

## **SUPPORTING STATEMENT FOR PROPOSED MODERNIZATION OF THE OIL AND GAS REPORTING REQUIREMENTS**

This submission, pursuant to the Paperwork Reduction Act of 1995, 44 U.S.C. §3501, et seq., consists of this supporting statement and Release No. 33-8935 (June 26, 2008).

### **A. JUSTIFICATION**

#### **1. NECESSITY FOR THE INFORMATION COLLECTION**

In Release No. 33-8935, the Securities and Exchange Commission proposed rule and form amendments that contain “collection of information” requirements within the meaning of the Paperwork Reduction Act of 1995. The titles for this information are:

- (1) “Regulation S-K” (OMB Control No. 3235-0071);<sup>1</sup>
- (2) “Industry Guides” (OMB Control No. 3235-0069);
- (4) “Form S-1” (OMB Control No. 3235-0065);
- (5) “Form S-4” (OMB Control Number 3235-0324);
- (6) “Form F-1” (OMB Control Number 3235-0258);
- (7) “Form F-4” (OMB Control Number 3235-0325);
- (8) “Form 10” (OMB Control No. 3235-0064);
- (9) “Form 10-K” (OMB Control No. 3235-0063); and
- (10) “Form 20-F” (OMB Control No. 3235-0063).

These collections of information are necessary for the Commission to carry out the provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934. They set forth the disclosure requirements for periodic reports and registration statements and prospectuses. These documents are prepared by companies to ensure that investors have the information they need to make informed investment decisions in registered offerings and secondary market transactions, and informed decisions in voting their securities.

#### **2. PURPOSE OF THE INFORMATION COLLECTION**

The proposals would increase existing disclosure burdens for annual reports on Forms 10-K and 20-F and registration statements on Forms 10, 20-F, S-1, S-4, F-1, and F-4 by creating the following new disclosure requirements, many of which were requested by industry participants:

- Disclosure of reserves from non-traditional sources (i.e., bitumen, shale, coalbed methane) as oil and gas reserves;
- Optional disclosure of probable and possible reserves;
- Optional disclosure of oil and gas reserves’ sensitivity to price;

---

<sup>1</sup> The paperwork burden from Regulation S-K and the Industry Guides is imposed through the forms that are subject to the disclosures in Regulation S-K and the Industry Guides and is reflected in the analysis of those forms. To avoid a Paperwork Reduction Act inventory reflecting duplicative burdens, for administrative convenience we estimate the burdens imposed by each of Regulation S-K and the Industry Guides to be a total of one hour.

- Disclosure of the development of proved undeveloped reserves, including those that are held for five years or more and an explanation of why they should continue to be considered proved;
- Disclosure of technologies used to establish additions to reserves estimates;
- Disclosure regarding material changes due to technology, prices, and concession conditions;
- The objectivity and qualifications of any third party primarily responsible for preparing or auditing the reserves estimates, if the company represents that it has enlisted a third party to conduct a reserves audit;
- The qualifications and independence of any employee primarily responsible for preparing or auditing the reserves estimates;
- If a company represents that it is relying on a third party to prepare the reserves estimates or conduct a reserves audit, filing a report prepared by the third party; and
- Disclosure based on a new definition of the term “by geographic area.”

In addition, the amendments would harmonize the disclosure requirements that apply to foreign private issuers with the disclosure requirements that apply to domestic issuers with respect to oil and gas activities. In particular, the proposal would require foreign private issuers to disclose the information required by proposed Items 1205 through 1208 of Regulation S-K regarding drilling activities, present activities, delivery commitments, wells, and acreage, which they are not required to provide currently under Appendix A to Form 20-F. These proposed disclosure items present the substantive disclosures currently called for by Items 4 through 8 of Industry Guide 2, but are not included specifically in Appendix A to Form 20-F, although much of this disclosure may be included in the more general discussions of business and property on that form.

### 3. USE OF ELECTRONIC MEDIA

Periodic reports on Forms 10-K and 20-F and registration statements on Forms 10, 20-F, S-1, S-4, F-1, F-4 are filed electronically with the Commission using the Commission’s Electronic Data Gathering and Retrieval (EDGAR) system.

### 4. DUPLICATION

The Energy Information Administration of the Department of Energy (DOE) collects information from companies on oil and gas reserves and production. This information is not made public on a company-by-company basis. In some cases the information is based on a company’s status as the operator of a project, rather than based on a company’s financial interest in the project. Therefore, this information has limited use for investors to make investment decisions on individual companies.

### 5. METHODS USED TO MINIMIZE BURDEN ON SMALL BUSINESSES

The proposed amendments would apply to all issuers equally. We believe that separate disclosure requirements for small entities that would differ from the proposed reporting requirements, or exempting small entities from these disclosures, would not achieve our disclosure objectives. In particular, we believe the changes that are reflected

in the proposed amendments would balance the informational needs of investors in smaller companies with the burdens imposed on such companies by the disclosure requirements.

We note that a number of the proposed new disclosure items are voluntary. We believe that small entities are more likely to take advantage of these permitted disclosures, particularly regarding probable and possible reserves, than larger companies, which typically already have significant proved reserves. Further, a wholesale exemption for small entities would thwart our intent to uniformly apply the disclosure and other requirements that would be amended.

The proposed amendments also would clarify and consolidate the requirements for all public companies into Regulation S-K, which may make such requirements easier to access. This may simplify the process of preparing a company's annual report or registration statement. In addition, the proposed tabular format for making the disclosures may lead to systemization of the disclosures, making such information simpler to organize.

6. DESCRIPTION OF CONSEQUENCES OF LESS FREQUENT COLLECTION

Less frequent collection would mean that current information may not be available to investors and may potentially decrease investor confidence in the full and fair disclosure system that is the hallmark of the U.S. capital markets.

7. EXPLANATION OF SPECIAL CIRCUMSTANCES

Not applicable.

8. CONSULTATION OUTSIDE THE AGENCY

The Commission has issued a release soliciting comment on the revised "collection of information" requirements and the associated paperwork burdens. A copy of this release is attached. Comments on Commission releases are generally received from companies, investors and other market participants.

9. PAYMENT OR GIFT TO RESPONDENTS

Not applicable.

10. ASSURANCE OF CONFIDENTIALITY

Not applicable.

11. SENSITIVE QUESTIONS

Not applicable.

12. and 13. ESTIMATES OF HOUR AND COST BURDENS

The paperwork burden estimates associated with the proposed amendments include the time and cost of preparing and reviewing disclosure, filing documents or otherwise publicizing information, and retaining records.

These estimates represent the average burden for all companies, both large and small. We expect that the burdens and costs could be greater for larger companies and lower for smaller companies. For Securities Act registration statements on Forms S-1, S-4, F-1, F-4, 10, and 20-F, we estimate that 25% of the burden of preparation is carried by the company internally and that 75% of the burden is carried by outside professionals retained by the company at an average cost of \$400 per hour. For annual reports on Forms 10-K and 20-F, we estimate that 75% of the burden of preparation is carried by the company internally and that 25% of the burden is carried by outside professionals retained by the company at an average cost of \$400 per hour. The portion of the burden carried by outside professionals is reflected as a cost, while the portion of the burden carried by the company internally is reflected in hours.

Tables 1 and 2, below, illustrates the incremental annual compliance burdens of the collection of information in hours and in cost for our amendments. The burden was calculated by multiplying the estimated number of additional annual responses we believe will be generated by the estimated average number of hours each entity will spend completing the form or complying with the requirements of the rules.

The following tables summarize the changes to the PRA estimates:

Table 1: Calculation of Incremental Paperwork Reduction Act Burden Estimates for Exchange Act Periodic Reports

Form	Annual Responses <sup>2</sup>	Incremental Hours/Form	Incremental Burden	75% Issuer	25% Professional	\$400 Professional Cost
	(A)	(B)	(C)=(A)*(B)	(D)=(C)*0.75	(E)=(C)*0.25	(F)=(E)*\$400
10-K <sup>3</sup>	206	35	7,210	5,408	1,803	721,000

Table 2: Calculation of Incremental Paperwork Reduction Act Burden Estimates for Securities Act Registration Statements and Exchange Act Registration Statements

Form	Annual Responses	Incremental Hours/Form	Incremental Burden	25% Issuer	75% Professional	\$400 Professional Cost
	(A)	(B)	(C)=(A)*(B)	(D)=(C)*0.25	(E)=(C)*0.75	(F)=(E)*\$400
10	5	35	175	44	131	52,500
20-F	37	55	2,035	509	1,526	610,500
S-1	38	35	1,330	333	998	399,000
S-4	17	35	595	149	446	178,500
F-1	2	55	110	28	83	33,000
F-4	3	55	165	41	124	49,500
Total	102	270	4,410	1,102.5	3,307.5	1,323,000

Table 3 below illustrates the total annual compliance burden of the collection of information in hours and in cost. The burden was calculated by adding the incremental burdens to the existing burdens.

<sup>2</sup> The number of annual responses reflects only those companies that would be affected by the proposed rules because they conduct oil and gas producing activities.

<sup>3</sup> The burden estimates for Form 10-K assume that the proposed requirements are satisfied by either including information directly in the annual reports or incorporating the information by reference from the Rule 14a-3(b) annual report to security holders.

Table 3: Estimates of Hour and Cost Burdens

	Current Annual Responses	Current Hours/Form	Incremental Increase Hours/Form	Total Hours/Form	Total Burden Hours	Current Cost/Form (1,000s)	Incremental Increase Hours/Form	Total Hours/Form	Total Cost (1,000s)
	(A)	(B)	(C)	(D)=(B)+(C)	(E)=(A)*(D)	(F)	(G)	(H)=(F)+(G)	(I)=(A)*(H)
S-1	471	294.0	0.7	294.7	138,804	327	26	354	166,568
S-4	619	1016.0	0.2	1016.2	629,053	1,187	33	1,219	754,863
F-1	39	449.8	0.7	450.5	17,568	514	26	541	21,081
F-4	68	360.3	0.6	360.9	24,538	415	18	433	29,446
10	238	49.2	0.2	49.4	11,767	58	1	59	14,122
10-K	10,041	1722.9	0.5	1723.4	17,304,830	225	5	230	2,307,311
20-F	942	652.8	0.5	653.3	615,400	754	30	784	738,480

#### 14. ESTIMATE OF COST TO FEDERAL GOVERNMENT

The estimated cost of preparing the proposed amendments is approximately \$50,000.

#### 15. EXPLANATION OF CHANGES IN BURDEN

Our proposed amendments to these existing forms are intended to modernize and update our reserves definitions to better reflect changes in the oil and gas industry and markets and new technologies that have occurred in the decades since the current rules were adopted, including expanding the scope of permissible technologies for establishing certainty levels of reserves, reserves classifications that a company can disclose in a Commission filing, and the types of resources that can be included in a company's reserves, as well as providing information regarding the objectivity and qualifications of any third party primarily responsible for preparing or auditing the reserves estimates, if the company represents that it has enlisted a third party to conduct a reserves audit, and the qualifications and measure taken to assure the independence and objectivity of any employee primarily responsible for preparing or auditing the reserves estimates. The proposals also are intended to codify, modernize, and centralize the disclosure items for oil and gas companies into Regulation S-K. Finally, the proposals are intended to harmonize oil and gas disclosures by foreign private issuers with disclosures by domestic companies. Overall, the proposed amendments attempt to provide improved disclosure about an oil and gas company's business and prospects without sacrificing clarity and comparability, which provide protection and transparency to investors.

Our estimates represent the burden for all oil and gas companies that file annual reports or registration statements with the Commission. Based on filings received during the Commission's last fiscal year, we estimate that 241 oil and gas companies file annual reports and 67 oil and gas companies file registration statements. Most of the information called for by the new proposed disclosure requirements, including the optional disclosure items, is readily available to oil and gas companies and includes information that is regularly used in their internal management systems. These proposed disclosures include:

- Information on the company's development of proved undeveloped reserves;
- Technologies that the company used to establish additions to reserves estimates;

- Material changes to reserves estimates due to technology, prices, and concession conditions;
- The objectivity and qualifications of any third party primarily responsible for preparing or auditing the reserves estimates, if the company represents that it has enlisted a third party to conduct a reserves audit;
- The qualifications and measures taken to assure the independence and objectivity of any employee primarily responsible for preparing or auditing the reserves estimates;
- The report of a third party preparer or reserves auditor, if one is used;
- Disclosure of reserves by geographic area; and
- Optional disclosure of probable and possible reserves and a sensitivity analysis.

We estimate that, on average, companies will incur a burden of 35 hours to prepare these disclosures in an annual report or registration statement.

The proposed amendments would not require, or request, companies to disclose probable and possible reserves. Rather, the proposed rules only would remove the current prohibition on companies from disclosing this information in their filings with the Commission. As we have noted, many companies already disclose this information on their Web sites. Similarly, commenters on the Concept Release noted that many companies already use such estimates in their business decisions. Our rules also do not dictate how companies generate estimates for probable and possible reserves. Thus, we have not included an estimate of the burden and cost of preparing probable and possible reserves estimates in this PRA analysis, but we have included the burden and cost of disclosing such information.

The proposed amendments would apply several disclosure items to foreign private issuers that previously did not apply to them. As noted above, many of these disclosure items, such as drilling activities, wells and acreage, would require the issuer to provide more specificity about its business and property. Foreign private issuers that do not currently provide such specificity would incur an added burden to present such disclosures in their filings. We estimate that this burden would be 20 hours per foreign private issuer.

The proposed amendments would include reserves from non-traditional sources (e.g., bitumen and oil shale) as oil and gas reserves. Such reserves currently are required to be disclosed as reserves related to mining operations. Although there are differences in the way such reserves may be calculated, such as different levels of certainty, the processes involved in estimating such reserves do not differ significantly. We believe that there would be no change in the relative burden for estimating these reserves under the oil and gas rules, as opposed to the mining rules.

Table 4 below illustrates the changes in cost and hour burdens from the burden estimates currently approved by OMB. Columns (A) and (B) represent the total hour and cost burden estimates for the respective forms under the proposed rules. Columns (C) and (D) represent the previous burden estimates most recently submitted to OMB. Columns (E) and (F) represent the change in burden from the previous estimates. Columns (G) and (H) represent the incremental hour and cost burden as a result of the

proposed amendments. Columns (I) and (J) represent any adjustment, which encompasses any change in burden that is not attributable to the amendments. All changes to burden in this submission are attributable to the proposed amendments.

	Requested Burdens		Current Burden		Change in Burden		Program Change		Adjustment	
	Burden Hours (A)	Cost (1,000s) (B)	Burden Hours (C)	Cost (1,000s) (D)	Burden Hours (E)=(A)-(C)	Cost (1,000s) (F)=(B)-(D)	Burden Hours (G)	Cost (1,000s) (H)	Burden Hours (I)	Cost (1,000s) (J)
S-1	138,804	166,568	138,474	166,169	333	399	333	399	0	0
S-4	629,053	754,863	628,904	754,685	149	178	149	178	0	0
F-1	17,568	21,081	17,540	21,048	28	33	28	33	0	0
F-4	24,538	29,446	24,497	29,396	41	50	41	50	0	0
10	11,767	14,122	11,724	14,070	44	53	44	53	0	0
10-K	17,304,860	2,307,138	17,300,422	2,306,418	5,408	721	5,408	721	0	0
20-F	615,399	738,480	614,891	737,869	509	611	509	611	0	0

Table 4: Explanation of Changes in Burden

16. INFORMATION COLLECTIONS PLANNED FOR STATISTICAL PURPOSES

Not applicable.

17. EXPLANATION AS TO WHY EXPIRATION DATE WILL NOT BE DISPLAYED

Not applicable.

18. EXCEPTIONS TO CERTIFICATION

Not applicable.

**B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS**

Not applicable.