

Society of Petroleum Engineers



Engineering Professionalism
Committee

Ethics Sub-Committee

2006

Why Ethics and Engineering

The engineer as a professional is dedicated to improving competence, service, fairness, and the exercise of well-founded judgment in the ethical practice of engineering for all who use engineering services with fundamental concern for protecting the environment and safeguarding the health, safety and well-being of the public in the pursuit of this practice.

Why should I study ethics?

- Adaptation for current business environment on corporate governance. Increased governmental legislation on industry.
- Fulfillment of chartering, registration, or certification requirements on Ethics training. Provide vehicle for required training for SPE members.

- Better alignment with other professions (Attorneys, Accountants, Physicians) where public interest is involved. Other engineering organizations have ethics education for membership
- Provide resource for SPE membership on ethics training and guidelines.

Ethics Decision Framework

- Ethics can be complex, without a clear answer. The Decision Framework developed by the Ethics Sub-Committee is proposed to enable the petroleum professional to make sound decisions on complex ethical issues.

Decision Framework

➤ Ask yourself:

- Would the resulting action be legal?
- Would stakeholders see the action as responsible stewardship?
- Would I feel good about the resulting action?
- Would I mind having information regarding the decision publicized?
- Have I consulted with peers/others regarding the perceived action and possible ramifications?
- Would the public view the perceived act as a responsible professional action?

Question and Answer Session



Some Realistic Situations

Question 1

- I was told that I could hire a consultant to take care of getting all the permits we need from a foreign government. He requested a \$40,000 retainer and said that he would use the money to 'help move the process along.' Since we don't really know where the money is going, do we have to worry about it?

Some Realistic Situations

Question 2

- I have just received an invitation to attend a hearing of a governmental/local authority committee as an expert industry witness. How should I respond?

Some Realistic Situations

Question 3

- It is the last week in the quarterly reporting period. My boss wants to make sure we meet our numbers for the quarter, so he asked me to record an unconfirmed sale now that won't be finalized until next week. I guess this won't hurt anyone – should I do what he says?

Some Realistic Situations

Question 4

- My team's year-end results are ahead of budget. A piece of new non-material equipment is due to be purchased and delivered in early January of the new year. My plant manager has asked that the invoice for the equipment be accrued out of this year's budget. Is this OK?

Some Realistic Situations

Question 5

- Every week we are required to test chemical discharges that are produced when we make a particular product. The tests always come out the same, so sometimes when work is very busy we skip the tests and do them a day or two later if we can. Then, when we do the missing tests, we just back date the results. Since this helps manage our work-flow, is this really wrong?

Some Realistic Situations

Question 6

- The company just seconded me to be the controller of a new production JV company. I see competitors in the same marketplace transferring crude at less than market price to a subsidiary of one of the joint ventures for resale at market price to a third party. That can have the effect of reducing taxes for the joint venture and increasing profits for one joint venture. Should I suggest that the JV consider a similar deal with one of my company's subsidiaries?

Some Realistic Situations

Question 7

- A former Company A employee who worked on my team recently contacted me to request that I provide copies of some materials we worked on during his employment. In the course of this conversation, I learned that this former employee has copies of several binders and CDs with Company A materials and data we used in a project. I told this employee that I would get back to him/her. What should I do now?

Some Realistic Situations

Question 8

- I have a large grass-mower at home which I'm lending to a friend. Is it OK if I borrow a Company A truck at the weekend to take it to my friend's house and then use it again in two weeks to bring it back?

Some Realistic Situations

Question 9

- I have just joined Company A as a new employee. My prior employer is one of Company A's largest competitors. Can I share some important confidential marketing information that I developed while working for this competitor?

Some Realistic Situations

Question 10

- I have an idea to reduce subscription costs for trade publications. The office would get just one subscription to each journal or newsletter, which would then be circulated to everyone with instructions to copy any articles they want. Is this a good cost-cutting measure?

Some Realistic Situations

Question 11

- We have someone on our team who is hearing impaired. He is a great worker and can speak but sounds very differently than everyone else. Some people make fun of him behind his back. I find it embarrassing and bad for teamwork. What should I do?

Some Realistic Situations

Question 12

- I was working late last night at the office. When I went to use the photocopier I found a small stack of personnel records in the sorter. I noticed that the copies contained payroll information for our department. There was a lot of personal information on these forms. I didn't want to get anybody in trouble, but I also didn't think it was right that this kind of information was left for all to see. What should I do?

Some Realistic Situations

Question 13

- You are offered tickets from a vendor to a local sporting event. Should you accept?

Sample Ethics Questions:

Question 14

- A personal friend is a candidate for a job with your company and you will potentially be involved with the hiring decision. What should you do?

Some Realistic Situations

Question 15

- You work for an operating company and an old friend from college is now a senior manager with a service company. You are working in a very busy area and there is robust competition for your well services, including many competitive bids. What should you do?

Some Realistic Situations

Question 16

- You work for an operating company that is operating a joint venture with a national oil company. Your company has expats to work with local staff to perform the daily operations and field development. The national oil company is the only operator in the country and there are no government safety or conservation regulations. Operating standards are well below your company's published internal standards for safety and environmental issues. What do you do?

Some Realistic Situations

Question 17

- You provide engineering services to clients in the fields of reservoir engineering and reserves analysis and reporting and are paid for your time and reasonable expenses. Your client wants to be provided a signed report showing that their fields contain a certain level of reserves. You receive data necessary to make an evaluation along with the client's own reserves estimate which is really the target they wish to see. Should you take on this consulting project?

Some Realistic Situations

Question 18

- You consult as a petroleum engineer in the U.S. One recently completed client project concerns the evaluation of an oil field. Client “A” owned a large working interest. You spent considerable time analyzing the logs, well files, reservoir maps, volumetrics, drilling potential, etc. Later, client “B” calls you for an evaluation of its assets, including the oil field evaluated for client “A.” Client “B” lacks engineering and geological data other than public data sources.

Some Realistic Situations

Question 19

- Your parent-based position is staff reservoir engineer at Company X. In the past year you have come into the offshore West Africa asset group. Your office handles most subsurface work, but the overseas office handles “hardware” issues including facilities/platform engineering, design, and project planning. In your work you determine technical recoverable oil reserves of 150 million barrels. This fact is exciting to your management and they want the oil booked this year. While it seems reasonable for you to make the reserves booking, you know that the overseas office does the project planning and economics, and you have not examined project economics, nor ascertained whether company financial commitments to develop have yet been made. Your manager says all is okay in that regard and go ahead and do it.

Some Realistic Situations

Question 19 (con't)

- Can you book these reserves?



Some Realistic Situations

Question 20

- You have been hired in mid-year as a division level manager of E&P assets in a major oil company. Of course the job is new for you; also, your staff is fairly thin in experience but at least there is some continuity in knowledge of the gas and oil fields. Your compensation package is salary plus bonus. Bonus is tied to “results:” exceeding production targets, reserves growth, and HS&E. The year has been good so far, but at the December meeting with your staff, covering reserves and production targets, you realize that there are problems. For one thing, the maps on which some major reserves have been booked are wildly optimistic. In fact, they show gas below lowest known gas. Also, production goals are based upon these interpretations. You would hate to have a lost time accident when your boss hurts you for blowing the reserves target and cutting the production goal for next year.

Some Realistic Situations

Question 20 (con't)

- Should you mention the mapping problem to your management? Should you request new reserves maps? To what degree should your short time on the job be a factor? How much do you need to know before something becomes an ethical issue? When is it ethical to plead ignorance?