. These Comment Letters indicate that the SEC requires that resources attributable to undrilled wells be scheduled to be converted to developed status within five years in order to be classified as reserves. Merely drilling a well within five years is insufficient if the reserves are scheduled to remain undeveloped for more than five years.

## Table of Contents

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Excerpts from Comment Letters and Responses between SEC and Cabot Oil and Gas Corporation.....	1
Excerpts from Comment Letters and Responses between SEC and Par Pacific Holdings, Inc. ....	5

## Referenced Documents

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### Exchange between SEC and Cabot Oil and Gas Corporation

September 15, 2016 Comment Letter.....	11
October 5, 2016 Response.....	14
October 13, 2016 Comment Letter.....	18
October 21, 2016 Response.....	20
January 11, 2017 Comment Letter.....	22
February 7, 2017 Response.....	24
August 4, 2017 Comment Letter.....	27

### Exchange between SEC and Par Pacific Holdings, Inc.

June 14, 2017 Comment Letter.....	28
June 26, 2017 Response.....	32
July 18, 2017 Comment Letter.....	40
July 25, 2017 Response.....	42
August 16, 2017 Comment Letter.....	55
August 30, 2017 Response.....	58
November 9, 2017 Comment Letter.....	70
December 15, 2017 Response.....	74

### SEC Reference Materials

Regulation S-X Rule 4-10 (17 CFR Part 210).....	83
Regulation S-K, Subpart 1200 (17 CFR 229.1200).....	95
Compliance and Disclosure Interpretations (C&DIs).....	102



## CONVERSATIONS WITH THE SEC

*Excerpts from Comment Letters and Responses Regarding  
Cabot Oil and Gas Corporation's Form 10-K for the Fiscal Year  
Ended December 31, 2015*

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Cabot Oil and Gas Corporation

September 15, 2016

[C]larify for us, if true, that the **PUD reserves attributable to drilled wells that are waiting on completion** are part of an adopted development plan and schedule as set forth in the definition of undeveloped reserves under **Rule 4-10(a)(31)(ii)** of Regulation S-X. To the extent that any of these reserves will take **more than five years to convert to developed status since initially disclosed as proved undeveloped reserves**, please refer to the answer to question 131.03 in the Compliance and Disclosure Interpretations (C&DIs), and describe for us the specific circumstances that you believe justify an extended period of time.

October 5, 2016

We note that all of our DUC wells are part of an adopted development plan as set forth in the definition of undeveloped reserves under Rule 4-10(a)(31)(ii) of Regulation S-X. **All DUC wells were drilled within the five year development window** and as noted in our response to comments one and two above, we are actively completing these wells as part of our 2016 capital program and expect to have completed and converted over 89% of our PUD reserves associated with our 2015 DUC inventory by the end of 2016, with the remainder being completed in early 2017.

October 13, 2016

Please clarify for us the extent to which any of the drilled but uncompleted "DUC" wells identified in your response to prior comments one and two **will not be completed and the related proved undeveloped reserves converted to developed status within five years of initial disclosure**. If there are any such wells, provide us with the net quantities of proved reserves, and an explanation of the circumstances that would justify a time period longer than five years to conclude the development of those reserves.

October 21, 2016

Our development plan contemplates completing approximately 278.0 Bcfe of these DUC wells in 2016 and the remaining 37.5 Bcfe in 2017, at which time the related reserves will be converted to developed status. **We believe that the reserves associated with our 2015 DUC inventory are properly classified as PUD reserves pursuant to Rule 4-10(a)(31)(ii) of Regulation S-X, which requires that a development plan has been adopted indicating that they are scheduled to be drilled within five years.** Given the fact that we drilled these DUC wells within five years of initial disclosure and we currently have ongoing significant development activities in the respective areas to be developed under an approved and adopted development plan, we believe PUD classification of these reserves is justified and appropriate as of December 31, 2015.



Cabot Oil and Gas Corporation

January 11, 2017

We have read your response to comment 1 and **are not in a position to agree with your conclusion that it is appropriate to continue to attribute proved reserves to drilled wells where the completion and conversion of the related undeveloped reserves to developed status is intentionally deferred to a period beyond five years of initial disclosure** of such reserves absent specific circumstances justifying a longer time period.

In this regard, the view expressed in your response to comment 1 indicating that the activities solely related to drilling a well would be sufficient to fulfil the timing requirements under Rule 4-10(a)(31)(ii) of Regulation S-X is inconsistent with the definition of a drilled well provided in **Item 1205(b)(4) of Regulation S-K** as your wells have yet to be completed. Additionally, **Item 1208(c)(3)** defines productive wells as referenced in the disclosure of drilled wells under Items 1205(a) and 1208(a) of Regulation S-K as producing wells and wells mechanically capable of production.

Furthermore, the development activities concluded as of December 31, 2015 are not sufficient to bring the drilled but uncompleted wells identified in your response to the status of economically producible pursuant to the definition of a development project in **Rule 4-10(a)(8)** of Regulation S-X. **The answer to question 108.01 in the Compliance and Disclosure Interpretations ("C&DI")** clarifies that a development project is a "single engineering activity with a distinct beginning and end, which, when completed, results in the production... of crude oil or natural gas."

We also note the responses to comments 1 and 3 in your letter dated October 5, 2016, indicates the 315.5 Bcfe in proved undeveloped reserves related to the drilled but uncompleted wells identified in your current response were intentionally delayed by the Company based on internal factors to a date beyond five years from initial disclosure. Therefore, the 315.5 Bcfe related to these undeveloped wells does not merit an exception for a time period longer than five years under the specific circumstances described in C&DI 131.03. **Refer to the last bullet point in the answers to question 131.03 in the Compliance and Disclosure Interpretations.**

Please remove the 315.5 Bcfe related to the drilled but uncompleted wells identified in your response as proved reserves as of December 31, 2015.



Cabot Oil and Gas Corporation

February 7, 2017

We acknowledge that the rules and regulations of the Commission are subject to evolving interpretation by the staff based on various factors including changes in industry practice and the needs of investors. **While we believe our application and interpretation of Rule 4-10(a)(31)(ii) of Regulation S-X is an appropriate application of Rule 4-10, in light of the staff's comment above and our recent discussion with the staff, we intend to exclude from proved undeveloped (PUD) reserves any reserves associated with wells that are not anticipated to be both drilled and completed within five years from initial disclosure.**

Although we intend to exclude from our PUD reserves as of December 31, 2016 those reserves associated with wells for which development activities had been initiated but not completed within five years of initial disclosure, we have provided our views and interpretations of the guidance for recording PUD reserves for the staff's consideration. We believe that our historical practice of recording and disclosing PUD reserves is reasonable and consistent with Rule 4-10(a)(31)(ii) and related Compliance and Disclosure Interpretations (C&DI). In our view, **Rule 4-10(a)(31)(ii) refers only to reserves that are "scheduled to be drilled within five years" and Regulation S-X does not provide further guidance regarding whether "drilled" for this purpose means that development activities must be initiated (or planned to be initiated) within five years of initial disclosure, or that all necessary development activities must be completed within five years of initial disclosure.** We believe that existing published SEC staff interpretations and industry practice have historically applied the five-year limit in Rule 4-10(a)(31)(ii) by reference to the initiation rather than the completion of development activities as described in **Question 131.06 of the C&DI** which specifically states that "scheduled to be drilled" and the "initiation of development activities" have consistent meaning when applying Rule 4-10(a)(31)(ii). We also note the staff's reference to the definition of number of wells drilled in **Item 1205(b)(4) of Regulation S-K**, which is specific to wells completed during a fiscal year regardless of when drilling was initiated. We did not consider this definition to be applicable when applying Rule 4-10(a) as Item 1205 explicitly states that the definitions in Item 1205(b) apply only to the disclosures required by Item 1205.

August 4, 2017

We have completed our review of your filing. We remind you that the company and its management are responsible for the accuracy and adequacy of their disclosures, notwithstanding any review, comments, action or absence of action by the staff.



## CONVERSATIONS WITH THE SEC

*Excerpts from Comment Letters and Responses Regarding  
Par Pacific Holdings, Inc.'s Form 10-K for the Fiscal Year  
Ended December 31, 2016*

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Par Pacific Holdings, Inc.

June 14, 2017

Provide us with your development schedule, indicating for each future annual period, the number of gross wells to be drilled, and the net quantities of proved reserves and estimated capital expenditures necessary **to convert all of the proved undeveloped reserves disclosed as of December 31, 2016 to developed status.**

June 26, 2017

In response to the Staff's comment, we have set forth below the Company's 42.3% share of Laramie Energy's development schedule by annual period and number of gross wells, net quantities of proved reserves and estimated capital expenditures to develop all of the PUDs disclosed as of December 31, 2016:

	2017	2018	2019	2020	2021	Total
<b>Gross Wells</b>	31	71	161	53	0	316
<b>Mmcf</b>	19,121	42,662	104,256	31,449	0	197,488
<b>Capex</b>	\$13,151,018	\$38,894,129	\$56,305,623	\$4,991,499	\$0	\$113,342,260

July 18, 2017

To further our understanding of the development schedule supporting the disclosure of your proved undeveloped reserves as of December 31, 2016, tell us the **dates of initial disclosure** for the 31 gross wells scheduled for development in 2017, the 71 gross wells scheduled for development in 2018, the 161 gross wells scheduled for development in 2019 and the 53 gross wells scheduled for development in 2020.

July 25, 2017

A schedule with the dates of initial disclosure for the 31 gross wells scheduled for development in 2017, the 71 gross wells scheduled for development in 2018, the 161 gross wells scheduled for development in 2019 and the 53 gross wells scheduled for development in 2020 is set forth in Exhibit B hereto.

August 16, 2017

Please tell us the dates upon which each of the locations listed in Exhibit B with proved undeveloped reserves initially disclosed at December 31, 2013 that are scheduled for development in 2019 and 2020 will be **reclassified from undeveloped to developed status** based on the definition of developed oil and gas reserves in Rule 4-10(a)(6) of Regulation S-X.





Par Pacific Holdings, Inc.

August 30, 2017

To provide more comprehensive information to the Staff, we have updated Exhibit B hereto to include, for all wells in Laramie's proved undeveloped inventory as of December 31, 2016 ("PUDs"), both the scheduled drill date (or the spud date) and the completion date used for purposes of Laramie Energy's development schedule. **Laramie Energy typically drills and sets casing for its wells within a week of the scheduled drill date and typically completes its drilled wells within three to six months of the drill date.** Laramie Energy and its reserve engineer change the classification of wells from undeveloped to developed status when such wells are completed in accordance with the definition of developed oil and gas reserves in Rule 4-10(a)(6) of Regulation S-X.

November 9, 2017

[Y]ou... indicate that the **reserves you report as proved undeveloped are those for which a drill or spud date, rather than a completion date, is scheduled to occur within the five year period that follows the date of initial disclosure.**

In order to report proved undeveloped reserves, the criteria in **Rule 4-10(a)(31)(ii) of Regulation S-X**, requires that you have adopted a development plan indicating the locations are scheduled to be **drilled within five years of initial disclosure, which should entail completion of the well**, as described in **Item 1205(b)(3) of Regulation S-K**. The guidance in **Item 1205(b)(4) of Regulation S-K** clarifies that "...wells drilled refers to the number of wells completed," while **Item 1203(d) of Regulation S-K**, requires disclosure when "proved undeveloped reserves ... remain undeveloped for five years or more after disclosure as proved undeveloped reserves." In other words, this should encompass any locations for which the wells have not been completed within five years of initial disclosure of the proved undeveloped reserves.

Please tell us if you continue to classify the reserves for wells once spud as undeveloped, and subsequently change the reserves classification from undeveloped to developed status after the well is completed. Alternatively, if you classify the reserves as developed once spud, regardless of any subsequent completion date, tell us the revisions necessary to conform with the guidance outlined above.



Par Pacific Holdings, Inc.

December 15, 2017

For purposes of **Rule 4-10(a)(31)(ii) of Regulation S-X** and related Compliance and Disclosure Interpretations (“C&DI”), Laramie Energy, LLC (“Laramie Energy”) **historically classified reserves as proved undeveloped (“PUD”) based on the spud date rather than the completion date.**

We believe that this historical application and interpretation of Rule 4-10(a)(31)(ii) of Regulation S-X and related CD&I was reasonable because **Rule 4-10(a)(31)(ii) refers only to reserves that are “scheduled to be drilled within five years” and Regulation S-X does not provide further guidance regarding whether “drilled” for this purpose means that development activities must be initiated (or planned to be initiated) within five years of initial disclosure, or that all necessary development activities must be completed within five years of initial disclosure.** In addition, **Question 131.06 of the C&DI** specifically states that “scheduled to be drilled” and the “initiation of development activities” have consistent meaning when applying Rule 4-10(a)(31)(ii). We did not consider the guidance in **Item 1205(b)(4) of Regulation S-K** with respect to “wells drilled” to be applicable as Item 1205 explicitly states that the definitions in Item 1205(b) apply only to the disclosures required by Item 1205.

**However, in light of the Staff’s comment and our recent discussion with the Staff, we intend to exclude from PUD reserves any reserves associated with wells that are not planned to be spud and completed within five years of initial disclosure.** We propose to make this change prospectively beginning with our December 31, 2017 year-end reserves determination and disclosure.



# CONVERSATIONS WITH THE SEC

*Referenced Documents*

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## Referenced Documents

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	Document No.
<b>Exchange between SEC and Cabot Oil and Gas Corporation</b>	
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October 5, 2016 Response .....	2
October 13, 2016 Comment Letter .....	3
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August 4, 2017 Comment Letter .....	7
<b>Exchange between SEC and Par Pacific Holdings, Inc.</b>	
June 14, 2017 Comment Letter .....	8
June 26, 2017 Response .....	9
July 18, 2017 Comment Letter .....	10
July 25, 2017 Response .....	11
August 16, 2017 Comment Letter .....	12
August 30, 2017 Response .....	13
November 9, 2017 Comment Letter .....	14
December 15, 2017 Response .....	15
<b>SEC Reference Materials</b>	
Regulation S-X Rule 4-10 (17 CFR Part 210) .....	16
Regulation S-K, Subpart 1200 (17 CFR 229.1200) .....	17
Compliance and Disclosure Interpretations (C&DIs) .....	18



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

DIVISION OF  
CORPORATION FINANCE

Mail Stop 4628

September 15, 2016

Via E-mail

Scott C. Schroeder  
Executive Vice President and  
Chief Financial Officer  
Cabot Oil & Gas Corporation  
840 Gessner Road, Suite 1400  
Houston, Texas 77024

**Re: Cabot Oil & Gas Corporation  
Form 10-K for the Fiscal Year Ended December 31, 2015  
Filed February 22, 2016  
File No. 1-10447**

Dear Mr. Schroeder:

We have reviewed your filing and have the following comments. In some of our comments, we may ask you to provide us with information so we may better understand your disclosure.

Please respond to these comments within ten business days by providing the requested information or advise us as soon as possible when you will respond. If you do not believe our comments apply to your facts and circumstances, please tell us why in your response.

After reviewing your response to these comments, we may have additional comments.

Form 10-K for the Fiscal Year Ended December 31, 2015

Business and Properties, page 7

Proved Undeveloped Reserves, page 11

1. The discussion provided on page 11 indicates you expect to develop approximately 60% to 70% of your PUD reserves over the next three years, of which 937.4 Bcfe have been drilled and are waiting on completion. Please clarify for us and expand your disclosure to explain why it appears that you have intentionally deferred completion of such wells.
2. You also state that your future development plans are reflective of the significant decrease in commodity prices. Please advise or expand your disclosure to clarify the

extent to which the completion of any of your drilled but uncompleted wells awaits an improvement in current commodity prices.

3. Also clarify for us, if true, that the PUD reserves attributable to drilled wells that are waiting on completion are part of an adopted development plan and schedule as set forth in the definition of undeveloped reserves under Rule 4-10(a)(31)(ii) of Regulation S-X. To the extent that any of these reserves will take more than five years to convert to developed status since initially disclosed as proved undeveloped reserves, please refer to the answer to question 131.03 in the Compliance and Disclosure Interpretations (C&DIs), and describe for us the specific circumstances that you believe justify an extended period of time.

#### Exhibit 99.1

4. We note the discussion provided on page 3 explains that the Company deemed the portion of the costs related to Company owned facilities and associated with the Company's revenue interest gas as costs to be included in the computation of the future net revenues attributable to proved reserves. Please tell us if the computation relating to your proved reserves includes revenues or other adjustments, including offsets to your costs, related to the gathering or transmission of natural gas other than that in which the Company has a direct ownership.

We urge all persons who are responsible for the accuracy and adequacy of the disclosure in the filing to be certain that the filing includes the information the Securities Exchange Act of 1934 and all applicable Exchange Act rules require. Since the company and its management are in possession of all facts relating to a company's disclosure, they are responsible for the accuracy and adequacy of the disclosures they have made.

In responding to our comments, please provide a written statement from the company acknowledging that:

- the company is responsible for the adequacy and accuracy of the disclosure in the filing;
- staff comments or changes to disclosure in response to staff comments do not foreclose the Commission from taking any action with respect to the filing; and
- the company may not assert staff comments as a defense in any proceeding initiated by the Commission or any person under the federal securities laws of the United States.

Scott C. Schroeder  
Cabot Oil & Gas Corporation  
September 15, 2016  
Page 3

You may contact John Hodgin, Petroleum Engineer, at (202) 551-3699 if you have questions regarding the comments. Please contact me at (202) 551-3489 with any other questions.

Sincerely,

/s/ Brad Skinner

Senior Assistant Chief Accountant  
Brad Skinner  
Office of Natural Resources



October 5, 2016

Mr. Brad Skinner  
Senior Assistant Chief Accountant  
Office of Natural Resources  
United States Securities and Exchange Commission  
Division of Corporation Finance  
100 F Street, N.E.  
Mail Stop 7010  
Washington, D.C. 20549

Re: Cabot Oil & Gas Corporation  
Form 10-K for the Fiscal Year Ended December 31, 2015  
Filed February 22, 2016  
File No. 1-10447

Dear Mr. Skinner:

We are responding to comments received from the Staff of the Division of Corporation Finance of the Securities and Exchange Commission by letter dated September 15, 2016 regarding our 2015 Form 10-K. For your convenience, our responses are prefaced by the Staff's corresponding comment in italicized text. With respect to the Staff's comments, we propose to include revised disclosures in our future filings under the Securities Exchange Act of 1934 as indicated below.

**Form 10-K for the Fiscal Year Ended December 31, 2015**

**Business and Properties, page 7**

**Proved Undeveloped Reserves, page 11**

1. *The discussion provided on page 11 indicates you expect to develop approximately 60% to 70% of your PUD reserves over the next three years, of which 937.4 Bcfe have been drilled and are waiting on completion. Please clarify for us and expand your disclosure to explain why it appears that you have intentionally deferred completion of such wells.*

**Response**

We note that at each year end we exit the period with a certain number of wells that have been drilled but remain uncompleted (DUC) that are classified as proved undeveloped (PUD) in accordance with Rule 4-10 (a)(31) of Regulation S-X due to the fact that additional major capital expenditures are required to complete the well. In accordance with our 2016 capital program, by the end of 2016 we expect to have completed and converted over 89% of our PUD reserves associated with our 2015 DUC inventory to developed status, with the remainder being completed in early 2017. As a result of a decrease in capital spending, the pace of our

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completion activities also decreased which resulted in a DUC well backlog as we exited 2015; however, we did not consider this backlog to be unusual as we had plans to complete these wells within a relatively short period of time of being drilled.

In response to the Staff's comment, in future filings we will provide additional disclosure as to when we expect to complete our DUC inventory. For 2015, such disclosure under the heading "Proved Undeveloped Reserves" on page 11 of our 2015 Form 10-K would have read substantially as follows:

***Proved Undeveloped Reserves***

At December 31, 2015 we had 3,361.2 Bcfe of proved undeveloped (PUD) reserves associated with future development costs of \$1.6 billion, which represents an increase of 462.9 Bcfe compared to December 31, 2014. We expect to develop approximately 60% to 70% of our PUD reserves over the next three years, of which 937.4 Bcfe ~~are have been drilled but uncompleted (DUC) and are waiting on completion.~~ We expect to complete approximately 89% of our PUD reserves associated with our DUC wells by the end of 2016 and the remaining 11% in early 2017. Future development plans are reflective of the significant decrease in commodity prices and have been established based on an expectation of available cash flows from operations and availability under our revolving credit facility. As of December 31, 2015, all PUD reserves are expected to be developed within five years of initial disclosure of these reserves.

- 2. You also state that your future development plans are reflective of the significant decrease in commodity prices. Please advise or expand your disclosure to clarify the extent to which the completion of any of your drilled but uncompleted wells awaits an improvement in current commodity prices.*

Response

We note that none of our DUC inventory will be deferred until commodity prices improve. We are actively completing wells as part of our 2016 capital program and expect to have completed and converted over 89% of our PUD reserves associated with our 2015 DUC inventory by the end of 2016, with the remainder being completed in early 2017.

- 3. Also clarify for us, if true, that the PUD reserves attributable to drilled wells that are waiting on completion are part of an adopted development plan and schedule as set forth in the definition of undeveloped reserves under Rule 4-10(a)(31)(ii) of Regulation S-X. To the extent that any of these reserves will take more than five years to convert to developed status since initially disclosed as proved undeveloped reserves, please refer to the answer to question 131.03 in the Compliance and Disclosure Interpretations (C&DIs), and describe for us the specific circumstances that you believe justify an extended period of time.*

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Response

We note that all of our DUC wells are part of an adopted development plan as set forth in the definition of undeveloped reserves under Rule 4-10(a)(31)(ii) of Regulation S-X. All DUC wells were drilled within the five year development window and as noted in our response to comments one and two above, we are actively completing these wells as part of our 2016 capital program and expect to have completed and converted over 89% of our PUD reserves associated with our 2015 DUC inventory by the end of 2016, with the remainder being completed in early 2017.

**Exhibit 99.1**

4. *We note the discussion provided on page 3 explains that the Company deemed the portion of the costs related to Company owned facilities and associated with the Company's revenue interest gas as costs to be included in the computation of the future net revenues attributable to proved reserves. Please tell us if the computation relating to your proved reserves includes revenues or other adjustments, including offsets to your costs, related to the gathering or transmission of natural gas other than that in which the Company has a direct ownership.*

Response

The computation of our future net cash flows associated with our proved reserves does not include revenues or other adjustments to offset costs related to gathering and transmission facilities for which we have a direct or indirect ownership interest or that are owned by third parties.

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Cabot hereby acknowledges that:

- Cabot is responsible for the adequacy and accuracy of the disclosure in the filing;
- Staff comments or changes to disclosure in response to Staff comments do not foreclose the Commission from taking any action with respect to the filing; and
- Cabot may not assert Staff comments as a defense in any proceeding initiated by the Commission or any person under the federal securities laws of the United States.

If you have any questions or require additional information, you may contact Scott C. Schroeder at (281) 589-4993 or the undersigned at (281) 589-4848.

Sincerely,

/s/ Todd M. Roemer

Todd M. Roemer

Principal Accounting Officer Controller

cc: Mr. John Hodgkin, United States Securities and Exchange Commission  
Mr. Scott C. Schroeder, Cabot Oil & Gas Corporation  
Ms. Deidre L. Shearer, Cabot Oil & Gas Corporation  
Mr. J. David Kirkland, Jr., Baker Botts L.L.P.  
Mr. Andrew J. Ericksen, Baker Botts L.L.P.  
Mr. Douglas T. Parker, PricewaterhouseCoopers LLP



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

DIVISION OF  
CORPORATION FINANCE

Mail Stop 4628

October 13, 2016

Via E-mail

Scott C. Schroeder  
Executive Vice President and  
Chief Financial Officer  
Cabot Oil & Gas Corporation  
840 Gessner Road, Suite 1400  
Houston, Texas 77024

**Re: Cabot Oil & Gas Corporation  
Form 10-K for the Fiscal Year Ended December 31, 2015  
Response Dated October 5, 2016  
File No. 1-10447**

Dear Mr. Schroeder:

We have reviewed your October 5, 2016 response to our comment letter and have the following comments. In some of our comments, we may ask you to provide us with information so we may better understand your disclosure.

Please respond to these comments within ten business days by providing the requested information or advise us as soon as possible when you will respond. If you do not believe our comments apply to your facts and circumstances, please tell us why in your response.

After reviewing your response to these comments, we may have additional comments. Unless we note otherwise, our references to prior comments are to comments in our September 15, 2016 letter.

Form 10-K for the Fiscal Year Ended December 31, 2015

Business and Properties, page 7

Proved Undeveloped Reserves, page 11

1. Please clarify for us the extent to which any of the drilled but uncompleted "DUC" wells identified in your response to prior comments one and two will not be completed and the related proved undeveloped reserves converted to developed status within five years of initial disclosure. If there are any such wells, provide us with the net quantities of proved

Scott C. Schroeder  
Cabot Oil & Gas Corporation  
October 13, 2016  
Page 2

reserves, and an explanation of the circumstances that would justify a time period longer than five years to conclude the development of those reserves.

You may contact John Hodgin, Petroleum Engineer, at (202) 551-3699 if you have questions regarding the comments. Please contact me at (202) 551-3489 with any other questions.

Sincerely,

/s/ Brad Skinner

Brad Skinner  
Senior Assistant Chief Accountant  
Office of Natural Resources

October 21, 2016

Mr. Brad Skinner  
Senior Assistant Chief Accountant  
Office of Natural Resources  
United States Securities and Exchange Commission  
Division of Corporation Finance  
100 F Street, N.E.  
Mail Stop 7010  
Washington, D.C. 20549

Re: Cabot Oil & Gas Corporation  
Form 10-K for the Fiscal Year Ended December 31, 2015  
Response Dated October 5, 2016  
File No. 1-10447

Dear Mr. Skinner:

We are responding to comments received from the Staff of the Division of Corporation Finance of the Securities and Exchange Commission by letter dated October 13, 2016 regarding our 2015 Form 10-K. For your convenience, our response is prefaced by the Staff's corresponding comment in italicized text.

**Form 10-K for the Fiscal Year Ended December 31, 2015**

**Business and Properties, page 7**

**Proved Undeveloped Reserves, page 11**

- Please clarify for us the extent to which any of the drilled but uncompleted "DUC" wells identified in your response to prior comments one and two will not be completed and the related proved undeveloped reserves converted to developed status within five years of initial disclosure. If there are any such wells, provide us with the net quantities of proved reserves, and an explanation of the circumstances that would justify a time period longer than five years to conclude the development of those reserves.*

**Response**

In response to the staff's comment, as of December 31, 2015, we had 315.5 Bcfe of PUD reserves associated with our 2015 DUC inventory, which represents 3.85% of our total proved reserves, that are expected to be completed beyond five years of their initial disclosure. Our development plan contemplates completing approximately 278.0 Bcfe of these DUC wells in 2016 and the remaining 37.5 Bcfe in 2017, at which time the related reserves will be converted to developed status. We believe that the reserves associated with our 2015 DUC inventory are properly classified as PUD reserves pursuant to Rule 4-10(a)(31)(ii) of Regulation S-X, which



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requires that a development plan has been adopted indicating that they are scheduled to be drilled within five years. Given the fact that we drilled these DUC wells within five years of initial disclosure and we currently have ongoing significant development activities in the respective areas to be developed under an approved and adopted development plan, we believe PUD classification of these reserves is justified and appropriate as of December 31, 2015.

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If you have any questions or require additional information, you may contact Scott C. Schroeder at (281) 589-4993 or the undersigned at (281) 589-4848.

Sincerely,

/s/ Todd M. Roemer

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Todd M. Roemer  
Principal Accounting Officer  
Controller

cc: Mr. John Hodgkin, United States Securities and Exchange Commission  
Mr. Scott C. Schroeder, Cabot Oil & Gas Corporation  
Ms. Deidre L. Shearer, Cabot Oil & Gas Corporation  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

DIVISION OF  
CORPORATION FINANCE

Mail Stop 4628

January 11, 2017

Via E-mail

Scott C. Schroeder  
Executive Vice President and  
Chief Financial Officer  
Cabot Oil & Gas Corporation  
840 Gessner Road, Suite 1400  
Houston, Texas 77024

**Re: Cabot Oil & Gas Corporation  
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File No. 1-10447**

Dear Mr. Schroeder:

We have reviewed your October 21, 2016 response to our comment letter and have the following comments. In some of our comments, we may ask you to provide us with information so we may better understand your disclosure.

Please respond to these comments within ten business days by providing the requested information or advise us as soon as possible when you will respond. If you do not believe our comments apply to your facts and circumstances, please tell us why in your response.

After reviewing your response to these comments, we may have additional comments. Unless we note otherwise, our references to prior comments are to comments in our October 13, 2016 letter.

Form 10-K for the Fiscal Year Ended December 31, 2015

Business and Properties, page 7

Proved Undeveloped Reserves, page 11

1. We have read your response to comment 1 and are not in a position to agree with your conclusion that it is appropriate to continue to attribute proved reserves to drilled wells where the completion and conversion of the related undeveloped reserves to developed status is intentionally deferred to a period beyond five years of initial disclosure of such reserves absent specific circumstances justifying a longer time period.

In this regard, the view expressed in your response to comment 1 indicating that the activities solely related to drilling a well would be sufficient to fulfil the timing requirements under Rule 4-10(a)(31)(ii) of Regulation S-X is inconsistent with the definition of a drilled well provided in Item 1205(b)(4) of Regulation S-K as your wells have yet to be completed. Additionally, Item 1208(c)(3) defines productive wells as referenced in the disclosure of drilled wells under Items 1205(a) and 1208(a) of Regulation S-K as producing wells and wells mechanically capable of production.

Furthermore, the development activities concluded as of December 31, 2015 are not sufficient to bring the drilled but uncompleted wells identified in your response to the status of economically producible pursuant to the definition of a development project in Rule 4-10(a)(8) of Regulation S-X. The answer to question 108.01 in the Compliance and Disclosure Interpretations (“C&DI”) clarifies that a development project is a “single engineering activity with a distinct beginning and end, which, when completed, results in the production... of crude oil or natural gas.”

We also note the responses to comments 1 and 3 in your letter dated October 5, 2016, indicates the 315.5 Bcfe in proved undeveloped reserves related to the drilled but uncompleted wells identified in your current response were intentionally delayed by the Company based on internal factors to a date beyond five years from initial disclosure. Therefore, the 315.5 Bcfe related to these undeveloped wells does not merit an exception for a time period longer than five years under the specific circumstances described in C&DI 131.03. Refer to the last bullet point in the answers to question 131.03 in the Compliance and Disclosure Interpretations.

Please remove the 315.5 Bcfe related to the drilled but uncompleted wells identified in your response as proved reserves as of December 31, 2015.

You may contact John Hodgkin, Petroleum Engineer, at (202) 551-3699 if you have questions regarding the comments. Please contact me at (202) 551-3489 with any other questions.

Sincerely,

/s/ Brad Skinner

Brad Skinner  
Senior Assistant Chief Accountant  
Office of Natural Resources

CORRESP 1 filename1.htm

CONFIDENTIAL TREATMENT FOR REFERENCED MATERIALS REQUESTED BY CABOT OIL & GAS CORPORATION  
 FOIA CONFIDENTIAL TREATMENT REQUESTED FOR REFERENCED MATERIALS

February 7, 2017

Mr. Brad Skinner  
 Senior Assistant Chief Accountant  
 Office of Natural Resources  
 United States Securities and Exchange Commission  
 Division of Corporation Finance  
 100 F Street, N.E.  
 Mail Stop 7010  
 Washington, D.C. 20549

Re: Cabot Oil & Gas Corporation  
 Form 10-K for the Fiscal Year Ended December 31, 2015  
 Response Dated October 21, 2016  
 File No. 1-10447

Dear Mr. Skinner:

We are responding to the comment received from the Staff of the Division of Corporation Finance of the Securities and Exchange Commission by letter dated January 11, 2017 regarding our 2015 Form 10-K. For your convenience, our response is prefaced by the Staff's corresponding comment in italicized text.

**Form 10-K for the Fiscal Year Ended December 31, 2015**

**Business and Properties, page 7**

**Proved Undeveloped Reserves, page 11**

1. *We have read your response to comment 1 and are not in a position to agree with your conclusion that it is appropriate to continue to attribute proved reserves to drilled wells where the completion and conversion of the related undeveloped reserves to developed status is intentionally deferred to a period beyond five years of initial disclosure of such reserves absent specific circumstances justifying a longer time period.*

*In this regard, the view expressed in your response to comment 1 indicating that the activities solely related to drilling a well would be sufficient to fulfil the timing requirements under Rule 4-10(a)(31)(ii) of Regulation S-X is inconsistent with the definition of a drilled well provided in Item 1205(b)(4) of Regulation S-K as your wells have yet to be completed. Additionally, Item 1208(c)(3) defines productive wells as referenced in the disclosure of drilled wells under Items 1205(a) and 1208(a) of Regulation S-K as producing wells and wells mechanically capable of production.*

CONFIDENTIAL TREATMENT FOR REFERENCED MATERIALS REQUESTED BY CABOT OIL & GAS CORPORATION  
 FOIA CONFIDENTIAL TREATMENT REQUESTED FOR REFERENCED MATERIALS

*Furthermore, the development activities concluded as of December 31, 2015 are not sufficient to bring the drilled but uncompleted wells identified in your response to the status of economically producible pursuant to the definition of a development project in Rule 4-10(a)(8) of Regulation S-X. The answer to question 108.01 in the Compliance and Disclosure Interpretations ("C&DI") clarifies that a development project is a "single engineering activity with a distinct beginning and end, which, when completed, results in the production... of crude oil or natural gas."*

*We also note the responses to comments 1 and 3 in your letter dated October 5, 2016, indicates the 315.5 Bcfe in proved undeveloped reserves related to the drilled but uncompleted wells identified in your current response were intentionally delayed by the Company based on internal factors to a date beyond five years from initial disclosure. Therefore, the 315.5 Bcfe related to these undeveloped wells does not merit an exception for a time period longer than five years under the specific*

*circumstances described in C&DI 131.03. Refer to the last bullet point in the answers to question 131.03 in the Compliance and Disclosure Interpretations.*

*Please remove the 315.5 Bcfe related to the drilled but uncompleted wells identified in your response as proved reserves as of December 31, 2015.*

Response

We acknowledge that the rules and regulations of the Commission are subject to evolving interpretation by the staff based on various factors including changes in industry practice and the needs of investors. While we believe our application and interpretation of Rule 4-10(a)(31)(ii) of Regulation S-X is an appropriate application of Rule 4-10, in light of the staff's comment above and our recent discussion with the staff, we intend to exclude from proved undeveloped (PUD) reserves any reserves associated with wells that are not anticipated to be both drilled and completed within five years from initial disclosure. We intend to make this change prospectively beginning with our December 31, 2016 year-end reserves determination and disclosures due to the fact that the impact of the referenced 315.5 Bcfe associated with our drilled but uncompleted (DUC) wells greater than five years from initial disclosure included in our 2015 proved reserves disclosure is not material to our 2015 financial statements and related disclosures.

Although we intend to exclude from our PUD reserves as of December 31, 2016 those reserves associated with wells for which development activities had been initiated but not completed within five years of initial disclosure, we have provided our views and interpretations of the guidance for recording PUD reserves for the staff's consideration. We believe that our historical practice of recording and disclosing PUD reserves is reasonable and consistent with Rule 4-10(a)(31)(ii) and related Compliance and Disclosure Interpretations (C&DI). In our view, Rule 4-10(a)(31)(ii) refers only to reserves that are "scheduled to be drilled within five

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CONFIDENTIAL TREATMENT FOR REFERENCED MATERIALS REQUESTED BY CABOT OIL & GAS CORPORATION  
FOIA CONFIDENTIAL TREATMENT REQUESTED FOR REFERENCED MATERIALS

years" and Regulation S-X does not provide further guidance regarding whether "drilled" for this purpose means that development activities must be *initiated* (or planned to be initiated) within five years of initial disclosure, or that all necessary development activities must be *completed* within five years of initial disclosure. We believe that existing published SEC staff interpretations and industry practice have historically applied the five-year limit in Rule 4-10(a)(31)(ii) by reference to the initiation rather than the completion of development activities as described in Question 131.06 of the C&DI which specifically states that "scheduled to be drilled" and the "initiation of development activities" have consistent meaning when applying Rule 4-10(a)(31)(ii). We also note the staff's reference to the definition of *number of wells* drilled in Item 1205(b)(4) of Regulation S-K, which is specific to wells completed during a fiscal year regardless of when drilling was initiated. We did not consider this definition to be applicable when applying Rule 4-10(a) as Item 1205 explicitly states that the definitions in Item 1205(b) apply only to the disclosures required by Item 1205.

We also note the staff's reference to our intentional deferral of the 315.5 Bcfe of PUD reserves based on the decrease in our capital program as described in our previous response letter dated October 5, 2016. In order to clarify our initial response, our reference to the decrease in capital spending affecting the pace of our completion activities was not intended to be specific to the reserves in question or a specific event that prompted a change in our capital program to intentionally defer completion activities associated with these wells. Rather, it was intended to explain the macro-economic environment and its impact on Cabot's overall spending plans in general, which in turn affected our planned capital expenditures in 2015. Although our capital expenditures budget was lower in 2015, our capital program contemplated a full-time completion crew to complete wells throughout the respective time periods, which demonstrates our commitment to the continuous development of these reserves after drilling was initiated.

Supplemental Information Requested by the Staff

At the staff's request and pursuant to Rule 418 under the Securities Act of 1933 and Rule 12b-4 under the Securities Exchange Act of 1934, we are furnishing two supplemental schedules in connection with the staff's review: Schedule I which enumerates our December 31, 2015 DUCs classified as PUD reserves by vintage year of initial disclosure, and Schedule II which provides a drilling and completion timeline for the DUC wells that comprise the 315.5 Bcfe classified as PUD reserves that existed as of December 31, 2015 that had initial disclosure beyond five years from that date. We hereby request that this information be returned to us or destroyed upon completion of your review and that, pending its return or destruction, it be withheld from release as it contains competitively sensitive, proprietary business information of Cabot. By copy of this letter, we are requesting that the Freedom of Information Act officer

CONFIDENTIAL TREATMENT FOR REFERENCED MATERIALS REQUESTED BY CABOT OIL & GAS CORPORATION  
FOIA CONFIDENTIAL TREATMENT REQUESTED FOR REFERENCED MATERIALS

accord the supplemental schedules furnished pursuant to this letter (but not, for the avoidance of doubt, the responses set forth in this letter) confidential treatment under the Commission's rules.

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If you have any questions or require additional information, you may contact Scott C. Schroeder at (281) 589-4993 or the undersigned at (281) 589-4848.

Sincerely,

/s/ Todd M. Roemer

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Todd M. Roemer

Principal Accounting Officer Controller

cc: Office of Freedom of Information and Privacy Act Operations  
Mr. John Hodgin, United States Securities and Exchange Commission  
Mr. Scott C. Schroeder, Cabot Oil & Gas Corporation  
Ms. Deidre L. Shearer, Cabot Oil & Gas Corporation  
Mr. J. David Kirkland, Jr., Baker Botts L.L.P.  
Mr. Andrew J. Ericksen, Baker Botts L.L.P.  
Mr. Douglas T. Parker, PricewaterhouseCoopers LLP  
Ms. Katie M. Reinaker, Miller and Lents, Ltd.  
Mr. James A. Cole, Miller and Lents, Ltd.



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

DIVISION OF  
CORPORATION FINANCE

Mail Stop 4628

August 4, 2017

Via E-mail

Scott C. Schroeder  
Executive Vice President and  
Chief Financial Officer  
Cabot Oil & Gas Corporation  
840 Gessner Road, Suite 1400  
Houston, Texas 77024

**Re: Cabot Oil & Gas Corporation  
Form 10-K for the Fiscal Year Ended December 31, 2015  
Filed February 22, 2016  
File No. 1-10447**

Dear Mr. Schroeder:

We have completed our review of your filing. We remind you that the company and its management are responsible for the accuracy and adequacy of their disclosures, notwithstanding any review, comments, action or absence of action by the staff.

Sincerely,

/s/ Brad Skinner

Brad Skinner  
Senior Assistant Chief Accountant  
Office of Natural Resources





UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

DIVISION OF  
CORPORATION FINANCE

Mail Stop 4628

June 14, 2017

William Pate  
Chief Executive Officer  
Par Pacific Holdings, Inc.  
800 Gessner Road, Suite 875  
Houston, Texas 77024

**Re: Par Pacific Holdings, Inc.  
Form 10-K for the Fiscal Year ended December 31, 2016  
Filed March 7, 2017  
File No. 001-36550**

Dear Mr. Pate:

We have limited our review of your filing to the financial statements and related disclosures and have the following comments. In some of our comments, we may ask you to provide us with information so we may better understand your disclosure.

Please respond to these comments within ten business days by providing the requested information or advise us as soon as possible when you will respond. If you do not believe our comments apply to your facts and circumstances, please tell us why in your response.

After reviewing your response to these comments, we may have additional comments.

Form 10-K for the Fiscal Year ended December 31, 2016

Properties, page 35

Production Volumes, Unit Prices and Costs, page 36

1. Please disclose the information required by Item 1204(a) of Regulation S-K, including production volumes, by final product sold, for each named field and/or individual geological formation, e.g. the Mesaverde formation, that contains 15% or more of your total proved reserves at each fiscal year-end. In this regard, we note the disclosure provided on page 36 states "over 90% of Laramie Energy's total estimated proved reserves are located in the same geological formation, the Mesaverde Formation, which Laramie Energy considers to be a single field."

Given your earlier review response to comment 7 in our letter dated May 30, 2014, indicating you would be providing such disclosure in filings made subsequent to our earlier review, also explain how you considered this and the other disclosure

requirements referenced in this letter, in concluding that your disclosure controls and procedures were effective as of December 31, 2016, as indicated on page 67.

Proved Undeveloped Reserves, page 37

2. Please expand the disclosure relating to your proved undeveloped reserves to discuss the progress made and dollar amounts of capital expenditures incurred during the year to convert proved undeveloped reserves to proved developed reserves to comply with Item 1203(c) of Regulation S-K, also as you had agreed in your earlier review response to comment 5 in our letter dated May 30, 2014.

For example, we note that you converted 1,125 MMcfe of proved undeveloped reserves to developed status during 2016, which is approximately 1.4% of the proved undeveloped reserves that you disclosed as of December 31, 2015. In comparison, you disclose 197,488 MMcfe in total proved undeveloped reserves to be converted to developed status over five years. Given that this rate of development, if sustained, would not be sufficient to develop your proved undeveloped reserves within five years of having initially booked the reserves, disclose the reasons for the limited progress made during 2016 to convert proved undeveloped reserves to proved developed reserves, and explain whether, and to what extent, and in what manner your plans relating to the conversion of your remaining proved undeveloped reserves have changed to ensure that your reserve estimates adhere to the criteria in Rule 4-10(a)(31)(ii) of Regulation S-X.

3. **Provide us with your development schedule, indicating for each future annual period, the number of gross wells to be drilled, and the net quantities of proved reserves and estimated capital expenditures necessary to convert all of the proved undeveloped reserves disclosed as of December 31, 2016 to developed status.**

Refer to the guidance associated with Question 131.04 in our Compliance and Disclosure Interpretations (C&DIs), and tell us the extent to which all of the proved undeveloped locations in your development schedule are part of an adopted development plan that has been reviewed and approved by Laramie Energy, LLC's ("Laramie") management, and approved by its Board, if such approval is required.

Tell us the steps that you routinely take to review Laramie's development plan annually and to evaluate interim and annual changes in the schedule to determine whether the proved undeveloped reserves continue to comply with the reserve definitions. You may find the C&DIs on our website at the following address:

<http://www.sec.gov/divisions/corpfin/guidance/oilandgas-interp.htm>.

4. We note that as of December 31, 2016, approximately 5.4% of your share of Laramie Energy's proved undeveloped reserves (approximately 10,591 MMcfe) were scheduled for development more than five years after initial disclosure.

Please submit a schedule showing the net reserve quantities and the corresponding number of gross drilling locations, stratified based on the year of initial disclosure, relating to the 10,591 MMcfe of proved undeveloped reserves. Also specify the dates, as of December 31, 2016, on which these volumes were scheduled to be converted to proved developed reserves and advise us of any subsequent changes.

Refer to the guidance associated with Question 131.03 in our Compliance and Disclosure Interpretations (C&DI)s, and tell us the specific circumstances that you believe justify a period longer than five years from the initial disclosure date to develop these reserves.

Drilling Activity, page 38

5. Please modify the disclosure relating to your drilling activity to distinguish between exploratory wells and development wells, also between productive wells and dry wells in each of these categories, for each of the last three fiscal years to comply with Item 1205 of Regulation S-K. Also ensure and clarify in your disclosure that all of these figures are expressed in terms of “net” wells completed each period, as required and based on the definition of a net well in Item 1208(c)(2) of Regulation S-K.

Financial Statements, page F-1

Consolidated Statements of Operations, page F-5

6. We note that you excluded depreciation and amortization from various line items on the statements of operations without indicating the excluded amounts attributable to each cost or expense category. If you rely upon the accommodation in SAB Topic 11.B, you should report either on separate lines or parenthetically the amounts of depreciation and amortization that are attributable to each line from which these have been excluded.

Note 2 - Summary of Significant Accounting Policies, page F-9

Accounting Principles Not Yet Adopted, page F-14

7. You state that you have not finalized any estimates of the potential impact that the amended revenue recognition guidance in Topic 606 will have on your consolidated financial statements. Please revise to provide qualitative financial statement disclosures of the potential impact that this standard will have on your financial statements when adopted. In this regard, include a description of the effects of the accounting policies that you expect to apply, if determined, and a comparison to your current revenue recognition policies. Describe the status of your process to implement the new standard and the significant implementation matters yet to be addressed.

In addition, to the extent that you determine the quantitative impact that adoption of Topic 606 is expected to have on your financial statements, please also disclose such amounts. Please refer to ASC 250-10-S99-6 and SAB Topic 11.M.

William Pate  
Par Pacific Holdings, Inc.  
June 14, 2017  
Page 4

We remind you that the company and its management are responsible for the accuracy and adequacy of their disclosures, notwithstanding any review, comments, action or absence of action by the staff.

You may contact Jenifer Gallagher, Staff Accountant, at (202) 551-3706 or Kimberly Calder, Assistant Chief Accountant, at 202-551-3701 if you have questions regarding comments on the financial statements and related matters. You may contact John Hodgin, Petroleum Engineer, at (202) 551-3699 with questions about engineering comments. You may contact me at (202) 551-3686 with any questions.

Sincerely,

/s/ Karl Hiller

Karl Hiller  
Branch Chief  
Office of Natural Resources

cc: James Matthew Vaughn  
Senior Vice President and General Counsel



June 26, 2017

Via EDGAR and Federal Express

U.S. Securities and Exchange Commission  
Division of Corporation Finance  
100 F Street, N.E., Mail Stop 7010  
Washington, D.C. 20549

Attention: Mr. Karl Hiller  
Ms. Jenifer Gallagher  
Ms. Kimberly Calder  
Mr. John Hodgkin

Re: Par Pacific Holdings, Inc.  
Form 10-K for Fiscal Year Ended December 31, 2016  
Filed March 7, 2016  
File No. 001-36550

Dear Ladies and Gentlemen:

This letter is in response to your letter dated June 14, 2017, to Par Pacific Holdings, Inc. (the "Company"), transmitting the comments of the staff (the "Staff") of the U.S. Securities and Exchange Commission (the "Commission") relating to the above referenced Annual Report on Form 10-K for the Year Ended December 31, 2016 (the "Form 10-K"). For your convenience, the response is preceded by the Staff's comment.

Form 10-K for the Fiscal Year ended December 31, 2016

Properties, page 35

Production Volumes, Unit Prices and Costs, page 36

1. Please disclose the information required by Item 1204(a) of Regulation S-K, including production volumes, by final product sold, for each named field and/or individual geological formation, e.g. the Mesaverde formation that contains 15% or more of your total proved reserves at each fiscal year-end. In this regard, we note the disclosure

provided on page 36 states “over 90% of Laramie Energy’s total estimated proved reserves are located in the same geological formation, the Mesaverde Formation, which Laramie Energy considers to be a single field.”

Given your earlier review response to comment 7 in our letter dated May 30, 2014, indicating you would be providing such disclosure in filings made subsequent to our earlier review, also explain how you considered this and the other disclosure requirements referenced in this letter, in concluding that your disclosure controls and procedures were effective as of December 31, 2016, as indicated on page 67.

**Response.** We acknowledge the Staff’s comment and supplementally inform the Staff that we considered our previous responses to the Staff as part of our disclosure controls and procedures in the preparation of our 2016 Annual Report on Form 10-K. A similar process was followed during the preparation of our 2014 and 2015 Annual Reports on Form 10-K. During our disclosure preparation process, we reevaluated the determination of Laramie Energy’s fields (as defined in Regulation S-X 4-10(a)(15)) and concluded that substantially all (approximately 98%) of Laramie Energy’s total proved reserves as of December 31, 2016 were located in the Mesaverde formation of the Piceance Basin, which Laramie Energy has determined to be a single field. Laramie Energy also has immaterial proved reserves in the Mancos shale and Wasatch formation in the Piceance Basin, which Laramie Energy has determined are not part of the Mesaverde formation. These reserves represented less than 2% of Laramie Energy’s total proved reserves as of December 31, 2016. In addition, our remaining total proved reserves (which are not held through Laramie Energy) represented approximately 0.1% of our total proved reserves as of December 31, 2016 (including those held through Laramie Energy). As a result, we determined that separate disclosure of production information related to the Mesaverde formation would not be material to a reasonable investor in assessing the Company’s results or prospects as the disclosure noting “over 90% of Laramie Energy’s total estimated proved reserves...” discloses the material concentration of the proved reserves the Company owns through its 42.3% equity investment in Laramie Energy. We propose to clarify in future filings that substantially all of the Company’s (and Laramie Energy’s) reserves are located in the Mesaverde formation, and continue to monitor and evaluate the significance of our production volumes and reserves by field during each reporting period to determine if separate disclosure would be material to investors.

Proved Undeveloped Reserves, page 37

2. Please expand the disclosure relating to your proved undeveloped reserves to discuss the progress made and dollar amounts of capital expenditures incurred during the year to convert proved undeveloped reserves to proved developed reserves to comply with Item 1203(c) of Regulation S-K, also as you had agreed in your earlier review response to comment 5 in our letter dated May 30, 2014.

For example, we note that you converted 1,125 MMcfe of proved undeveloped reserves to developed status during 2016, which is approximately 1.4% of the proved undeveloped reserves that you disclosed as of December 31, 2015. In comparison, you disclose 197,488 MMcfe in total proved undeveloped reserves to be converted to developed status over five years. Given that this rate of development, if sustained, would not be sufficient to develop your proved undeveloped reserves within five years of having initially booked the reserves, disclose the reasons for the limited progress made during 2016 to convert proved undeveloped reserves to proved developed reserves, and explain whether, and to what extent, and in what manner your plans relating to the conversion of your remaining proved undeveloped reserves have changed to ensure that your reserve estimates adhere to the criteria in Rule 4-10(a)(31)(ii) of Regulation S-X.

**Response.** We supplementally inform the Staff that during the year ended December 31, 2016, Laramie Energy expended approximately \$1.4 million in connection with the development of its proved undeveloped reserves (“PUDs”) to convert the 1,125 MMcfe of PUDs to proved developed reserves. These expenditures were less than originally anticipated due to significantly lower than expected natural gas prices, which led Laramie Energy to temporarily suspend its one-rig program. Laramie Energy’s development plan provides for accelerated development of its PUDs in 2017 and later years. In our response to comment #3 below, we provide additional detail with respect to the five year PUDs development schedule and the accelerated rate of development of Laramie Energy’s PUDs based on Laramie Energy’s forecasted 2017 development expenditure of approximately \$31 million (approximately \$11.4 million of which has been spent year to date) based on a two-rig program, which we believe ensures that our reserve estimates adhere to the criteria in Rule 4-10(a)(31)(ii) of Regulation S-X.

We respectfully advise the staff that the Company’s disclosures on page 37 and 38 of our 2016 Annual Report on Form 10-K include information on Laramie Energy’s remaining undeveloped locations, current average drill times, conversion of proved undeveloped reserves to proved developed reserves, and Laramie Energy’s plans to increase the number of rigs to develop the remaining undeveloped locations. The Company also disclosed its share of Laramie Energy’s development costs for the last three fiscal years on page F-57 of our 2016 Annual Report on Form 10-K. Similar disclosures were included in our 2015 and 2014 Annual Reports on Form 10-K in response to comment 5 in the Staff’s letter dated May 30, 2014. We propose to expand the disclosure relating to Laramie Energy’s proved undeveloped reserves in our 2017 Form 10-K to disclose the amount of capital expenditures spent by Laramie Energy to convert proved undeveloped reserves to proved developed reserves for the year ending December 31, 2017, as well as any significant changes to Laramie Energy’s plans relating to the conversion of its remaining proved undeveloped reserves.

3. Provide us with your development schedule, indicating for each future annual period, the number of gross wells to be drilled, and the net quantities of proved reserves and



estimated capital expenditures necessary to convert all of the proved undeveloped reserves disclosed as of December 31, 2016 to developed status.

Refer to the guidance associated with Question 131.04 in our Compliance and Disclosure Interpretations (C&DIs), and tell us the extent to which all of the proved undeveloped locations in your development schedule are part of an adopted development plan that has been reviewed and approved by Laramie Energy, LLC’s (“Laramie”) management, and approved by its Board, if such approval is required.

Tell us the steps that you routinely take to review Laramie’s development plan annually and to evaluate interim and annual changes in the schedule to determine whether the proved undeveloped reserves continue to comply with the reserve definitions. You may find the C&DIs on our website at the following address:

<http://www.sec.gov/divisions/corpfin/guidance/oilandgas-interp.htm>.

**Response.** In response to the Staff’s comment, we have set forth below the Company’s 42.3% share of Laramie Energy’s development schedule by annual period and number of gross wells, net quantities of proved reserves and estimated capital expenditures to develop all of the PUDs disclosed as of December 31, 2016:

	2017	2018	2019	2020	2021	Total
<b>Gross Wells</b>	31	71	161	53	0	316 <sup>1</sup>
<b>MMcfe</b>	19,121	42,662	104,256	31,449	0	197,488
<b>Capex</b>	\$13,151,018	\$38,894,129	\$56,305,623	\$4,991,499	\$0	\$113,342,260

As shown above, Laramie Energy plans to accelerate the pace of its PUD development in 2017-2020. The Company believes Laramie Energy’s strong balance sheet and liquidity of \$52 million as of December 31, 2016, and its cash from operations, hedging portfolio, and availability under its credit facility is sufficient to fund its planned development schedule and budget.

We supplementally inform the Staff that Laramie Energy’s management and board of managers meets during the fourth quarter of each year to prepare its capital expenditure budget for the subsequent year and ratify its development plan. As part of this process, Laramie Energy analyzes various factors, including well economics, anticipated drilling schedule, current and projected commodity prices, and lease operating costs, and consults with its reserve engineers and other third-party experts. The development plan is reviewed and confirmed periodically by Laramie Energy’s board of managers to, among other reasons, ensure that reserves are only claimed for locations where a final investment decision has been made. However, although the development plan satisfies the requirements of a “final investment decision” as noted in Question 131.04 of the above

<sup>1</sup> Excludes an aggregate 45 wells that are currently uneconomic at Securities and Exchange Commission pricing.

referenced C&DIs, the development plan is sometimes adjusted due to material events or circumstances that occur subsequent to the time of adoption. For example, as a result of the significant commodity price downturn in early 2016 and a material acquisition that occurred in March 2016 that increased Laramie Energy's PUDs by over 140% from the prior year, Laramie Energy adjusted its development plan to focus on the development of certain probable reserves that its management believed to have more favorable economics compared to other locations previously booked as PUDs. The Company reviews Laramie Energy's development plan and budget each quarter, and also in connection with the Company's annual report on Form 10-K, to determine whether the proved undeveloped reserves continue to comply with the reserve definitions.

4. We note that as of December 31, 2016, approximately 5.4% of your share of Laramie Energy's proved undeveloped reserves (approximately 10,591 MMcfe) were scheduled for development more than five years after initial disclosure.

Please submit a schedule showing the net reserve quantities and the corresponding number of gross drilling locations, stratified based on the year of initial disclosure, relating to the 10,591 MMcfe of proved undeveloped reserves. Also specify the dates, as of December 31, 2016, on which these volumes were scheduled to be converted to proved developed reserves and advise us of any subsequent changes.

Refer to the guidance associated with Question 131.03 in our Compliance and Disclosure Interpretations (C&DIs), and tell us the specific circumstances that you believe justify a period longer than five years from the initial disclosure date to develop these reserves.

**Response.** In response to the Staff's comment, we have set forth a schedule in Exhibit A hereto showing the net reserve quantities and the corresponding number of gross drilling locations relating to the 10,591 MMcfe of proved undeveloped reserves. The locations scheduled for development more than five years after initial disclosure at December 31, 2016 were kept in the PUDs category following consultation with the Company's reserve engineer because, although the PUDs are currently scheduled to be developed in 2019 (i.e., more than five but less than six years from date of original booking), as discussed in response to Comment #3 above, Laramie Energy has accelerated the pace of its development of PUDs and, based on this planned acceleration, Laramie Energy's reserve engineer determined with reasonable certainty that the PUDs will in fact be developed within five years. The Company notes that the PV10 value of these reserves is approximately \$615,000, or approximately 0.4% of the total PV10 value of the Company's share of Laramie Energy's reserves, which the Company does not consider material.

Drilling Activity, page 38

5. Please modify the disclosure relating to your drilling activity to distinguish between exploratory wells and development wells, also between productive wells and dry wells in each of these categories, for each of the last three fiscal years to comply with Item 1205 of Regulation S-K. Also ensure and clarify in your disclosure that all of these figures are expressed in terms of “net” wells completed each period, as required and based on the definition of a net well in Item 1208(c)(2) of Regulation S-K.

**Response.** The Company advises the Staff that all figures are expressed in terms of “net” development wells and that Laramie Energy did not have any dry wells or exploratory wells during any of the referenced periods. In response to the Staff’s comment, the Company proposes to add these clarifying details regarding drilling activity in compliance with Item 1208 of Regulation S-K in its future filings.

Financial Statements, page F-1

Consolidated Statements of Operations, page F-5

6. We note that you excluded depreciation and amortization from various line items on the statements of operations without indicating the excluded amounts attributable to each cost or expense category. If you rely upon the accommodation in SAB Topic 11.B, you should report either on separate lines or parenthetically the amounts of depreciation and amortization that are attributable to each line from which these have been excluded.

**Response.** In response to the Staff’s comment above, the Company proposes to include the following expanded disclosure in the footnotes to our interim financial statements included in our Form 10-Q for the quarterly period ending June 30, 2017, and other future periodic filings.

The following table summarizes depreciation expense excluded from each line item in our consolidated statements of operations (in thousands):

	<u>Three Months</u> <u>Ended June 30,</u>		<u>Six Months</u> <u>Ended June 30,</u>	
	<u>2017</u>	<u>2016(1)</u>	<u>2017</u>	<u>2016(1)</u>
Cost of revenues	TBA	920	TBA	1,838
Operating expense	TBA	2,503	TBA	4,934
General and administrative expense	TBA	453	TBA	939

(1) Information presented for the periods ended June 30, 2016 are preliminary estimates.

Note 2—Summary of Significant Accounting Policies, page F-9

Accounting Principles Not Yet Adopted, page F-14

7. You state that you have not finalized any estimates of the potential impact that the amended revenue recognition guidance in Topic 606 will have on your consolidated financial statements. Please revise to provide qualitative financial statement disclosures of the potential impact that this standard will have on your financial statements when adopted. In this regard, include a description of the effects of the accounting policies that you expect to apply, if determined, and a comparison to your current revenue recognition policies. Describe the status of your process to implement the new standard and the significant implementation matters yet to be addressed.

In addition, to the extent that you determine the quantitative impact that adoption of Topic 606 is expected to have on your financial statements, please also disclose such amounts. Please refer to ASC 250-10-S99-6 and SAB Topic 11.M.

**Response.** The Company acknowledges the importance of the disclosures required by ASC 250-10-S99-6 and SAB Topic 11.M. and their usefulness to readers in assessing future standards. In response to the Staff’s comment, the Company proposes to include in our Form 10-Q for the quarterly period ending June 30, 2017, the following draft disclosures relating to Topic 606. The draft disclosure below will be updated, as necessary, for the actual results of our implementation efforts in the second quarter of 2017 and any other subsequent filings prior to our adoption.

“The Company has formally established a working group to assess the amended revenue recognition guidance in Topic 606, including its impact on the Company’s business processes, accounting systems, controls and financial statement disclosures. As part of the Company’s evaluation, the working group is reviewing existing revenue streams and identifying the types of arrangements where differences may arise in revenue recognition upon adoption of the new standard. The Company’s largest revenue stream consists of revenues generated from the sale of refined products, generally at market prices. These revenues are recognized upon delivery of goods to a customer. The Company currently does not expect the new standard to have a material impact on the amount or timing of revenues recognized for the sale of refined products. As of this date, the working group continues to evaluate the impact of this new standard on the Company’s consolidated financial statements and related disclosures.”

Please call the undersigned at (832) 916-3386 with any additional comments or questions you may have.

Very truly yours,

/s/ J. Matthew Vaughn

\_\_\_\_\_  
J. Matthew Vaughn

Senior Vice President and General Counsel

Exhibit A

<u>NUMBER</u>	<u>FIRST YEAR BOOKED</u>	<u>Par's Net MMCFE</u>	<u>Original Scheduled Drill Date</u>	<u>YRS BETWEEN BOOK AND CAPEX</u>	<u>PV10 (M\$)</u>
100480	12/31/2013	563.9	02/19	5.1	33.9
110048	12/31/2013	563.9	02/19	5.1	33.9
100551	12/31/2013	560.9	04/19	5.3	30.4
100552	12/31/2013	560.9	04/19	5.3	30.4
100553	12/31/2013	560.9	04/19	5.3	30.4
100558	12/31/2013	560.9	05/19	5.4	30.1
100559	12/31/2013	560.9	05/19	5.4	30.1
100561	12/31/2013	560.9	05/19	5.4	30.1
100743	12/31/2013	560.9	05/19	5.4	30.1
100745	12/31/2013	560.9	05/19	5.4	30.1
100747	12/31/2013	560.9	05/19	5.4	30.1
100751	12/31/2013	560.9	06/19	5.5	29.9
100752	12/31/2013	560.9	06/19	5.5	29.9
110066	12/31/2013	560.9	07/19	5.5	29.7
110013	12/31/2013	595.6	08/19	5.6	105.1
110054	12/31/2013	534.8	08/19	5.6	5.1
110055	12/31/2013	534.8	08/19	5.6	5.1
110058	12/31/2013	534.8	08/19	5.6	5.1
100664	12/31/2013	532.9	11/19	5.9	66.3
		10,591.0			615.7



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

DIVISION OF  
CORPORATION FINANCE

Mail Stop 4628

July 18, 2017

William Pate  
Chief Executive Officer  
Par Pacific Holdings, Inc.  
800 Gessner Road, Suite 875  
Houston, Texas 77024

**Re: Par Pacific Holdings, Inc.  
Form 10-K for the Fiscal Year ended December 31, 2016  
Response Dated June 26, 2017  
File No. 001-36550**

Dear Mr. Pate:

We have reviewed your June 26, 2017 response to our comment letter and have the following comments. In some of our comments, we may ask you to provide us with information so we may better understand your disclosure.

Please respond to these comments within ten business days by providing the requested information or advise us as soon as possible when you will respond. If you do not believe our comments apply to your facts and circumstances, please tell us why in your response.

After reviewing your response to these comments, we may have additional comments. Unless we note otherwise, our references to prior comments are to comments in our June 14, 2017 letter.

Form 10-K for the Fiscal Year ended December 31, 2016

Properties, page 35

Proved Undeveloped Reserves, page 37

1. We note your response to prior comment 2 and proposal to expand the disclosure relating to Laramie Energy's proved undeveloped reserves in your 2017 Form 10-K. Please provide us with an illustration of your proposed disclosure revisions as they would relate to the investments and progress made during 2016 to convert proved undeveloped reserves to proved developed reserves. Refer to the disclosure requirements pursuant to Item 1203(c) of Regulation S-K.
2. **To further our understanding of the development schedule supporting the disclosure of your proved undeveloped reserves as of December 31, 2016, tell us the dates of initial**

William Pate  
Par Pacific Holdings, Inc.  
July 18, 2017  
Page 2

disclosure for the 31 gross wells scheduled for development in 2017, the 71 gross wells scheduled for development in 2018, the 161 gross wells scheduled for development in 2019 and the 53 gross wells scheduled for development in 2020.

3. We note your response to prior comment 4 and the schedule in Exhibit A regarding the locations scheduled for development more than five years after initial disclosure as of December 31, 2016. Tell us the dates used in the development schedules as of December 31, 2013, 2014 and 2015, upon which the reserves relating to each of the 19 locations identified in Exhibit A were previously scheduled to be developed and advise us of the reasons for all changes to these planned dates of conversion.

You may contact Jenifer Gallagher, Staff Accountant, at (202) 551-3706 or Kimberly Calder, Assistant Chief Accountant, at 202-551-3701 if you have questions regarding comments on the financial statements and related matters. You may contact John Hodgin, Petroleum Engineer, at (202) 551-3699 with questions about engineering comments. You may contact me at (202) 551-3686 with any questions.

Sincerely,

/s/ Karl Hiller

Karl Hiller  
Branch Chief  
Office of Natural Resources

cc: James Matthew Vaughn  
Senior Vice President and General Counsel

\*FOIA Confidential Treatment Request\*  
Confidential Treatment Requested by  
Par Pacific Holdings, Inc. (07242017)



July 25, 2017

Via EDGAR and Federal Express

U.S. Securities and Exchange Commission  
Division of Corporation Finance  
100 F Street, N.E., Mail Stop 7010  
Washington, D.C. 20549

Attention: Mr. Karl Hiller  
Ms. Jenifer Gallagher  
Ms. Kimberly Calder  
Mr. John Hodgkin

Re: Par Pacific Holdings, Inc.  
Form 10-K for Fiscal Year Ended December 31, 2016  
Filed March 7, 2017  
File No. 001-36550

Dear Ladies and Gentlemen:

This letter is in response to your letter dated July 18, 2017, to Par Pacific Holdings, Inc. (the "Company"), transmitting the comments of the staff (the "Staff") of the U.S. Securities and Exchange Commission (the "Commission") relating to the above referenced Annual Report on Form 10-K for the Year Ended December 31, 2016 (the "Form 10-K"). For your convenience, the response is preceded by the Staff's comment.

[Form 10-K for the Fiscal Year ended December 31, 2016](#)

[Properties, page 35](#)

[Proved Undeveloped Reserves, page 37](#)

1. We note your response to prior comment 2 and proposal to expand the disclosure relating to Laramie Energy's proved undeveloped reserves in your 2017 Form 10-K. Please provide us with an illustration of your proposed disclosure revisions as they would relate to the investments and progress made during 2016 to convert proved undeveloped reserves to proved developed reserves. Refer to the disclosure requirements pursuant to Item 1203(c) of Regulation S-K.



**Response.** We acknowledge the Staff's comment. An illustration of our proposed disclosure revisions as they would relate to the investments and progress made during 2016 to convert proved undeveloped reserves ("PUDs") to proved developed reserves is set forth in Exhibit A hereto.

2. To further our understanding of the development schedule supporting the disclosure of your proved undeveloped reserves as of December 31, 2016, tell us the dates of initial disclosure for the 31 gross wells scheduled for development in 2017, the 71 gross wells scheduled for development in 2018, the 161 gross wells scheduled for development in 2019 and the 53 gross wells scheduled for development in 2020.

**Response.** We acknowledge the Staff's comment. A schedule with the dates of initial disclosure for the 31 gross wells scheduled for development in 2017, the 71 gross wells scheduled for development in 2018, the 161 gross wells scheduled for development in 2019 and the 53 gross wells scheduled for development in 2020 is set forth in Exhibit B hereto.

3. We note your response to prior comment 4 and the schedule in Exhibit A regarding the locations scheduled for development more than five years after initial disclosure as of December 31, 2016. Tell us the dates used in the development schedules as of December 31, 2013, 2014 and 2015, upon which the reserves relating to each of the 19 locations identified in Exhibit A were previously scheduled to be developed and advise us of the reasons for all changes to these planned dates of conversion.

**Response.** We acknowledge the Staff's comment. The development schedule as of December 31, 2013, 2014 and 2015 with respect to the 19 locations referenced in Exhibit A to our response dated June 26, 2017 is set forth in Exhibit C hereto. The changes to the drilling schedule were primarily caused by significantly lower than expected natural gas prices during 2014-2016, as well as a material acquisition in March 2016 by Laramie Energy of more than 53,000 net operated acres that increased Laramie Energy's PUDs by over 140% from the prior year. Laramie Energy reevaluated its drilling schedule in 2016 as a result of this acquisition to increase the planned pace of development of certain recently acquired locations and delay the scheduled development of certain legacy locations, including the locations set forth in Exhibit C hereto.

Please call the undersigned at (832) 916-3386 with any additional comments or questions you may have.

Very truly yours,

/s/ J. Matthew Vaughn

J. Matthew Vaughn  
Senior Vice President and General Counsel

Exhibit A

**From Page 37 of the Company's Form 10-K**

**Proved Undeveloped Reserves**

All of our proved undeveloped reserves at December 31, 2016 are held through our minority equity ownership in Laramie Energy. We do not control Laramie Energy and therefore cannot predict or control the development of the properties.

As of December 31, 2016, our share of Laramie Energy's proved undeveloped reserves totaled 197,488 MMcfe, an approximate 140% increase from proved undeveloped reserves at December 31, 2015. This increase was primarily due to Laramie Energy's acquisition of properties in the Piceance Basin for \$157.5 million in March 2016 and wells that have become economic as a result of increased operator efficiency and cost reductions. During the year ended December 31, 2016, Laramie Energy expended approximately \$1.4 million in connection with the development of its proved undeveloped reserves to convert the 1,125 MMcfe of proved undeveloped reserves to proved developed reserves. These expenditures were less than originally anticipated due to significantly lower than expected natural gas prices, which led Laramie Energy to temporarily suspend its one-rig program. Laramie Energy expects to expend approximately \$31 million in 2017 to convert approximately 19,121 MMcfe of proved undeveloped reserves to proved developed reserves (and has spent approximately \$11.4 million year to date during 2017 on its current two-rig program).

Exhibit B

\*\*\*REDACTED\*\*\*

\*\*\*REDACTED\*\*\*

\*\*\*REDACTED\*\*\*

\*\*\*REDACTED\*\*\*

\*\*\*REDACTED\*\*\*



\*\*\*REDACTED\*\*\*

\*\*\*REDACTED\*\*\*

\*\*\*REDACTED\*\*\*

Exhibit C

\*\*\*REDACTED\*\*\*



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

DIVISION OF  
CORPORATION FINANCE

Mail Stop 4628

August 16, 2017

William Pate  
Chief Executive Officer  
Par Pacific Holdings, Inc.  
800 Gessner Road, Suite 875  
Houston, Texas 77024

**Re: Par Pacific Holdings, Inc.  
Form 10-K for the Fiscal Year ended December 31, 2016  
Response dated July 25, 2017  
File No. 001-36550**

Dear Mr. Pate:

We have reviewed your July 25, 2017 response to our comment letter and have the following comments. In some of our comments, we may ask you to provide us with information so we may better understand your disclosure.

Please respond to these comments within ten business days by providing the requested information or advise us as soon as possible when you will respond. If you do not believe our comments apply to your facts and circumstances, please tell us why in your response.

After reviewing your response to these comments, we may have additional comments. Unless we note otherwise, our references to prior comments are to comments in our July 18, 2017 letter.

Form 10-K for the Fiscal Year ended December 31, 2016

Properties, page 35

Proved Undeveloped Reserves, page 37

1. We note your response to prior comment 1 and the illustration in Exhibit A of your proposed disclosure revisions regarding investments and progress made during 2016 to convert proved undeveloped reserves to proved developed reserves.

You indicate the capital expenditures incurred during 2016 for development of proved undeveloped reserves were less than originally anticipated due to significantly lower than expected natural gas prices and suspension of the one-rig drilling program. However, your proposed disclosure revisions do not address the impact of the acquisition that occurred in March 2016, and the resulting adjustments that were made to the

development plan to focus on probable reserves that were believed to have more favorable economics compared to other locations previously booked as PUDs, as noted in your response to comment 3 issued June 14, 2017.

Please further revise your disclosure to address these and any other factors effecting the development plans and progress toward converting the 2016 proved undeveloped reserves, also with regard to the capital spending plan for 2017. The language regarding the \$31 million capital spending plan of Laramie Energy for 2017 should also be modified to clarify your portion of this expenditure (also with respect to the 19,121 MMcfe of proved undeveloped reserves), which you indicated would be \$13.2 million, in your response to prior comment 3 issued June 14, 2017.

2. We note your response to prior comments 2 and 3 and the information provided supplementally in Exhibits B and C regarding the dates used in the development schedules as of December 31, 2013, 2014 and 2015. However, it is unclear whether the development dates in Exhibit C, which are referred to as “drill” dates, coincide with the dates that the classification of the reserves for the wells would be changed from undeveloped to developed status. Please tell us the dates upon which each of the locations listed in Exhibit B with proved undeveloped reserves initially disclosed at December 31, 2013 that are scheduled for development in 2019 and 2020 will be reclassified from undeveloped to developed status based on the definition of developed oil and gas reserves in Rule 4-10(a)(6) of Regulation S-X.

Please also explain how your expectations correlate with the sequence of activity encompassed in the development plan for each well, considering the number of wells per pad and intervals between drill dates, fracturing dates and completion dates.

3. We note that among the 161 wells that are scheduled to be developed in 2019, 22 were initially booked December 31, 2013, not including the 11 wells that you indicate will be spud on January 1, 2019. We also note that 4 of the 22 do not appear on the list of wells at Exhibit C, which you previously identified as locations scheduled to be developed more than five years after initial disclosure, as of December 31, 2016. Tell us the proved undeveloped reserves relating to the four additional wells with an initial disclosure date of December 31, 2013, and explain why these do not appear among the wells listed in Exhibit C or the reserve figure in footnote 1 to Exhibit B. Also provide us with details about prior changes in scheduled development dates for these four additional wells and the eleven wells referenced in footnote 1 to Exhibit B, comparable to those in Exhibit C.
4. Tell us the undiscounted future net revenue and the PV-10 for each of the proved undeveloped locations initially disclosed as of December 31, 2013 that are scheduled for development in 2019 and 2020, as identified in Exhibit B.

William Pate  
Par Pacific Holdings, Inc.  
August 16, 2017  
Page 3

You may contact Jenifer Gallagher, Staff Accountant, at (202) 551-3706 or Kimberly Calder, Assistant Chief Accountant, at 202-551-3701 if you have questions regarding comments on the financial statements and related matters. You may contact John Hodgin, Petroleum Engineer, at (202) 551-3699 with questions about engineering comments. You may contact me at (202) 551-3686 with any questions.

Sincerely,

/s/ Karl Hiller

Karl Hiller  
Branch Chief  
Office of Natural Resources

cc: James Matthew Vaughn  
Senior Vice President and General Counsel

\*FOIA Confidential Treatment Request\*  
Confidential Treatment Requested by  
Par Pacific Holdings, Inc. (08162017)



August 30, 2017

Via EDGAR and Federal Express

U.S. Securities and Exchange Commission  
Division of Corporation Finance  
100 F Street, N.E., Mail Stop 7010  
Washington, D.C. 20549

Attention: Mr. Karl Hiller  
Ms. Jenifer Gallagher  
Ms. Kimberly Calder  
Mr. John Hodgkin

Re: Par Pacific Holdings, Inc.  
Form 10-K for Fiscal Year Ended December 31, 2016  
Filed March 7, 2017  
File No. 001-36550

Dear Ladies and Gentlemen:

This letter is in response to your letter dated August 16, 2017, to Par Pacific Holdings, Inc. (the "Company"), transmitting the comments of the staff (the "Staff") of the U.S. Securities and Exchange Commission (the "Commission") relating to the above referenced Annual Report on Form 10-K for the Year Ended December 31, 2016 (the "Form 10-K"). For your convenience, the response is preceded by the Staff's comment.

[Form 10-K for the Fiscal Year ended December 31, 2016](#)

[Properties, page 35](#)

[Proved Undeveloped Reserves, page 37](#)

1. We note your response to prior comment 1 and the illustration in Exhibit A of your proposed disclosure revisions regarding investments and progress made during 2016 to convert proved undeveloped reserves to proved developed reserves.



You indicate the capital expenditures incurred during 2016 for development of proved undeveloped reserves were less than originally anticipated due to significantly lower than expected natural gas prices and suspension of the one-rig drilling program. However, your proposed disclosure revisions do not address the impact of the acquisition that occurred in March 2016, and the resulting adjustments that were made to the development plan to focus on probable reserves that were believed to have more favorable economics compared to other locations previously booked as PUDs, as noted in your response to comment 3 issued June 14, 2017.

Please further revise your disclosure to address these and any other factors effecting the development plans and progress toward converting the 2016 proved undeveloped reserves, also with regard to the capital spending plan for 2017. The language regarding the \$31 million capital spending plan of Laramie Energy for 2017 should also be modified to clarify your portion of this expenditure (also with respect to the 19,121 MMcfe of proved undeveloped reserves), which you indicated would be \$13.2 million, in your response to prior comment 3 issued June 14, 2017.

**Response.** We acknowledge the Staff's comment. A revised version of the disclosure we propose to include in future Annual Reports on Form 10-K is set forth in Exhibit A hereto. All updates to the disclosure in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 are underlined, and all updates to the proposed disclosure we provided the Staff on July 25, 2017 are marked in blue font. We supplementally inform the Staff that, notwithstanding Laramie Energy's expectations regarding 2017 capital expenditures and the Staff's request to disclose our portion of such expenditures (which is simply based on our ownership interest of 42.3%), the Company is under no obligation to fund any such expenditures.

2. We note your response to prior comments 2 and 3 and the information provided supplementally in Exhibits B and C regarding the dates used in the development schedules as of December 31, 2013, 2014 and 2015. However, it is unclear whether the development dates in Exhibit C, which are referred to as "drill" dates, coincide with the dates that the classification of the reserves for the wells would be changed from undeveloped to developed status. Please tell us the dates upon which each of the locations listed in Exhibit B with proved undeveloped reserves initially disclosed at December 31, 2013 that are scheduled for development in 2019 and 2020 will be reclassified from undeveloped to developed status based on the definition of developed oil and gas reserves in Rule 4-10(a)(6) of Regulation S-X.

Please also explain how your expectations correlate with the sequence of activity encompassed in the development plan for each well, considering the number of wells per pad and intervals between drill dates, fracturing dates and completion dates.

**Response.** We acknowledge the Staff's comment. To provide more comprehensive information to the Staff, we have updated Exhibit B hereto to include, for all wells in Laramie's proved undeveloped inventory as of December 31, 2016 ("PUDs"), both the scheduled drill date (or the spud date) and the completion date used for purposes of

Laramie Energy's development schedule. Laramie Energy typically drills and sets casing for its wells within a week of the scheduled drill date and typically completes its drilled wells within three to six months of the drill date. Laramie Energy and its reserve engineer change the classification of wells from undeveloped to developed status when such wells are completed in accordance with the definition of developed oil and gas reserves in Rule 4-10(a)(6) of Regulation S-X.

As previously disclosed to the Staff, certain of Laramie Energy's PUD locations set forth on Exhibit B that are not scheduled to be drilled within five years of initial booking (but are scheduled to be drilled during year six) were classified as PUDs due to the acceleration of Laramie Energy's drilling rate, which led Laramie Energy's reserve engineer to determine with reasonable certainty that these PUDs will in fact be drilled within five years. For example, Laramie Energy has drilled a total of 64 wells to date in 2017 compared to a total of 78 wells drilled during the prior two calendar years, and has reduced the average time to drill and set casing for its wells to five days during 2017 from an average of fourteen days prior to 2014.

3. We note that among the 161 wells that are scheduled to be developed in 2019, 22 were initially booked December 31, 2013, not including the 11 wells that you indicate will be spud on January 1, 2019. We also note that 4 of the 22 do not appear on the list of wells at Exhibit C, which you previously identified as locations scheduled to be developed more than five years after initial disclosure, as of December 31, 2016. Tell us the proved undeveloped reserves relating to the four additional wells with an initial disclosure date of December 31, 2013, and explain why these do not appear among the wells listed in Exhibit C or the reserve figure in footnote 1 to Exhibit B. Also provide us with details about prior changes in scheduled development dates for these four additional wells and the eleven wells referenced in footnote 1 to Exhibit B, comparable to those in Exhibit C.

**Response.** We acknowledge the Staff's comment. The four wells and the proved undeveloped reserves associated with them are highlighted in blue font in Exhibit B hereto. They did not appear among the wells listed in Exhibit C to the Company's response to the Staff dated July 25, 2017 because the wells highlighted in blue font are scheduled to be drilled within five years after initial booking. Exhibit C to the Company's response to the Staff dated July 25, 2017 referred to wells scheduled at year-end 2016 to be drilled after five but less than six years from the date of initial booking that Laramie Energy's reserve engineer determined with reasonable certainty based on the acceleration of Laramie Energy's drilling rate would in fact be drilled within five years of initial booking. These four wells also do not appear in the reserve figure in footnote 1 to Exhibit B because they will be drilled prior to the last day of the five year period from the date of initial booking (i.e., scheduled to be drilled in late 2018 rather than on or about January 1, 2019). Details regarding prior changes in scheduled drill dates for these four additional wells and the eleven wells referenced in footnote 1 to Exhibit B are included in Exhibit C hereto.

4. Tell us the undiscounted future net revenue and the PV-10 for each of the proved undeveloped locations initially disclosed as of December 31, 2013 that are scheduled for development in 2019 and 2020, as identified in Exhibit B.

**Response.** We acknowledge the Staff's comment. The undiscounted future net revenue and the PV-10 for each of the proved undeveloped locations initially disclosed as of December 31, 2013 that are scheduled to be drilled in 2019 (including the 11 wells that are scheduled to be drilled on January 1, 2019) (the "Delayed PUDs") is included in Exhibit B hereto. There are no proved undeveloped locations initially disclosed as of December 31, 2013 that are scheduled to be drilled in 2020. We supplementally inform the Staff that the Company's share of the Delayed PUDs collectively account for approximately 2.8% of the undiscounted future net revenue (\$8,985,800) and 0.9% of the PV-10 (\$1,299,500) associated with the Company's reserves as of December 31, 2016, which the Company does not consider material.

Please call the undersigned at (832) 916-3386 with any additional comments or questions you may have.

Very truly yours,

/s/ J. Matthew Vaughn

J. Matthew Vaughn  
Senior Vice President and General Counsel

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Exhibit A

**From Page 37 of the Company's Form 10-K**

**Proved Undeveloped Reserves**

All of our proved undeveloped reserves at December 31, 2016 are held through our minority equity ownership in Laramie Energy. We do not control Laramie Energy and therefore cannot predict or control the development of the properties.

As of December 31, 2016, our share of Laramie Energy's proved undeveloped reserves totaled 197,488 MMcfe, an approximate 140% increase from proved undeveloped reserves at December 31, 2015. This increase was primarily due to Laramie Energy's acquisition of properties in the Piceance Basin for \$157.5 million in March 2016 and wells that have become economic as a result of increased operator efficiency and cost reductions. As a result of this acquisition, Laramie Energy reevaluated its drilling schedule in 2016 to increase the planned pace of development of certain recently acquired locations and delay the scheduled development of certain legacy locations. This reevaluation also led to the accelerated development of certain probable reserves that Laramie Energy's management believed to have more favorable economics than certain locations previously booked as proved undeveloped reserves. During the year ended December 31, 2016, Laramie Energy expended approximately \$1.4 million in connection with the development of its proved undeveloped reserves to convert the 1,125 MMcfe of proved undeveloped reserves to proved developed reserves. These expenditures were less than originally anticipated due to significantly lower than expected natural gas prices, which led Laramie Energy to temporarily suspend its one-rig program.

Laramie Energy expects to expend approximately \$31 million in 2017 to convert approximately 45,203 MMcfe of proved undeveloped reserves to proved developed reserves (and has spent approximately \$11.4 million year to date during 2017 on its current two-rig program). Our portion of this expenditure based on our 42.3% ownership interest in Laramie Energy is \$13.2 million in 2017 to convert approximately 19,121 MMcfe of proved undeveloped reserves to proved developed reserves (of which approximately \$4.8 million has been spent year to date during 2017).

Exhibit B

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Exhibit C

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

DIVISION OF  
CORPORATION FINANCE

Mail Stop 4628

November 9, 2017

William Pate  
Chief Executive Officer  
Par Pacific Holdings, Inc.  
800 Gessner Road, Suite 875  
Houston, Texas 77024

**Re: Par Pacific Holdings, Inc.  
Form 10-K for the Fiscal Year ended December 31, 2016  
Response dated August 30, 2017  
File No. 001-36550**

Dear Mr. Pate:

We have reviewed your August 30, 2017 response to our comment letter and have the following comments. In some of our comments, we may ask you to provide us with information so we may better understand your disclosure.

Please respond to these comments within ten business days by providing the requested information or advise us as soon as possible when you will respond. If you do not believe our comments apply to your facts and circumstances, please tell us why in your response.

After reviewing your response to these comments, we may have additional comments. Unless we note otherwise, our references to prior comments are to comments in our August 16, 2017 letter.

Form 10-K for the Fiscal Year ended December 31, 2016

Properties, page 35

Proved Undeveloped Reserves, page 37

1. We note that in response to prior comment 2, you state that Laramie Energy and its reserve engineer change the classification of wells from undeveloped to developed status when such wells are completed in accordance with the definition of developed oil and gas reserves in Rule 4-10(a)(6) of Regulation S-X. However, you also indicate that the reserves you report as proved undeveloped are those for which a drill or spud date, rather than a completion date, is scheduled to occur within the five year period that follows the date of initial disclosure.

In order to report proved undeveloped reserves, the criteria in Rule 4-10(a)(31)(ii) of Regulation S-X, requires that you have adopted a development plan indicating the locations are scheduled to be drilled within five years of initial disclosure, which should entail completion of the well, as described in Item 1205(b)(3) of Regulation S-K. The guidance in Item 1205(b)(4) of Regulation S-K clarifies that "...wells drilled refers to the number of wells completed," while Item 1203(d) of Regulation S-K, requires disclosure when "proved undeveloped reserves ... remain undeveloped for five years or more after disclosure as proved undeveloped reserves." In other words, this should encompass any locations for which the wells have not been completed within five years of initial disclosure of the proved undeveloped reserves.

Please tell us if you continue to classify the reserves for wells once spud as undeveloped, and subsequently change the reserves classification from undeveloped to developed status after the well is completed. Alternatively, if you classify the reserves as developed once spud, regardless of any subsequent completion date, tell us the revisions necessary to conform with the guidance outlined above.

2. We note the response to prior comment 2 indicates that Laramie Energy typically drills and sets casing for its wells within a week of the scheduled drill/spud date and typically completes its drilled wells within three to six months of the drill date. Please address the following points:
  - Identify any factors that influence or control the time interval between the spud and completion dates.
  - Tell us the reasons for the reduced time interval ranging from 46 to 91 days for the 19 wells identified in your Form 10-K at December 31, 2016, the 11 wells identified in footnote 1 to Exhibit B provided in the response dated July 25, 2017, and the four wells noted in prior comment 3.
  - Indicate how you have determined that the time interval for the referenced group of wells is reasonably certain to occur as you now forecast, and address the likelihood that these dates could vary significantly.
  
3. We note the response to prior comment 2 indicates that Laramie Energy has drilled a total of 64 wells to date in 2017. Please address the following points:
  - Tell us the number of drilling rigs utilized by Laramie Energy during 2017 to drill the 64 wells, and the extent to which the number of such rigs is planned to increase or decrease during the remainder of 2017 and for 2018.
  - Specify the number of the 64 wells that were proved undeveloped locations and the extent to which such locations were (i) part of the 2017 development plan

adopted at December 31, 2016, or (ii) scheduled for development in other future periods as of December 31, 2016, but were advanced.

- Describe and explain the reasons for any changes to date in the development schedule relating to the proved undeveloped locations that were scheduled for drilling during 2017, in the December 31, 2016 development plan.
  - Provide us with a schedule showing the actual spud and completion dates for all PUD wells drilled to date in 2017, and the planned spud and completion dates for any of the 31 PUD wells that were scheduled for development during 2017, that have not yet been drilled and completed.
4. We note that over the four year period since your initial disclosure of proved undeveloped reserves beginning December 31, 2012, that you have converted approximately 0%, 0%, 0.6% and 1.4%, respectively, of the opening balance of your total proved undeveloped reserves to developed status.

To facilitate our understanding of how the level of commitment to the development plans underlying your disclosure of proved undeveloped reserves compares to the reasonable certainty criteria utilized in our reserve definitions, please provide us with a rollforward of the proved undeveloped locations by year of initial disclosure beginning with December 31, 2012 and for each subsequent period, including each fiscal year-end, through December 31, 2016, and the subsequent interim period.

Each annual schedule should specify the net reserves, PV10 and the anticipated completion date corresponding to each of the proved undeveloped locations disclosed at that year-end. The schedule should also identify any previously disclosed locations that were removed in the current reporting period and the reason for the change, e.g. converted to developed status, removed due to changes in a previously adopted development plan, removed due to exceeding the five year development time period, removed as uneconomic based on current year-end commodity prices.

5. Please additionally provide us with a schedule by year beginning with December 31, 2012 and for each subsequent year-end, through December 31, 2016 showing:
- The total number of gross proved undeveloped locations at each balance sheet date that were scheduled to be drilled and completed and the total number of such locations that were actually drilled and completed in the subsequent twelve month period.
  - The total capital expenditure amounts relating to the proved undeveloped locations that were scheduled to be drilled and completed in the subsequent twelve month period and the actual amounts incurred in the subsequent twelve month period.

William Pate  
Par Pacific Holdings, Inc.  
November 9, 2017  
Page 4

- The total number of gross non-proved undeveloped locations at each balance sheet date that were drilled and completed in the prior twelve month period.
- The total capital expenditure amounts incurred relating to the non-proved undeveloped locations that were drilled and completed in the prior twelve month period.
- The number of drilling/completion rigs that were scheduled to be utilized at the balance sheet date and the number of such rigs actually utilized during the subsequent twelve month period.
- Detailed explanations for all material changes to the previously scheduled activities.

Please furnish the materials requested in comments 3, 4 and 5 in hard copy format and on digital media such as flash drive or compact disk. If you would like to have these supplemental materials returned to you, please comply with the provisions of Rule 418(b) of Regulation C, which provides for the return of supplemental information as long as certain express conditions are met. If you wish to request confidential treatment of those materials while they are in our possession, please follow the procedures set forth in Rule 83 of the Freedom of Information Act. Please direct these items to:

U.S. Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-4628  
Attn: John Hodgkin, Petroleum Engineer

You may contact Jenifer Gallagher, Staff Accountant, at (202) 551-3706 or Kimberly Calder, Assistant Chief Accountant, at 202-551-3701 if you have questions regarding comments on the financial statements and related matters. You may contact John Hodgkin, Petroleum Engineer, at (202) 551-3699 with questions about engineering comments. You may contact me at (202) 551-3686 with any questions.

Sincerely,

/s/ Karl Hiller

Karl Hiller  
Branch Chief  
Office of Natural Resources

cc: James Matthew Vaughn  
Senior Vice President and General Counsel

\*FOIA Confidential Treatment Request\*  
Confidential Treatment Requested by  
Par Pacific Holdings, Inc. (11092017)



December 15, 2017

Via EDGAR and Federal Express

U.S. Securities and Exchange Commission  
Division of Corporation Finance  
100 F Street, N.E., Mail Stop 7010  
Washington, D.C. 20549

Attention: Mr. Karl Hiller  
Ms. Jenifer Gallagher  
Ms. Kimberly Calder  
Mr. John Hodgkin

Re: Par Pacific Holdings, Inc.  
Form 10-K for Fiscal Year Ended December 31, 2016  
Filed March 7, 2017  
File No. 001-36550

Dear Ladies and Gentlemen:

This letter is in response to your letter dated November 9, 2017, to Par Pacific Holdings, Inc. (the "Company"), transmitting the comments of the staff (the "Staff") of the U.S. Securities and Exchange Commission (the "Commission") relating to the above referenced Annual Report on Form 10-K for the Year Ended December 31, 2016 (the "Form 10-K"). For your convenience, the response is preceded by the Staff's comment.

Form 10-K for the Fiscal Year ended December 31, 2016

Properties, page 35

Proved Undeveloped Reserves, page 37

1. We note that in response to prior comment 2, you state that Laramie Energy and its reserve engineer change the classification of wells from undeveloped to developed status when such wells are completed in accordance with the definition of developed oil and gas reserves in Rule 4-10(a)(6) of Regulation S-X. However, you also indicate that the reserves you report as proved undeveloped are those for which a drill or spud date, rather than a completion date, is scheduled to occur within the five year period that follows the date of initial disclosure.



In order to report proved undeveloped reserves, the criteria in Rule 4-10(a)(31)(ii) of Regulation S-X, requires that you have adopted a development plan indicating the locations are scheduled to be drilled within five years of initial disclosure, which should entail completion of the well, as described in Item 1205(b)(3) of Regulation S-K. The guidance in Item 1205(b)(4) of Regulation S-K clarifies that "...wells drilled refers to the number of wells completed," while Item 1203(d) of Regulation S-K, requires disclosure when "proved undeveloped reserves ... remain undeveloped for five years or more after disclosure as proved undeveloped reserves." In other words, this should encompass any locations for which the wells have not been completed within five years of initial disclosure of the proved undeveloped reserves.

Please tell us if you continue to classify the reserves for wells once spud as undeveloped, and subsequently change the reserves classification from undeveloped to developed status after the well is completed. Alternatively, if you classify the reserves as developed once spud, regardless of any subsequent completion date, tell us the revisions necessary to conform with the guidance outlined above.

**Response.** For purposes of Rule 4-10(a)(31)(ii) of Regulation S-X and related Compliance and Disclosure Interpretations ("C&DI"), Laramie Energy, LLC ("Laramie Energy") historically classified reserves as proved undeveloped ("PUD") based on the spud date rather than the completion date.

We believe that this historical application and interpretation of Rule 4-10(a)(31)(ii) of Regulation S-X and related CD&I was reasonable because Rule 4-10(a)(31)(ii) refers only to reserves that are "scheduled to be drilled within five years" and Regulation S-X does not provide further guidance regarding whether "drilled" for this purpose means that development activities must be *initiated* (or planned to be initiated) within five years of initial disclosure, or that all necessary development activities must be *completed* within five years of initial disclosure. In addition, Question 131.06 of the C&DI specifically states that "scheduled to be drilled" and the "initiation of development activities" have consistent meaning when applying Rule 4-10(a)(31)(ii). We did not consider the guidance in Item 1205(b)(4) of Regulation S-K with respect to "wells drilled" to be applicable as Item 1205 explicitly states that the definitions in Item 1205(b) apply only to the disclosures required by Item 1205.

However, in light of the Staff's comment and our recent discussion with the Staff, we intend to exclude from PUD reserves any reserves associated with wells that are not planned to be spud and completed within five years of initial disclosure. We propose to make this change prospectively beginning with our December 31, 2017 year-end reserves determination and disclosure.<sup>1</sup>

<sup>1</sup> We note that the PV10 value of the Company's share of Laramie Energy's PUDs that are not scheduled to be drilled and completed within five years of initial booking was \$1,750,900 as of December 31, 2016. These PUDs represented approximately 4.6% of the Company's share of Laramie Energy's PUD PV10 and 1.2% of its total proved PV10 as of December 31, 2016, which the Company does not consider material.

2. We note the response to prior comment 2 indicates that Laramie Energy typically drills and sets casing for its wells within a week of the scheduled drill/spud date and typically completes its drilled wells within three to six months of the drill date. Please address the following points:

- Identify any factors that influence or control the time interval between the spud and completion dates.

**Response.** Factors that influence the time interval between spud and completion dates include the number of wells drilled on each well pad, well pad dimensions and related logistics (i.e., the size of each well pad and the location of well pads relative to each other), worker availability, water availability, and weather. These logistics may also result in wells not being completed in the same order as drilled.

- Tell us the reasons for the reduced time interval ranging from 46 to 91 days for the 19 wells identified in your Form 10-K at December 31, 2016, the 11 wells identified in footnote 1 to Exhibit B provided in the response dated July 25, 2017, and the four wells noted in prior comment 3.

**Response.** The reduced time interval is primarily due to the well count on the well pad and the location of well pads relative to each other. Well pads located more closely together are generally completed more quickly.

- Indicate how you have determined that the time interval for the referenced group of wells is reasonably certain to occur as you now forecast, and address the likelihood that these dates could vary significantly.

**Response.** Laramie Energy estimates the time interval between spud date and well completion date based on the correlation between increased well count and the reduced pace of its historical completions activity. In other words, as the number of wells scheduled to be completed in a given year increases, Laramie generally expects it will take longer to complete each well.

Laramie generally enters into services contracts with completions crews based on its estimated completions timing, with most contracts lasting for between three and six months. Since Laramie generally completes all of its wells within six months, Laramie does not expect any variation from its schedule to be material. Nevertheless, the potential for variance is greater in years that forecast significantly higher levels of development activity (e.g., 2019), so certain wells may be scheduled to be completed more than six months after being spud during such years.

3. We note the response to prior comment 2 indicates that Laramie Energy has drilled a total of 64 wells to date in 2017. Please address the following points:

- Tell us the number of drilling rigs utilized by Laramie Energy during 2017 to drill the 64 wells, and the extent to which the number of such rigs is planned to increase or decrease during the remainder of 2017 and for 2018.

**Response.** Laramie Energy began 2017 with one drilling rig and added a second drilling rig in May of 2017. [\*\*\*\*]

- Specify the number of the 64 wells that were proved undeveloped locations and the extent to which such locations were (i) part of the 2017 development plan adopted at December 31, 2016, or (ii) scheduled for development in other future periods as of December 31, 2016, but were advanced.

**Response.** Of the 64 wells drilled as of the date of our response dated August 30, 2017, 22 were PUD locations that were scheduled for development in future periods but were advanced to 2017.

The remainder of the 64 wells were not PUDs and were not included in Laramie Energy's 2017 development plan, but were advanced to 2017 for the reasons described in the response to the following bullet.

- Describe and explain the reasons for any changes to date in the development schedule relating to the proved undeveloped locations that were scheduled for drilling during 2017, in the December 31, 2016 development plan.

**Response.** Of the 31 PUD reserve locations included in Laramie Energy's 2017 development plan, nine were completed in 2017 and 22 were postponed and replaced with alternative PUD wells that had more favorable economics or that were more favorably located relative to existing infrastructure. Laramie Energy

renegotiated its gathering and processing contract with its primary gathering and processing counterparty and modified its 2017 development plan to take advantage of the cost reductions provided in the areas and with respect to certain locations covered by the renegotiated contract. In addition, unusually dry weather and a permitting delay associated with Laramie Energy's construction of a water storage pond caused Laramie Energy to modify its 2017 development plan to develop certain probable wells rather than PUD wells. Each of these 22 postponed PUD reserve locations will be changed from PUD to probable in Laramie Energy's 2017 year end reserve report as Laramie Energy no longer anticipates that the locations will be completed within five years.

- Provide us with a schedule showing the actual spud and completion dates for all PUD wells drilled to date in 2017, and the planned spud and completion dates for any of the 31 PUD wells that were scheduled for development during 2017 that have not yet been drilled and completed.

**Response.** In response to the Staff's comment, the Company is providing the Staff supplementally with the requested information. Please note that such information is being furnished to the Staff under separate cover pursuant to Rule 12b-4 under the Securities Exchange Act of 1934, as amended, and under the Freedom of Information Act and is not being filed electronically as part of this letter.

4. We note that over the four year period since your initial disclosure of proved undeveloped reserves beginning December 31, 2012, that you have converted approximately 0%, 0%, 0.6% and 1.4%, respectively, of the opening balance of your total proved undeveloped reserves to developed status.

To facilitate our understanding of how the level of commitment to the development plans underlying your disclosure of proved undeveloped reserves compares to the reasonable certainty criteria utilized in our reserve definitions, please provide us with a rollforward of the proved undeveloped locations by year of initial disclosure beginning with December 31, 2012 and for each subsequent period, including each fiscal year-end, through December 31, 2016, and the subsequent interim period.

Each annual schedule should specify the net reserves, PV10 and the anticipated completion date corresponding to each of the proved undeveloped locations disclosed at that year-end. The schedule should also identify any previously disclosed locations that were removed in the current reporting period and the reason for the change, e.g. converted to developed status, removed due to changes in a previously adopted development plan, removed due to exceeding the five year development time period, removed as uneconomic based on current year-end commodity prices.

**Response.** In response to the Staff's comment, the Company is providing the Staff supplementally with the requested information. Please note that such information is being furnished to the Staff under separate cover pursuant to Rule 12b-4 under the Securities Exchange Act of 1934, as amended, and under the Freedom of Information Act and is not being filed electronically as part of this letter. Please see our response to comment 5 below for a description of the various factors that have resulted in the low conversion rates as noted by the Staff.

5. Please additionally provide us with a schedule by year beginning with December 31, 2012 and for each subsequent year-end, through December 31, 2016 showing:

- The total number of gross proved undeveloped locations at each balance sheet date that were scheduled to be drilled and completed and the total number of such locations that were actually drilled and completed in the subsequent twelve month period.

**Response.** In response to the Staff's comment, the Company is providing the Staff supplementally with the requested information. Please note that such information is being furnished to the Staff under separate cover pursuant to Rule 12b-4 under the Securities Exchange Act of 1934, as amended, and under the Freedom of Information Act and is not being filed electronically as part of this letter.

- The total capital expenditure amounts relating to the proved undeveloped locations that were scheduled to be drilled and completed in the subsequent twelve month period and the actual amounts incurred in the subsequent twelve month period.

**Response.** In response to the Staff's comment, the Company is providing the Staff supplementally with the requested information. Please note that such information is being furnished to the Staff under separate cover pursuant to Rule 12b-4 under the Securities Exchange Act of 1934, as amended, and under the Freedom of Information Act and is not being filed electronically as part of this letter.

- The total number of gross non-proved undeveloped locations at each balance sheet date that were drilled and completed in the prior twelve month period.

**Response.** In response to the Staff's comment, the Company is providing the Staff supplementally with the requested information. Please note that such information is being furnished to the Staff under separate cover pursuant to Rule 12b-4 under the Securities Exchange Act of 1934, as amended, and under the Freedom of Information Act and is not being filed electronically as part of this letter.

- The total capital expenditure amounts incurred relating to the non-proved undeveloped locations that were drilled and completed in the prior twelve month period.

**Response.** In response to the Staff's comment, the Company is providing the Staff supplementally with the requested information. Please note that such information is being furnished to the Staff under separate cover pursuant to Rule 12b-4 under the Securities Exchange Act of 1934, as amended, and under the Freedom of Information Act and is not being filed electronically as part of this letter.

- The number of drilling/completion rigs that were scheduled to be utilized at the balance sheet date and the number of such rigs actually utilized during the subsequent twelve month period.

**Response.** In response to the Staff's comment, the Company is providing the Staff supplementally with the requested information. Please note that such information is being furnished to the Staff under separate cover pursuant to Rule 12b-4 under the Securities Exchange Act of 1934, as amended, and under the Freedom of Information Act and is not being filed electronically as part of this letter.

- Detailed explanations for all material changes to the previously scheduled activities.

**Response.** [\*\*\*\*]

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Please call the undersigned at (832) 916-3386 with any additional comments or questions you may have.

Very truly yours,

/s/ J. Matthew Vaughn

J. Matthew Vaughn  
Senior Vice President and General Counsel



## Financial Accounting and Reporting for Oil and Gas Producing Activities Pursuant to the Federal Securities Laws and the Energy Policy and Conservation Act of 1975

Reg. § 210.4-10.

This section prescribes financial accounting and reporting standards for registrants with the Commission engaged in oil and gas producing activities in filings under the federal securities laws and for the preparation of accounts by persons engaged, in whole or in part, in the production of crude oil or natural gas in the United States, pursuant to Section 503 of the Energy Policy and Conservation Act of 1975 [42 U.S.C. 6383] ("EPCA") and section 11(c) of the Energy Supply and Environmental Coordination Act of 1974 [15 U.S.C. 796] ("ESECA"), as amended by section 505 of EPCA. The application of this section to those oil and gas producing operations of companies regulated for rate-making purposes on an individual-company-cost-of-service basis may, however, give appropriate recognition to differences arising because of the effect of the rate-making process.

*Exemption.* Any person exempted by the Department of Energy from any record-keeping or reporting requirements pursuant to Section 11(c) of ESECA, as amended, is similarly exempted from the related provisions of this section in the preparation of accounts pursuant to EPCA. This exemption does not affect the applicability of this section to filings pursuant to the federal securities laws.

### Definitions

(a) *Definitions.* The following definitions apply to the terms listed below as they are used in this section:

(1) *Acquisition of properties.* Costs incurred to purchase, lease or otherwise acquire a property, including costs of lease bonuses and options to purchase or lease properties, the portion of costs applicable to minerals when land including mineral rights is purchased in fee, brokers' fees, recording fees, legal costs, and other costs incurred in acquiring properties.

(2) *Analogous reservoir.* Analogous reservoirs, as used in resources assessments, have similar rock and fluid properties, reservoir conditions (depth, temperature, and pressure) and drive mechanisms, but are typically at a more advanced stage of development than the reservoir of interest and thus may provide concepts to assist in the interpretation of more limited data and estimation of recovery. When used to support proved reserves, an "analogous reservoir" refers to a reservoir that shares the following characteristics with the reservoir of interest:

- (i) Same geological formation (but not necessarily in pressure communication with the reservoir of interest);
- (ii) Same environment of deposition;
- (iii) Similar geological structure; and
- (iv) Same drive mechanism.

*Instruction to paragraph (a)(2):* Reservoir properties must, in the aggregate, be no more favorable in the analog than in the reservoir of interest.

(3) *Bitumen.* Bitumen, sometimes referred to as natural bitumen, is petroleum in a solid or semi-solid state in natural deposits with a viscosity greater than 10,000 centipoise measured at original temperature in the deposit and atmospheric pressure, on a gas free basis. In its natural state it usually contains sulfur, metals, and other non-hydrocarbons.

(4) *Condensate.* Condensate is a mixture of hydrocarbons that exists in the gaseous phase at original reservoir temperature and pressure, but that, when produced, is in the liquid phase at surface pressure and temperature.

(5) *Deterministic estimate*. The method of estimating reserves or resources is called deterministic when a single value for each parameter (from the geoscience, engineering, or economic data) in the reserves calculation is used in the reserves estimation procedure.

(6) *Developed oil and gas reserves*. Developed oil and gas reserves are reserves of any category that can be expected to be recovered:

(i) Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and

(ii) Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

(7) *Development costs*. Costs incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas. More specifically, development costs, including depreciation and applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

(i) Gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines, and power lines, to the extent necessary in developing the proved reserves.

(ii) Drill and equip development wells, development-type stratigraphic test wells, and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment, and the wellhead assembly.

(iii) Acquire, construct, and install production facilities such as lease flow lines, separators, treaters, heaters, manifolds, measuring devices, and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems.

(iv) Provide improved recovery systems.

(8) *Development project*. A development project is the means by which petroleum resources are brought to the status of economically producible. As examples, the development of a single reservoir or field, an incremental development in a producing field, or the integrated development of a group of several fields and associated facilities with a common ownership may constitute a development project.

(9) *Development well*. A well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known-to be productive.

(10) *Economically producible*. The term economically producible, as it relates to a resource, means a resource which generates revenue that exceeds, or is reasonably expected to exceed, the costs of the operation. The value of the products that generate revenue shall be determined at the terminal point of oil and gas producing activities as defined in paragraph (a)(16) of this section.

(11) *Estimated ultimate recovery (EUR)*. Estimated ultimate recovery is the sum of reserves remaining as of a given date and cumulative production as of that date.

(12) *Exploration costs*. Costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects of containing oil and gas reserves, including costs of drilling exploratory wells and exploratory-type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as prospecting costs) and after acquiring the property. Principal types of exploration costs, which

include depreciation and applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

(i) Costs of topographical, geographical and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews, and others conducting those studies. Collectively, these are sometimes referred to as geological and geophysical or "G&G" costs.

(ii) Costs of carrying and retaining undeveloped properties, such as delay rentals, ad valorem taxes on properties, legal costs for title defense, and the maintenance of land and lease records.

(iii) Dry hole contributions and bottom hole contributions.

(iv) Costs of drilling and equipping exploratory wells.

(v) Costs of drilling exploratory-type stratigraphic test wells.

(13) *Exploratory well.* An exploratory well is a well drilled to find a new field or to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir. Generally, an exploratory well is any well that is not a development well, an extension well, a service well, or a stratigraphic test well as those items are defined in this section.

(14) *Extension well.* An extension well is a well drilled to extend the limits of a known reservoir.

(15) *Field.* An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition. There may be two or more reservoirs in a field which are separated vertically by intervening impervious strata, or laterally by local geologic barriers, or by both. Reservoirs that are associated by being in overlapping or adjacent fields may be treated as a single or common operational field. The geological terms "structural feature" and "stratigraphic condition" are intended to identify localized geological features as opposed to the broader terms of basins, trends, provinces, plays, areas-of-interest, etc.

(16) *Oil and gas producing activities.*

(i) Oil and gas producing activities include:

(A) The search for crude oil, including condensate and natural gas liquids, or natural gas ("oil and gas") in their natural states and original locations:

(B) The acquisition of property rights or properties for the purpose of further exploration or for the purpose of removing the oil or gas from such properties;

(C) The construction, drilling, and production activities necessary to retrieve oil and gas from their natural reservoirs, including the acquisition, construction, installation, and maintenance of field gathering and storage systems, such as:

(1) Lifting the oil and gas to the surface; and

(2) Gathering, treating, and field processing (as in the case of processing gas to extract liquid hydrocarbons); and

(D) Extraction of saleable hydrocarbons, in the solid, liquid, or gaseous state, from oil sands, shale, coalbeds, or other nonrenewable natural resources which are intended to be upgraded into synthetic oil or gas, and activities undertaken with a view to such extraction.

*Instruction 1 to paragraph (a)(16)(i):* The oil and gas production function shall be regarded as ending at a "terminal point", which is the outlet valve on the lease or field storage tank. If unusual physical or operational circumstances exist, it may be appropriate to regard the terminal point for the production function as:

- a. The first point at which oil, gas, or gas liquids, natural or synthetic, are delivered to a main pipeline, a common carrier, a refinery, or a marine terminal; and
- b. In the case of natural resources that are intended to be upgraded into synthetic oil or gas, if those natural resources are delivered to a purchaser prior to upgrading, the first point at which the natural resources are delivered to a main pipeline, a common carrier, a refinery, a marine terminal, or a facility which upgrades such natural resources into synthetic oil or gas.

*Instruction 2 to paragraph (a)(16)(i):* For purposes of this paragraph (a)(16), the term *saleable hydrocarbons* means hydrocarbons that are saleable in the state in which the hydrocarbons are delivered.

(ii) Oil and gas producing activities do not include:

- (A) Transporting, refining, or marketing oil and gas;
- (B) Processing of produced oil, gas or natural resources that can be upgraded into synthetic oil or gas by a registrant that does not have the legal right to produce or a revenue interest in such production;
- (C) Activities relating to the production of natural resources other than oil, gas, or natural resources from which synthetic oil and gas can be extracted; or
- (D) Production of geothermal steam.

(17) *Possible reserves.* Possible reserves are those additional reserves that are less certain to be recovered than probable reserves.

(i) When deterministic methods are used, the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves. When probabilistic methods are used, there should be at least a 10% probability that the total quantities ultimately recovered will equal or exceed the proved plus probable plus possible reserves estimates.

(ii) Possible reserves may be assigned to areas of a reservoir adjacent to probable reserves where data control and interpretations of available data are progressively less certain. Frequently, this will be in areas where geoscience and engineering data are unable to define clearly the area and vertical limits of commercial production from the reservoir by a defined project.

(iii) Possible reserves also include incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than the recovery quantities assumed for probable reserves.

(iv) The proved plus probable and proved plus probable plus possible reserves estimates must be based on reasonable alternative technical and commercial interpretations within the reservoir or subject project that are clearly documented, including comparisons to results in successful similar projects.

(v) Possible reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from proved areas by faults with displacement less than formation thickness or other geological discontinuities and that have not been penetrated by a wellbore, and the registrant believes that such adjacent portions are in communication with the known (proved) reservoir. Possible reserves may be assigned to areas that are structurally higher or lower than the proved area if these areas are in communication with the proved reservoir.

(vi) Pursuant to paragraph (a)(22)(iii) of this section, where direct observation has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves should be assigned in the structurally higher portions of the reservoir above the HKO only if the higher contact can be established with reasonable certainty through reliable technology. Portions of the reservoir that do not meet this reasonable certainty criterion may be assigned as probable and possible oil or gas based on reservoir fluid properties and pressure gradient interpretations.

(18) *Probable reserves.* Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

(i) When deterministic methods are used, it is as likely as not that actual remaining quantities recovered will exceed the sum of estimated proved plus probable reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the proved plus probable reserves estimates.

(ii) Probable reserves may be assigned to areas of a reservoir adjacent to proved reserves where data control or interpretations of available data are less certain, even if the interpreted reservoir continuity of structure or productivity does not meet the reasonable certainty criterion. Probable reserves may be assigned to areas that are structurally higher than the proved area if these areas are in communication with the proved reservoir.

(iii) Probable reserves estimates also include potential incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than assumed for proved reserves.

(iv) See also guidelines in paragraphs (a)(17)(iv) and (a)(17)(vi) of this section.

(19) *Probabilistic estimate.* The method of estimation of reserves or resources is called probabilistic when the full range of values that could reasonably occur for each unknown parameter (from the geoscience and engineering data) is used to generate a full range of possible outcomes and their associated probabilities of occurrence.

(20) *Production costs.*

(i) Costs incurred to operate and maintain wells and related equipment and facilities, including depreciation and applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities. They become part of the cost of oil and gas produced. Examples of production costs (sometimes called lifting costs) are:

(A) Costs of labor to operate the wells and related equipment and facilities.

(B) Repairs and maintenance.

(C) Materials, supplies, and fuel consumed and supplies utilized in operating the wells and related equipment and facilities.

(D) Property taxes and insurance applicable to proved properties and wells and related equipment and facilities.

(E) Severance taxes.

(ii) Some support equipment or facilities may serve two or more oil and gas producing activities and may also serve transportation, refining, and marketing activities. To the extent that the support equipment and facilities are used in oil and gas producing activities, their depreciation and applicable operating costs become exploration, development or production costs, as appropriate. Depreciation, depletion, and amortization of capitalized acquisition, exploration, and development costs are not production costs but also become part of the cost of oil and gas produced along with production (lifting) costs identified above.

(21) *Proved area*. The part of a property to which proved reserves have been specifically attributed.

(22) *Proved oil and gas reserves*. Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

(i) The area of the reservoir considered as proved includes:

(A) The area identified by drilling and limited by fluid contacts, if any; and

(B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

(iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.

(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when:

(A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and

(B) The project has been approved for development by all necessary parties and entities, including governmental entities.

(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

(23) *Proved properties.* Properties with proved reserves.

(24) *Reasonable certainty.* If deterministic methods are used, reasonable certainty means a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. A high degree of confidence exists if the quantity is much more likely to be achieved than not, and, as changes due to increased availability of geoscience (geological, geophysical, and geochemical), engineering, and economic data are made to estimated ultimate recovery (EUR) with time, reasonably certain EUR is much more likely to increase or remain constant than to decrease.

(25) *Reliable technology.* Reliable technology is a grouping of one or more technologies (including computational methods) that has been field tested and has been demonstrated to provide reasonably certain results with consistency and repeatability in the formation being evaluated or in an analogous formation.

(26) *Reserves.* Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.

*Note to paragraph (a)(26):* Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results). Such areas may contain prospective resources (i.e., potentially recoverable resources from undiscovered accumulations).

(27) *Reservoir.* A porous and permeable underground formation containing a natural accumulation of producible oil and/or gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

(28) *Resources.* Resources are quantities of oil and gas estimated to exist in naturally occurring accumulations. A portion of the resources may be estimated to be recoverable, and another portion may be considered to be unrecoverable. Resources include both discovered and undiscovered accumulations

(29) *Service well.* A well drilled or completed for the purpose of supporting production in an existing field. Specific purposes of service wells include gas injection, water injection, steam injection, air injection, salt-water disposal, water supply for injection, observation, or injection for in-situ combustion.

(30) *Stratigraphic test well.* A stratigraphic test well is a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Such wells customarily are drilled without the

intent of being completed for hydrocarbon production. The classification also includes tests identified as core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic tests are classified as "exploratory type" if not drilled in a known area or "development type" if drilled in a known area.

(31) *Undeveloped oil and gas reserves.* Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

(i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

(ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

(iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in paragraph (a)(2) of this section, or by other evidence using reliable technology establishing reasonable certainty.

(32) *Unproved properties.* Properties with no proved reserves.

### **Successful Efforts Method**

(b) A reporting entity that follows the successful efforts method shall comply with the accounting and financial reporting disclosure requirements of Statement of Financial Accounting Standards No. 19, as amended.

### **Full Cost Method**

(c) *Application of the full cost method of accounting.* A reporting entity that follows the full cost method shall apply that method to all of its operations and to the operations of its subsidiaries, as follows:

(1) *Determination of cost centers.* Cost centers shall be established on a country-by-country basis.

(2) *Costs to be capitalized.* All costs associated with property acquisition, exploration, and development activities (as defined in paragraph (a) of this section) shall be capitalized within the appropriate cost center. Any internal costs that are capitalized shall be limited to those costs that can be directly identified with acquisition, exploration, and development activities undertaken by the reporting entity for its own account, and shall not include any costs related to production, general corporate overhead, or similar activities.

(3) *Amortization of capitalized costs.* Capitalized costs within a cost center shall be amortized on the unit-of-production basis using proved oil and gas reserves, as follows:

(i) Costs to be amortized shall include (A) all capitalized costs, less accumulated amortization, other than the cost of properties described in paragraph (ii) below; (B) the estimated future expenditures (based on current costs) to be incurred in developing proved reserves; and (C) estimated dismantlement and abandonment costs, net of estimated salvage values.

(ii) The cost of investments in unproved properties and major development projects may be excluded from capitalized costs to be amortized, subject to the following:



(A) All costs directly associated with the acquisition and evaluation of unproved properties may be excluded from the amortization computation until it is determined whether or not proved reserves can be assigned to the properties, subject to the following conditions: (1) Until such a determination is made, the properties shall be assessed at least annually to ascertain whether impairment has occurred. Unevaluated properties whose costs are individually significant shall be assessed individually. Where it is not practicable to individually assess the amount of impairment of properties for which costs are not individually significant, such properties may be grouped for purposes of assessing impairment. Impairment may be estimated by applying factors based on historical experience and other data such as primary Lease terms of the properties, average holding periods of unproved properties, and geographic and geologic data to groupings of individually insignificant properties and projects. The amount of impairment assessed under either of these methods shall be added to the costs to be amortized. (2) The costs of drilling exploratory dry holes shall be included in the amortization base immediately upon determination that the well is dry. (3) If geological and geophysical costs cannot be directly associated with specific unevaluated properties, they shall be included in the amortization base as incurred. Upon complete evaluation of a property, the total remaining excluded cost (net of any impairment) shall be included in the full cost amortization base.

(B) Certain costs may be excluded from amortization when incurred in connection with major development projects expected to entail significant costs to ascertain the quantities of proved reserves attributable to the properties under development (e.g., the installation of an offshore drilling platform from which development wells are to be drilled, the installation of improved recovery programs, and similar major projects undertaken in the expectation of Significant additions to proved reserves). The amounts which may be excluded are applicable portions of (1) the costs that relate to the major development project and have not previously been included in the amortization base, and (2) the estimated future expenditures associated with the development project. The excluded portion of any common costs associated with the development project should be based, as is most appropriate in the circumstances, on a comparison of either (i) existing proved reserves to total proved reserves expected to be established upon completion of the project, or (ii) the number of wells to which proved reserves have been assigned and total number of wells expected to be drilled. Such costs may be excluded from costs to be amortized until the earlier determination of whether additional reserves are proved or impairment occurs.

(C) Excluded costs and the proved reserves related to such costs shall be transferred into the amortization base on an ongoing (well-by-well or property-by-property) basis as the project is evaluated and proved reserves established or impairment determined. Once proved reserves are established, there is no further justification for continued exclusion from the full cost amortization base even if other factors prevent immediate production or marketing.

(iii) Amortization shall be computed on the basis of physical units, with oil and gas converted to a common unit of measure on the basis of their approximate relative energy content, unless economic circumstances (related to the effects of regulated prices) indicate that use of units of revenue is a more appropriate basis of computing amortization. In the latter case, amortization shall be computed on the basis of current gross revenues (excluding royalty payments and net profits disbursements) from production in relation to future gross revenues, based on current prices (including consideration of changes in existing prices provided only by contractual arrangements), from estimated production of proved oil and gas reserves. The effect of a significant price increase during the year on estimated future gross revenues shall be reflected in the amortization provision only for the period after the price increase occurs.

(iv) In some cases it may be more appropriate to depreciate natural gas cycling and processing plants by a method other than the unit-of-production method.

(v) Amortization computations shall be made on a consolidated basis, including investees accounted for on a proportionate consolidation basis. Investees accounted for on the equity method shall be treated separately.

(4) *Limitation on capitalized costs:*

(i) For each cost center, capitalized costs, less accumulated amortization and related deferred income taxes, shall not exceed an amount (the cost center ceiling) equal to the sum of:

(A) the present value of estimated future net revenues computed by applying current prices of oil and gas reserves (with consideration of price changes only to the extent provided by contractual arrangements) to estimated future production of proved oil and gas reserves as of the date of the latest balance sheet presented, less estimated future expenditures (based on current costs) to be incurred in developing and producing the proved reserves computed using a discount factor of ten percent and assuming continuation of existing economic conditions; plus

(B) the cost of properties not being amortized pursuant to paragraph (i)(3)(ii) of this section; plus

(C) the lower of cost or estimated fair value of unproven properties included in the costs being amortized; less

(D) income tax effects related to differences between the book and tax basis of the properties referred to in paragraphs (i)(4)(i)(B) and (C) of this section.

(ii) If unamortized costs capitalized within a cost center, less related deferred income taxes, exceed the cost center ceiling, the excess shall be charged to expense and separately disclosed during the period in which the excess occurs. Amounts thus required to be written off shall not be reinstated for any subsequent increase in the cost center ceiling.

(5) *Production costs.* All costs relating to production activities, including workover costs incurred solely to maintain or increase levels of production from an existing completion interval, shall be charged to expense as incurred.

(6) *Other transactions.* The provisions of paragraph (h) of this section, "Mineral property conveyances and related transactions if the successful efforts method of accounting is followed," shall apply also to those reporting entities following the full cost method except as follows:

(i) *Sales and abandonments of oil and gas properties.* Sales of oil and gas properties, whether or not being amortized currently, shall be accounted for as adjustments of capitalized costs, with no gain or loss recognized, unless such adjustments would significantly alter the relationship between capitalized costs and proved reserves of oil and gas attributable to a cost center. For instance, a significant alteration would not ordinarily be expected to occur for sales involving less than 25 percent of the reserve quantities of a given cost center. If gain or loss is recognized on such a sale, total capitalization costs within the cost center shall be allocated between the reserves sold and reserves retained on the same basis used to compute amortization, unless there are substantial economic differences between the properties sold and those retained, in which case capitalized costs shall be allocated on the basis of the relative fair values of the properties. Abandonments of oil and gas properties shall be accounted for as adjustments of capitalized costs; that is, the cost of abandoned properties shall be charged to the full cost center and amortized (subject to the limitation on capitalized costs in paragraph (b) of this section).

(ii) *Purchases of reserves.* Purchases of oil and gas reserves in place ordinarily shall be accounted for as additional capitalized costs within the applicable cost center; however,

significant purchases of production payments or properties with lives substantially shorter than the composite productive life of the cost center shall be accounted for separately.

(iii) *Partnerships, joint ventures and drilling arrangements.*

(A) Except as provided in subparagraph (i)(6)(i) of this section, all consideration received from sales or transfers of properties in connection with partnerships, joint venture operations, or various other forms of drilling arrangements involving oil and gas exploration and development activities (e.g., carried interest, turnkey wells, management fees, etc.) shall be credited to the full cost account, except to the extent of amounts that represent reimbursement of organization, offering, general and administrative expenses, etc., that are identifiable with the transaction, if such amounts are currently incurred and charged to expense.

(B) Where a registrant organizes and manages a limited partnership involved only in the purchase of proved developed properties and subsequent distribution of income from such properties, management fee income may be recognized provided the properties involved do not require aggregate development expenditures in connection with production of existing proved reserves in excess of 10% of the partnership's recorded cost of such properties. Any income not recognized as a result of this limitation would be credited to the full cost account and recognized through a lower amortization provision as reserves are produced.

(iv) *Other services.* No income shall be recognized in connection with contractual services performed (e.g. drilling, well service, or equipment supply services, etc.) in connection with properties in which the registrant or an affiliate (as defined in § 210.1-02(b)) holds an ownership or other economic interest, except as follows:

(A) Where the registrant acquires an interest in the properties in connection with the service contract, income may be recognized to the extent the cash consideration received exceeds the related contract costs plus the registrant's share of costs incurred and estimated to be incurred in connection with the properties. Ownership interests acquired within one year of the date of such a contract are considered to be acquired in connection with the service for purposes of applying this rule. The amount of any guarantees or similar arrangements undertaken as part of this contract should be considered as part of the costs related to the properties for purposes of applying this rule.

(B) Where the registrant acquired an interest in the properties at least one year before the date of the service contract through transactions unrelated to the service contract, and that interest is unaffected by the service contract, income from such contract may be recognized subject to the general provisions for elimination of intercompany profit under generally accepted accounting principles.

(C) Notwithstanding the provisions of (A) and (B) above, no income may be recognized for contractual services performed on behalf of investors in oil and gas producing activities managed by the registrant or an affiliate. Furthermore, no income may be recognized for contractual services to the extent that the consideration received for such services represents an interest in the underlying property.

(D) Any income not recognized as a result of these rules would be credited to the full cost account and recognized through a lower amortization provision as reserves are produced.

(7) *Disclosures.* Reporting entities that follow the full cost method of accounting shall disclose all of the information required by paragraph (k) of this section, with each cost center considered as a separate geographic area, except that reasonable groupings may be made of cost centers that are not significant in the aggregate. In addition:

(i) For each cost center for each year that an income statement is required, disclose the total amount of amortization expense (per equivalent physical unit of production if amortization is computed on the basis of physical units or per dollar of gross revenue from production if amortization is computed on the basis of gross revenue).

(ii) State separately on the face of the balance sheet the aggregate of the capitalized costs of unproved properties and major development projects that are excluded, in accordance with paragraph (i)(3) of this section, from the capitalized costs being amortized. Provide a description in the notes to the financial statements of the current status of the significant properties or projects involved, including the anticipated timing of the inclusion of the costs in the amortization computation. Present a table that shows, by category of cost, (A) the total costs excluded as of the most recent fiscal year; and (B) the amounts of such excluded costs, incurred (1) in each of the three most recent fiscal years and (2) in the aggregate for any earlier fiscal years in which the costs were incurred. Categories of cost to be disclosed include acquisition costs, exploration costs, development costs in the case of significant development projects and capitalized interest.

(8) For purposes of this paragraph (c), the term "current price" shall mean the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

#### **Income taxes**

(d) *Income taxes.* Comprehensive interperiod income tax allocation by a method which complies with generally accepted accounting principles shall be followed for intangible drilling and development costs and other costs incurred that enter into the determination of taxable income and pretax accounting income in different periods.

End of Article 210.4-10

*This document was compiled by Netherland, Sewell & Associates, Inc. from the amendments listed in the SEC's Final Rule for the Modernization of Oil and Gas Reporting, published in the Federal Register on January 14, 2009.*

## Securities and Exchange Commission

## § 229.1202

(24) Next reporting period payment amount due. Indicate the total payment due to be collected in the next reporting period.

(25) Next due date. For assets that have not been paid off, indicate the next payment due date on the underlying security.

(e) *Information related to servicers.* (1) Primary servicer. Indicate the name or MERS organization number of the entity that serviced the underlying security during the reporting period.

(2) Most recent servicing transfer received date. If the servicing of the underlying security has been transferred, provide the effective date of the most recent servicing transfer.

(f) *Asset subject to demand.* Indicate yes or no whether during the reporting period the asset was the subject of a demand to repurchase or replace for breach of representations and warranties, including investor demands upon a trustee. If the asset is the subject of a demand to repurchase or replace for breach of representations and warranties, including investor demands upon a trustee, provide the following additional information:

(1) Status of asset subject to demand. Indicate the code that describes the status of the repurchase or replacement demand as of the end of the reporting period.

(2) Repurchase amount. Provide the amount paid to repurchase the underlying security from the pool.

(3) Demand resolution date. Indicate the date the underlying security repurchase or replacement demand was resolved.

(4) Repurchaser. Specify the name of the repurchaser.

(5) Repurchase or replacement reason. Indicate the code that describes the reason for the repurchase or replacement.

### Item 6. Resecuritizations.

(a) If the asset pool includes asset-backed securities, provide the asset-level information specified in Item 5. Debt Securities in this Schedule AL for each security in the asset pool.

(b) If the asset pool includes asset-backed securities issued after November 23, 2016, provide the asset-level information specified in § 229.1111(h) for the assets backing each security in the asset pool.

[79 FR 57316, Sept. 24, 2014; 79 FR 58674, Sept. 30, 2014, as amended at 81 FR 40512, June 22, 2016]

## Subpart 229.1200—Disclosure by Registrants Engaged in Oil and Gas Producing Activities

SOURCE: 74 FR 2193, Jan. 14, 2009, unless otherwise noted.

### § 229.1201 (Item 1201) General instructions to oil and gas industry-specific disclosures.

(a) If oil and gas producing activities are material to the registrant's or its subsidiaries' business operations or financial position, the disclosure specified in this Subpart 229.1200 should be included under appropriate captions (with cross references, where applicable, to related information disclosed in financial statements). However, limited partnerships and joint ventures that conduct, operate, manage, or report upon oil and gas drilling or income programs, that acquire properties either for drilling and production, or for production of oil, gas, or geothermal steam or water, need not include such disclosure.

(b) To the extent that Items 1202 through 1208 (§§ 229.1202–229.1208) call for disclosures in tabular format, as specified in the particular Item, a registrant may modify such format for ease of presentation, to add information or to combine two or more required tables.

(c) The definitions in Rule 4-10(a) of Regulation S-X (17 CFR 210.4-10(a)) shall apply for purposes of this Subpart 229.1200.

(d) For purposes of this Subpart 229.1200, the term *by geographic area* means, as appropriate for meaningful disclosure in the circumstances:

- (1) By individual country;
- (2) By groups of countries within a continent; or
- (3) By continent.

### § 229.1202 (Item 1202) Disclosure of reserves.

(a) *Summary of oil and gas reserves at fiscal year end.* (1) Provide the information specified in paragraph (a)(2) of this Item in tabular format as provided below:

SUMMARY OF OIL AND GAS RESERVES AS OF FISCAL-YEAR END BASED ON AVERAGE FISCAL-YEAR PRICES

Reserves category	Reserves				
	Oil (mbbbls)	Natural gas (mmcf)	Synthetic oil (mbbbls)	Synthetic gas (mmcf)	Product A (measure)
PROVED .....	.....	.....	.....	.....	.....
Developed: .....	.....	.....	.....	.....	.....
Continent A .....	.....	.....	.....	.....	.....
Continent B .....	.....	.....	.....	.....	.....
Country A .....	.....	.....	.....	.....	.....
Country B .....	.....	.....	.....	.....	.....
Other Countries in Continent B .....	.....	.....	.....	.....	.....
Undeveloped: .....	.....	.....	.....	.....	.....
Continent A .....	.....	.....	.....	.....	.....
Continent B .....	.....	.....	.....	.....	.....
Country A .....	.....	.....	.....	.....	.....
Country B .....	.....	.....	.....	.....	.....
Other Countries in Continent B .....	.....	.....	.....	.....	.....
TOTAL PROVED .....	.....	.....	.....	.....	.....
PROBABLE .....	.....	.....	.....	.....	.....
Developed .....	.....	.....	.....	.....	.....
Undeveloped .....	.....	.....	.....	.....	.....
POSSIBLE .....	.....	.....	.....	.....	.....
Developed .....	.....	.....	.....	.....	.....
Undeveloped .....	.....	.....	.....	.....	.....

(2) Disclose, in the aggregate and by geographic area and for each country containing 15% or more of the registrant's proved reserves, expressed on an oil-equivalent-barrels basis, reserves estimated using prices and costs under existing economic conditions, for the product types listed in paragraph (a)(4) of this Item, in the following categories:

- (i) Proved developed reserves;
- (ii) Proved undeveloped reserves;
- (iii) Total proved reserves;
- (iv) Probable developed reserves (optional);
- (v) Probable undeveloped reserves (optional);
- (vi) Possible developed reserves (optional); and
- (vii) Possible undeveloped reserves (optional).

*Instruction 1 to paragraph (a)(2):* Disclose updated reserves tables as of the close of each fiscal year.

*Instruction 2 to paragraph (a)(2):* The registrant is permitted, but not required, to disclose probable or possible reserves pursuant to paragraphs (a)(2)(iv) through (a)(2)(vii) of this Item.

*Instruction 3 to paragraph (a)(2):* If the registrant discloses amounts of a product in barrels of oil equivalent, disclose the basis for such equivalency.

*Instruction 4 to paragraph (a)(2):* A registrant need not provide disclosure of the reserves in a country containing 15% or more of the registrant's proved reserves if that country's government prohibits disclosure of reserves in that country. In addition, a registrant need not provide disclosure of the reserves in a country containing 15% or more of the registrant's proved reserves if that country's government prohibits disclosure in a particular field and disclosure of reserves in that country would have the effect of disclosing reserves in particular fields.

(3) Reported total reserves shall be simple arithmetic sums of all estimates for individual properties or fields within each reserves category. When probabilistic methods are used, reserves should not be aggregated probabilistically beyond the field or property level; instead, they should be aggregated by simple arithmetic summation.

(4) Disclose separately material reserves of the following product types:

- (i) Oil;
- (ii) Natural gas;
- (iii) Synthetic oil;
- (iv) Synthetic gas; and
- (v) Sales products of other non-renewable natural resources that are intended to be upgraded into synthetic oil and gas.

(5) If the registrant discloses probable or possible reserves, discuss the uncertainty related to such reserves estimates.

(6) If the registrant has not previously disclosed reserves estimates in a filing with the Commission or is disclosing material additions to its reserves estimates, the registrant shall provide a general discussion of the technologies used to establish the appropriate level of certainty for reserves estimates from material properties included in the total reserves disclosed. The particular properties do not need to be identified.

(7) *Preparation of reserves estimates or reserves audit.* Disclose and describe the internal controls the registrant uses in its reserves estimation effort. In addition, disclose the qualifications of the technical person primarily responsible for overseeing the preparation of the reserves estimates and, if the registrant represents that a third party conducted a reserves audit, disclose the qualifications of the technical person primarily responsible for overseeing such reserves audit.

(8) *Third party reports.* If the registrant represents that a third party prepared, or conducted a reserves audit of, the registrant's reserves estimates, or any estimated valuation thereof, or conducted a process review, the registrant shall file a report of the third party as an exhibit to the relevant registration statement or other Commission filing. If the report relates to the preparation of, or a reserves audit of, the registrant's reserves estimates, it must include the following disclosure, if applicable to the type of filing:

(i) The purpose for which the report was prepared and for whom it was prepared;

(ii) The effective date of the report and the date on which the report was completed;

(iii) The proportion of the registrant's total reserves covered by the

report and the geographic area in which the covered reserves are located;

(iv) The assumptions, data, methods, and procedures used, including the percentage of the registrant's total reserves reviewed in connection with the preparation of the report, and a statement that such assumptions, data, methods, and procedures are appropriate for the purpose served by the report;

(v) A discussion of primary economic assumptions;

(vi) A discussion of the possible effects of regulation on the ability of the registrant to recover the estimated reserves;

(vii) A discussion regarding the inherent uncertainties of reserves estimates;

(viii) A statement that the third party has used all methods and procedures as it considered necessary under the circumstances to prepare the report;

(ix) A brief summary of the third party's conclusions with respect to the reserves estimates; and

(x) The signature of the third party.

(9) For purposes of this Item 1202, the term *reserves audit* means the process of reviewing certain of the pertinent facts interpreted and assumptions underlying a reserves estimate prepared by another party and the rendering of an opinion about the appropriateness of the methodologies employed, the adequacy and quality of the data relied upon, the depth and thoroughness of the reserves estimation process, the classification of reserves appropriate to the relevant definitions used, and the reasonableness of the estimated reserves quantities.

(b) *Reserves sensitivity analysis (optional).* (1) The registrant may, but is not required to, provide the information specified in paragraph (b)(2) of this Item in tabular format as provided below:

SENSITIVITY OF RESERVES TO PRICES BY PRINCIPAL PRODUCT TYPE AND PRICE SCENARIO

Price case	Proved reserves				Probable reserves				Possible reserves						
	Oil mbbls	Gas mmcf	Syn. oil mbbls	Syn. gas mmcf	Product A measure	Oil mbbls	Gas mmcf	Syn. oil mbbls	Syn. gas mmcf	Product A measure	Oil mbbls	Gas mmcf	Syn. oil mbbls	Syn. gas mmcf	Product A measure
Scenario 1															
Scenario 2															



(2) The registrant may, but is not required to, disclose, in the aggregate, an estimate of reserves estimated for each product type based on different price and cost criteria, such as a range of prices and costs that may reasonably be achieved, including standardized futures prices or management's own forecasts.

(3) If the registrant provides disclosure under this paragraph (b), disclose the price and cost schedules and assumptions on which the disclosed values are based.

*Instruction to Item 1202:* Estimates of oil or gas resources other than reserves, and any estimated values of such resources, shall not be disclosed in any document publicly filed with the Commission, unless such information is required to be disclosed in the document by foreign or state law; provided, however, that where such estimates previously have been provided to a person (or any of its affiliates) that is offering to acquire, merge, or consolidate with the registrant or otherwise to acquire the registrant's securities, such estimate may be included in documents related to such acquisition.

**§ 229.1203 (Item 1203) Proved undeveloped reserves.**

(a) Disclose the total quantity of proved undeveloped reserves at year end.

(b) Disclose material changes in proved undeveloped reserves that occurred during the year, including proved undeveloped reserves converted into proved developed reserves.

(c) Discuss investments and progress made during the year to convert proved undeveloped reserves to proved developed reserves, including, but not limited to, capital expenditures.

(d) Explain the reasons why material amounts of proved undeveloped reserves in individual fields or countries remain undeveloped for five years or more after disclosure as proved undeveloped reserves.

**§ 229.1204 (Item 1204) Oil and gas production, production prices and production costs.**

(a) For each of the last three fiscal years disclose production, by final product sold, of oil, gas, and other products. Disclosure shall be made by geographical area and for each country and field that contains 15% or more of

the registrant's total proved reserves expressed on an oil-equivalent-barrels basis unless prohibited by the country in which the reserves are located.

(b) For each of the last three fiscal years disclose, by geographical area:

(1) The average sales price (including transfers) per unit of oil, gas and other products produced; and

(2) The average production cost, not including ad valorem and severance taxes, per unit of production.

*Instruction 1 to Item 1204:* Generally, net production should include only production that is owned by the registrant and produced to its interest, less royalties and production due others. However, in special situations (e.g., foreign production) net production before any royalties may be provided, if more appropriate. If "net before royalty" production figures are furnished, the change from the usage of "net production" should be noted.

*Instruction 2 to Item 1204:* Production of natural gas should include only marketable production of natural gas on an "as sold" basis. Production will include dry, residue, and wet gas, depending on whether liquids have been extracted before the registrant transfers title. Flared gas, injected gas, and gas consumed in operations should be omitted. Recovered gas-lift gas and reproduced gas should not be included until sold. Synthetic gas, when marketed as such, should be included in natural gas sales.

*Instruction 3 to Item 1204:* If any product, such as bitumen, is sold or custody is transferred prior to conversion to synthetic oil or gas, the product's production, transfer prices, and production costs should be disclosed separately from all other products.

*Instruction 4 to Item 1204:* The transfer price of oil and gas (natural and synthetic) produced should be determined in accordance with FASB ASC paragraph 932-235-50-24 (Extractive Activities—Oil and Gas Topic).

*Instruction 5 to Item 1204:* The average production cost, not including ad valorem and severance taxes, per unit of production should be computed using production costs disclosed pursuant to FASB ASC Topic 932, *Extractive Activities—Oil and Gas*. Units of production should be expressed in common units of production with oil, gas, and other products converted to a common unit of measure on the basis used in computing amortization.

[74 FR 2193, Jan. 14, 2009, as amended at 76 FR 50121, Aug. 12, 2011]

§ 229.1205

**§ 229.1205 (Item 1205) Drilling and other exploratory and development activities.**

(a) For each of the last three fiscal years, by geographical area, disclose:

(1) The number of net productive and dry exploratory wells drilled; and

(2) The number of net productive and dry development wells drilled.

(b) *Definitions.* For purposes of this Item 1205, the following terms shall be defined as follows:

(1) A *dry well* is an exploratory, development, or extension well that proves to be incapable of producing either oil or gas in sufficient quantities to justify completion as an oil or gas well.

(2) A *productive well* is an exploratory, development, or extension well that is not a dry well.

(3) *Completion* refers to installation of permanent equipment for production of oil or gas, or, in the case of a dry well, to reporting to the appropriate authority that the well has been abandoned.

(4) The *number of wells drilled* refers to the number of wells completed at any time during the fiscal year, regardless of when drilling was initiated.

(c) Disclose, by geographic area, for each of the last three years, any other exploratory or development activities conducted, including implementation of mining methods for purposes of oil and gas producing activities.

**§ 229.1206 (Item 1206) Present activities.**

(a) Disclose, by geographical area, the registrant's present activities, such as the number of wells in the process of being drilled (including wells temporarily suspended), waterfloods in process of being installed, pressure maintenance operations, and any other related activities of material importance.

(b) Provide the description of present activities as of a date at the end of the most recent fiscal year or as close to the date that the registrant files the document as reasonably possible.

(c) Include only those wells in the process of being drilled at the "as of" date and express them in terms of both gross and net wells.

(d) Do not include wells that the registrant plans to drill, but has not commenced drilling unless there are fac-

17 CFR Ch. II (4-1-18 Edition)

tors that make such information material.

**§ 229.1207 (Item 1207) Delivery commitments.**

(a) If the registrant is committed to provide a fixed and determinable quantity of oil or gas in the near future under existing contracts or agreements, disclose material information concerning the estimated availability of oil and gas from any principal sources, including the following:

(1) The principal sources of oil and gas that the registrant will rely upon and the total amounts that the registrant expects to receive from each principal source and from all sources combined;

(2) The total quantities of oil and gas that are subject to delivery commitments; and

(3) The steps that the registrant has taken to ensure that available reserves and supplies are sufficient to meet such commitments for the next one to three years.

(b) Disclose the information required by this Item:

(1) In a form understandable to investors; and

(2) Based upon the facts and circumstances of the particular situation, including, but not limited to:

(i) Disclosure by geographic area;

(ii) Significant supplies dedicated or contracted to the registrant;

(iii) Any significant reserves or supplies subject to priorities or curtailments which may affect quantities delivered to certain classes of customers, such as customers receiving services under low priority and interruptible contracts;

(iv) Any priority allocations or price limitations imposed by Federal or State regulatory agencies, as well as other factors beyond the registrant's control that may affect the registrant's ability to meet its contractual obligations (the registrant need not provide detailed discussions of price regulation);

(v) Any other factors beyond the registrant's control, such as other parties having control over drilling new wells, competition for the acquisition of reserves and supplies, and the availability of foreign reserves and supplies,

which may affect the registrant's ability to acquire additional reserves and supplies or to maintain or increase the availability of reserves and supplies; and

(vi) Any impact on the registrant's earnings and financing needs resulting from its inability to meet short-term or long-term contractual obligations. (See Items 303 and 1209 of Regulation S-K (§§ 229.303 and 229.1209).)

(c) If the registrant has been unable to meet any significant delivery commitments in the last three years, describe the circumstances concerning such events and their impact on the registrant.

(d) For purposes of this Item, *available reserves* are estimates of the amounts of oil and gas which the registrant can produce from current proved developed reserves using presently installed equipment under existing economic and operating conditions and an estimate of amounts that others can deliver to the registrant under long-term contracts or agreements on a per-day, per-month, or per-year basis.

**§ 229.1208 (Item 1208) Oil and gas properties, wells, operations, and acreage.**

(a) Disclose, as of a reasonably current date or as of the end of the fiscal year, the total gross and net productive wells, expressed separately for oil and gas (including synthetic oil and gas produced through wells) and the total gross and net developed acreage (*i.e.*, acreage assignable to productive wells) by geographic area.

(b) Disclose, as of a reasonably current date or as of the end of the fiscal year, the amount of undeveloped acreage, both leases and concessions, if any, expressed in both gross and net acres by geographic area, together with an indication of acreage concentrations, and, if material, the minimum remaining terms of leases and concessions.

(c) *Definitions.* For purposes of this Item 1208, the following terms shall be defined as indicated:

(1) A *gross well or acre* is a well or acre in which the registrant owns a working interest. The number of gross wells is the total number of wells in which the registrant owns a working

interest. Count one or more completions in the same bore hole as one well. In a footnote, disclose the number of wells with multiple completions. If one of the multiple completions in a well is an oil completion, classify the well as an oil well.

(2) A *net well or acre* is deemed to exist when the sum of fractional ownership working interests in gross wells or acres equals one. The number of net wells or acres is the sum of the fractional working interests owned in gross wells or acres expressed as whole numbers and fractions of whole numbers.

(3) *Productive wells include producing wells and wells mechanically capable of production.*

(4) *Undeveloped acreage* encompasses those leased acres on which wells have not been drilled or completed to a point that would permit the production of economic quantities of oil or gas regardless of whether such acreage contains proved reserves. Do not confuse undeveloped acreage with undrilled acreage held by production under the terms of the lease.

**PART 230—GENERAL RULES AND REGULATIONS, SECURITIES ACT OF 1933**

GENERAL

Sec.	
230.100	Definitions of terms used in the rules and regulations.
230.110	Business hours of the Commission.
230.111	Payment of fees.
230.120	Inspection of registration statements.
230.122	Nondisclosure of information obtained in the course of examinations and investigations.
230.130	Definition of "rules and regulations" as used in certain sections of the Act.
230.131	Definition of security issued under governmental obligations.
230.132	Definition of "common trust fund" as used in section 3(a)(2) of the Act.
230.133	Definition for purposes of section 5 of the Act, of "sale", "offer", "offer to sell", and "offer for sale".
230.134	Communications not deemed a prospectus.
230.134a	Options material not deemed a prospectus.
230.134b	Statements of additional information.
230.135	Notice of proposed registered offerings.
230.135a	Generic advertising.

## Oil and Gas Rules

Last Update: May 16, 2013

These Compliance and Disclosure Interpretations ("C&DIs") comprise the Division's interpretations of the Oil and Gas Rules in Regulation S-X and Regulation S-K. The bracketed date following each C&DI is the latest date of publication or revision.

### QUESTIONS AND ANSWERS OF GENERAL APPLICABILITY

#### Regulation S-X

#### Sections 101-104. Rules 4-10(a)(1) to 4-10(a)(4) [Reserved]

#### Section 105. Rule 4-10(a)(5) Definitions — Deterministic Estimate

##### Question 105.01

**Question:** In a deterministic reserve evaluation, when you have determined specific, individual estimates for proved, probable and possible reserves, is it acceptable to sum up these separate reserve categories into one total reserve estimate?

**Answer:** No. Because the categories of proved, probable and possible reserves have different levels of certainty, it is not appropriate to sum up the individual deterministic estimates for these reserves into one total reserve estimate. The individual estimates for each category should be disclosed as separate estimates, with the difference in certainty for each estimate fully explained. [Oct. 26, 2009]

#### Section 106. Rule 4-10(a)(6) Definitions — Developed Oil and Gas Reserves

##### Question 106.01

**Background:** Prior to the revision of the oil and gas rules in 2008, reserves obtained from applying improved recovery techniques (such as fluid injection) to increase the ultimate recovery of hydrocarbons could be classified as "proved developed reserves" (as defined in prior Rule 4-10(a)(3) of Regulation S-X) only under limited circumstances. Specifically, the rule expressly required that a registrant could classify such reserves as proved developed only after the improved recovery technique had caused a production response, such as a measurable change in reservoir pressure or production performance, confirming that the registrant would achieve the recovery of such reserves.

Unlike the prior rules, the new rules adopted in 2008 do not expressly define the term "proved developed reserves." Rather, the new rules separate the concepts of "proved reserves" from "developed reserves," separately defining "proved reserves" in Rule 4-10(a)(22) of Regulation S-X and "developed reserves" in Rule 4-10(a)(6) of Regulation S-X. The revised definition for developed reserves applies to developed reserves of all categories, including proved, probable and possible reserves. In addition, the revised definition of developed oil and gas reserves no longer expressly requires a production response from the improved recovery technique to classify such reserves as developed.

**Question:** Under the new rules, if a registrant has expended all of the money required to install and implement the improved recovery technique but has not yet achieved a production response from it, may it classify the reserves as proved developed?

**Answer:** Yes, so long as the reserves otherwise meet all of the criteria for proved reserves set forth in Rule 4-10(a)(22) and developed reserves set forth in Rule 4-10(a)(6). [May 16, 2013]

#### **Section 107. Rule 4-10(a)(7) Definitions — Development Costs**

None

#### **Section 108. Rule 4-10(a)(8) Definitions — Development Project**

##### **Question 108.01**

**Question:** For an issuer that intends to develop a large field involving the drilling of numerous wells in multiple stages, what constitutes a development project?

**Answer:** A development project is typically a single engineering activity with a distinct beginning and end, which, when completed, results in the production, processing or transportation of crude oil or natural gas. A project typically has a definite cost estimate, time schedule and investment decision; is approved for funding by management; may include all classifications of reserves; and will be fully operational after the completion of the initial construction or development. The scope and scale of a project are such that, if a project were terminated before completion, for whatever reason, a significant portion of the previously invested capital would be lost.

If an investment decision has been made to develop only a portion of the primary, secondary or tertiary reserves, the remainder of the reserves would not be considered to be proved reserves until such time as management has made an investment decision to develop those additional reserves, the requisite level of certainty has been demonstrated from the initial portion of the development or by other means, and the additional development is within five years of being initiated. [Oct. 26, 2009]

#### **Section 109-116. Rules 4-10(a)(9) to 4-10(a)(16) [Reserved]**

#### **Section 117: Rules 4-10(a)(17) and 4-10(a)(18) Definitions — Possible Reserves; Probable Reserves**

##### **Question 117.01**

**Question:** Is it acceptable to assign probable or possible reserves below the Lowest Known Hydrocarbon (LKH) limit penetrated in a well bore under the new definition of the term "probable reserves"?

**Answer:** It may be acceptable to assign unproved reserves below the LKH if that volume of reserves meets the test for either probable or possible reserves. If there is no data below LKH, no reserves should be assigned. [Oct. 26, 2009]

#### Question 117.02

**Question:** Can an issuer assign probable or possible reserves in an area in which it does not, or cannot, assign proved reserves?

**Answer:** Yes. However, disclosure of unproved reserves without associated proved reserves should be done only in exceptional cases, such as for (1) development projects where engineering, geological, marketing, financing and technical tasks have been completed, but final regulatory approval is lacking or (2) improved recovery projects, at or near primary depletion, that await production response. Reserves should not be assigned without well penetration of the subject reservoir (rock volume) in the contiguous area that yields technical information sufficient to support the attributed reserve category. Volumes that are not economically producible are not reserves of any classification and should not be disclosed. [Oct. 26, 2009]

#### Question 117.03

**Question:** The definition of the term "probable reserves" does not include instructions regarding reserves below LKH. Does this mean that probable reserves cannot be assigned below proved areas, such as below LKH limit, and can be no higher classification than possible reserves?

**Answer:** No. Probable reserves may be assigned if reliable technology and data exist that, in the judgment of the evaluator, support characterizing those reserves as probable reserves. If no data exists below LKH, no unproved reserves can be assigned. [Oct. 26, 2009]

#### Question 117.04

**Question:** Can an issuer assign probable or possible reserves to an un-penetrated fault block?

**Answer:** No. Un-penetrated, pressure-separated fault blocks should not be considered to contain reserves of any category until penetrated by a well. [Oct. 26, 2009]

### Sections 119-121. Rules 4-10(a)(19) to 4-10(a)(21) [Reserved]

### Section 122. Rule 4-10(a)(22) Definitions — Proved Oil and Gas Reserves

#### Question 122.01

**Question:** What oil and gas prices should be used to estimate probable and possible reserves?

**Answer:** Unproved reserves should be evaluated using the same price as used for the evaluation of proved reserves. [Oct. 26, 2009]

#### Question 122.02

**Question:** Does the new definition of "proved oil and gas reserves" require issuers to change their existing procedures for determining costs?



**Answer:** No. [Oct. 26, 2009]

**Sections 123-124. Rules 4-10(a)(23) to 4-10(a)(24) [Reserved]**

**Section 125. Rule 4-10(a)(25) Definitions — Reliable Technology**

Question 125.01

**Question:** Does the staff intend to publish a list of reliable technologies that the SEC will accept for the determination of proved reserves?

**Answer:** No. An issuer has the burden of establishing and documenting the technology (or set of technologies) that provides reliable results, consistent with the criteria set forth in Rule 4-10(a)(25) of Regulation S-X. This information should be made available to the Commission's staff upon request in support of any reserves estimates that the staff may be reviewing. [Oct. 26, 2009]

**Section 126. Rule 4-10(a)(26) Definitions — Reserves**

Question 126.01

**Question:** Can a company claim proved reserves under a production sharing contract prior to obtaining approval from the host country?

**Answer:** No. Since production sharing contracts are entered into in countries where the government claims ownership of the mineral rights, all government approvals must be obtained prior to claiming proved reserves. [Oct. 26, 2009]

Question 126.02

**Question:** In the case of reserves above a highest known oil (HKO) limit, if it is equally likely that oil or gas is present above HKO, should the lower value product be assigned above HKO?

**Answer:** Yes, but only if the well or field is in a location where a market for that product exists. In particular, if there is no market for gas, or no way to transport gas to a market, then any assumed gas cap volume that may or does exist above a HKO cannot be classified as reserves. [Oct. 26, 2009]

**Sections 127-130. Rules 4-10(a)(27) to 4-10(a)(30) [Reserved]**

**Section 131. Rule 4-10(a)(31) Definitions — Undeveloped Oil and Gas Reserves**

Question 131.01

**Question:** Can an issuer assign proved undeveloped reserves to horizontal locations offsetting the toe of an existing horizontal producing well if the location is moving in the direction of other successful, analogous producing horizontal wells?

**Answer:** Yes, if the technical evidence supports this assignment with reasonable certainty. [Oct. 26, 2009]

#### Question 131.02

**Question:** Does the standard, "reasonable certainty of economic producibility," in the definition of "undeveloped oil and gas reserves" mean that a registrant cannot assign probable or possible undeveloped reserves beyond areas containing proved undeveloped reserves?

**Answer:** No. Reliable technology can be used to establish (1) that probable reserves in undeveloped locations are as likely as not and (2) that possible reserves in undeveloped locations are possible but not likely. [Oct. 26, 2009]

#### Question 131.03

**Question:** In the definition of "undeveloped oil and gas reserves," what "specific circumstances" would justify a time period longer than five years to begin development of those reserves?

**Answer:** Although several types of projects — such as constructing offshore platforms and development in urban areas, remote locations or environmentally sensitive locations — by their nature customarily take a longer time to develop and therefore often do justify longer time periods, this determination must always take into consideration all of the facts and circumstances. No particular type of project per se justifies a longer time period, and any extension beyond five years should be the exception, and not the rule.

Factors that a company should consider in determining whether or not circumstances justify recognizing reserves even though development may extend past five years include, but are not limited to, the following:

- The company's level of ongoing significant development activities in the area to be developed (for example, drilling only the minimum number of wells necessary to maintain the lease generally would not constitute significant development activities);
- The company's historical record at completing development of comparable long-term projects;
- The amount of time in which the company has maintained the leases, or booked the reserves, without significant development activities;
- The extent to which the company has followed a previously adopted development plan (for example, if a company has changed its development plan several times without taking significant steps to implement any of those plans, recognizing proved undeveloped reserves typically would not be appropriate); and
- The extent to which delays in development are caused by external factors related to the physical operating environment (for example, restrictions on development on Federal lands, but not obtaining government permits), rather than by internal factors (for example, shifting resources to develop properties with higher priority). [Oct. 26, 2009]

#### Question 131.04

**Question:** The definition of "undeveloped oil and gas reserves" requires that the company have adopted a development plan with respect to the reserves. What constitutes adoption of a development plan?



**Answer:** The mere intent to develop, without more, does not constitute "adoption" of a development plan and therefore would not, in and of itself, justify recognition of reserves. Rather, adoption requires a final investment decision. [Oct. 26, 2009]

#### Question 131.05

**Question:** Would a company's decision to slowly develop a field in order to extend its economic life justify recognizing proved undeveloped reserves in the field beyond five years?

**Answer:** No. The company should not recognize undeveloped areas as proved undeveloped reserves if it does not anticipate initiating development in those areas within five years. [Oct. 26, 2009]

#### Question 131.06

**Question:** Rule 4-10(a)(31)(ii) states that "[u]ndrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are *scheduled to be drilled* within five years...." (emphasis added). In comparison, the Petroleum Reserves Management System of the Society of Petroleum Engineers and World Petroleum Council states that "[a] reasonable time frame for the *initiation of development* depends on the specific circumstances ..." (emphasis added). Is there a difference between the terms "scheduled to be drilled" and "initiation of development"?

**Answer:** No. [Oct. 26, 2009]

### Regulation S-K

#### Section 154. Items 1201-1208 — Disclosure by Registrants Engaged in Oil and Gas Producing Activities

##### Question 154.01

**Question:** For a recently drilled well, where there is only a limited amount of production data and the production rate is expected to decline in a hyperbolic manner but the evidence to date indicates only an exponential decline, can you assume that the production rate will eventually begin to decline in a hyperbolic manner and claim that as proved reserves?

**Answer:** Yes, but only at such time when additional production data, such as from offset wells, exists demonstrating that there will be a change in the manner of decline from exponential to hyperbolic. [Oct. 26, 2009]

##### Question 154.02

**Question:** Should reserve quantities attributable to equity method investees be combined with reserve quantities attributable to consolidated entities for purposes of identifying countries containing 15% or more of the registrant's reserves under Item 1202 of Regulation S-K.

**Answer:** Yes. [Oct. 26, 2009]

Question 154.03

**Question:** If an issuer engages a third party to prepare or audit its reserve estimates, or to conduct a process review, of a limited amount of its reserves, does it need to file the third party's report under Item 1202(a)(8) of Regulation S-K?

**Answer:** If the issuer discloses in its filing that it engaged a third party to prepare or audit its reserve estimates, or to conduct a process review, of a limited amount of its reserves, then the issuer must file the third party's report. [Oct. 26, 2009]

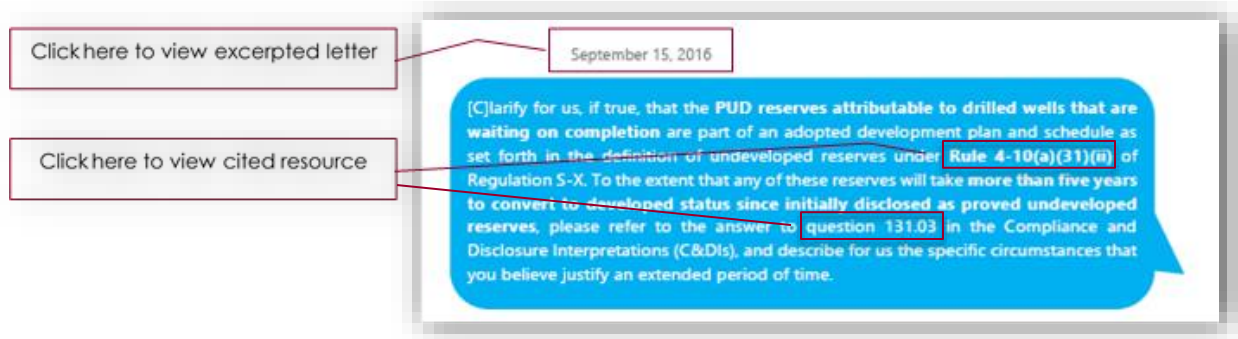
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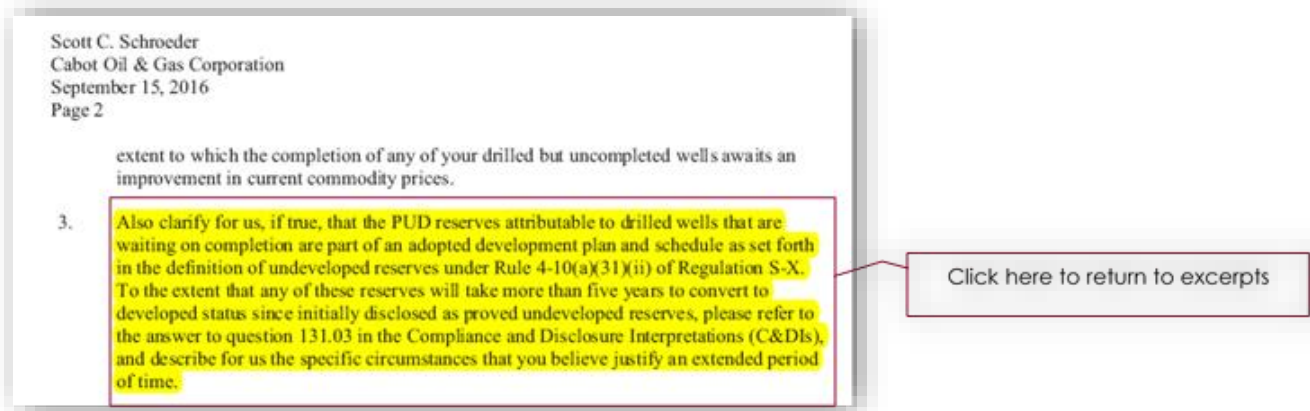
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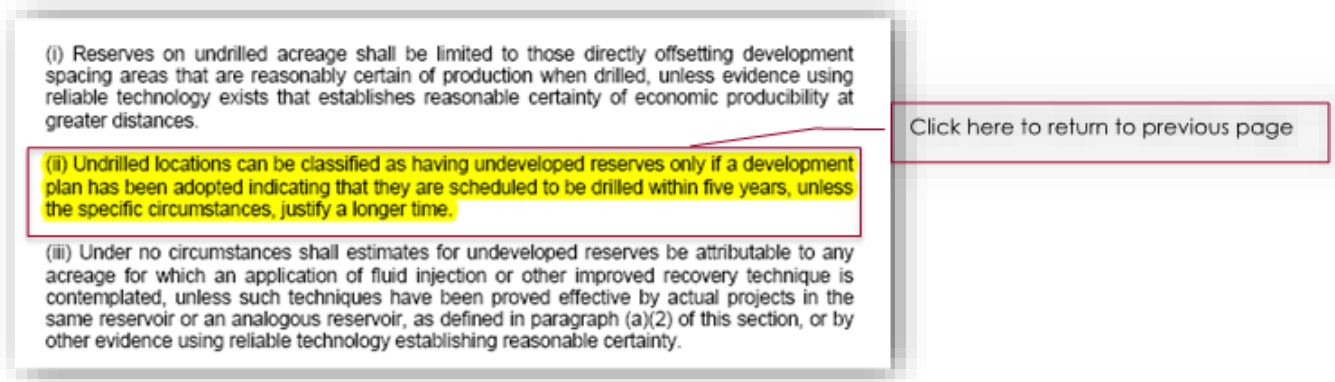
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