

Client Alert

January 2, 2009

SEC Revises Oil and Gas Company Reporting Requirements Regarding Energy Reserves**Areas of Interest****Energy****United States**

On December 31, 2008, the US Securities and Exchange Commission announced that it approved the proposed revisions to oil and gas reserves reporting requirements. These new disclosure rules completely overhaul the existing reporting requirements and mark the first revisions to Rule 4-10 and Regulation S-X since the adoption of the original reporting requirements more than a quarter century ago. The revisions follow the issuance of a Concept Release in December of 2007 that resulted in the public comments that were used to formulate the Rule amendments proposed by the SEC in June of this year ([Release No. 33-8935](#)). Industry members and others then had 60 days following the proposed Rule amendments in which to comment.

The changes reflect the intention of the Commission to incorporate today's improved technologies and alternative extraction methods into the reporting requirements, thereby providing investors with better information regarding a company's reserves. Changes to the reporting requirements include: (1) the disclosure of probable and possible reserves in addition to proved reserves; (2) the permitted use of new technologies to determine proved reserves if such technologies have been demonstrated empirically to lead to reliable conclusions regarding reserve volumes; (3) the reporting of oil and gas reserves using an average price based on the prior 12-month period rather than year-end prices; and (4) the certification of the independence of petroleum auditors auditing a company's reserves.

Furthermore, under the rules proposed by the SEC in June of 2008, the extraction of non-traditional resources (such as bitumen extracted from oil sands and oil and gas extracted from coalbeds and shales) would be included in the definition of "oil and gas producing activities." Oil and gas companies engaging in the "unconventional" extraction of such resources would be able to account for billions of barrels more oil or equivalents if the accounting rules were revised. For our earlier summary of the proposed changes, please see our Client Alert: "[SEC Publishes Proposed Rule to Modify Oil and Gas Reporting Requirements](#)."

The full text of the adopted oil and gas reporting requirements will be posted to the SEC web site as soon as it is completed.

If you have any questions about the new disclosure rules, please contact [Kevin Shaw](#) (+1 713 238 2665) or [Anne Kersch de Santín](#) (+1 713 238 2722), the authors of this Alert.

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