

LEGAL UPDATES

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Service

Energy Regulation

SEC Updates Reporting Requirements for Oil & Gas Companies

The reporting requirements for oil and gas companies have remained largely the same over the past 25 years. This is about to change. On December 29, 2008, the SEC adopted rule amendments designed to update and modernize its oil and gas reporting requirements. Under the new disclosure rules, traditional oil and gas resources will be treated the same as resources extracted from non-traditional sources, such as tar sands and oil shales. The new rules permit reporting companies to disclose non-proved reserves (i.e., probable and possible reserves) and use new technologies to establish reserves, and require companies to calculate reserves using 12-month average historical prices and file third-party reserve reports with the SEC. Given the complexity of the subject matters involved, the scope of the disclosure changes, and the potential consequences of these changes (including impact on stock prices and takeover risk), oil and gas companies are encouraged to act promptly to identify the internal measures required to timely satisfy the new reporting requirements, as well as any business issues created by the new disclosure rules.

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