OILCHANGE INTERNATIONAL

February 19, 2008

Ms. Nancy M. Morris Secretary, Securities and Exchange Commission 100 F Street, NE, Washington, DC 20549-1090

Re: File No. S7-29-07 - Concept Release on Possible Revisions to the Disclosure Requirements Relating to Oil and Gas Reserves

Dear Ms. Morris:

We submit these comments in response to the Concept Release and encourage you to provide public interest groups with additional time and opportunities to learn more about the issue and comment before a final rule is issued for public comment, perhaps including an SEC roundtable discussion on the issue, with a balance of participants from a variety of stakeholder groups, including related industry, trade association, regulatory, academic, international (e.g. IASB), labor, consumer, environmental, investor, and other non-profit industry watchdog groups.

Industry representatives have had some time to consider this proposal -- indeed, news reports indicate they are the main impetus behind the proposal. The industry has held related conferences and issued proprietary reports (too expensive for most other groups to obtain), while investors and other industry stakeholders, if they are aware of the proposal at all, have had to scramble to decipher this proposal before being able to comment on how a new rule might be designed.

At this point, we wish to submit the following preliminary remarks for your consideration, whilst reserving our right to comment more extensively in a fuller consultation process:

* We agree that the SEC's reserve disclosure requirements are in need of revision in light of obvious considerations, including the fact that technologies utilized for oil reserves estimations have evolved significantly since the time when the original rules were established, as well as other developments, in particular the regulatory, physical and litigation-related climate risks that face the industry and the fact that oil and gas companies listed on US exchanges are currently far more dependent on external reserves than they were in the late 1970s when the rules were first drafted. (Today, more than 80% of the total of companies' proved reserves are outside the U.S.). These realities make it more important to reach a general agreement about the need for internationally consistent

standards of reporting. Since the term "reserve" is used throughout the international oil and gas industry with different and often conflicting meanings, there is widespread recognition of the need for a consistent international standard. The IASB is currently reviewing the issue, while filers are faced with different reporting requirements in different jurisdictions. For example, the SEC's current requirements (which permit companies to only report proven reserves) differ from the requirements of other company reporting agencies such as the London Stock Exchange (LSE) and the Australian Stock Exchange, which includes probable reserves as well as proven reserves. (At the same time, the Australian Stock Exchange requires that reported proven and probable reserves be reported net of non-sales volumes of oil and gas -- e.g. fuel used at the project site or flared off, and after removal of inert components.)[1]

We encourage the SEC to consult with other countries' regulators, to seek a common standard of reserves reporting. For such processes (as well as for the SEC's own rules) we would recommend the following:

* We are aware that current SEC regulations require the disclosure of known trends that companies reasonably expect will have a material impact on net sales or revenues or income from continuing operations. For oil & gas companies, regulatory, physical and litigation-related climate risk fall into this category. Regarding reserves reporting, it is therefore important to protect investors by disclosing the percentage of a companies' reported reserves that has a higher than average full lifecycle greenhouse gas emissions associated with extraction, production and combustion of the reserves. These "carbon intensive reserves" are subject to regulatory and litigation risk, as the recent passage of California's Global Warming Solutions Act of 2006 (AB 32)[2] and the Federal Energy Independence and Security Act of 2007[3] demonstrate.

We further believe that the rules adopted should provide for the highest degree of transparency and uniformity across reporting companies. At the same time, to protect investors, we believe the SEC should require strict definitions as to what can be reported as "proven" reserves, at the same time requiring separate reporting of unconventional sources (e.g. oil sands), so that investors are provided with a qualitative as well as quantitative description of the filers' claims. We believe that total reserves could be broken down into various subcategories, depending on the degree of certainty, as suggested by one member of SPE: proven, probable and possible.[4]

Therefore, regarding question # 2 ("Should the Commission consider allowing companies to disclose reserves other than proved reserves in filings with the SEC?), it is our view that the SEC should only do so if additional categorical and descriptive information is required, including, but not limited to:

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[1] See S.P. Stultz-Karim, "Expert Determination in International Oil & Gas Disputes: The Impact of Lack of Harmonization in Reserves Classifications Systems and Uncertainty in Reserves Estimates, SPE 2007. Paper prepared for 15th SPE Middle East Oil and Gas Show, March 11-14, 2007.

[2] http://www.energy.ca.gov/low_carbon_fuel_standard/

[3] http://oversight.house.gov/documents/20080130112607.pdf

[4] See Ferruh Demirmen, SPE, "Reserves Estimation: The Challenge for the Industry," JPT, May 2007.

- Degree of certainty (as mentioned above);
- Type of reserve (API specific gravity, type of oil or gas);
- Full lifecycle greenhouse gas emissions associated with extraction, production and combustion of the reserves;
- Geographical location of significant amounts (e.g. above 100 million barrels)
- The duration and type of contract (and counterparty) under which the reserves are held – in order to reveal potential political and economic uncertainties, as well as the potential impact of certain public policies, including environmental regulations, royalty arrangements and taxes.

In addition, we believe that the reporting requirements should not only reveal the potential quantity and quality of potential reserves, but also the potential risks involved in their development, including regulatory, physical and litigation-related climate risks, political and ecological risks, and any potential liabilities created by the development of such reserves.

Therefore, regarding question # 13 ("Should we consider eliminating the current restriction on including oil and gas reserves from sources that require further processing, e.g. tar sands?"): As mentioned above, in our view those restrictions should be maintained unless the SEC adopts a strict and diverse disclosure framework. Filers should be required to report not only the quantities of marketable oil and gas that are estimated to be derived (rather than in-place petroleum accumulations), but also the full lifecycle greenhouse gas emissions associated with extraction, production and combustion of the reserves, estimated cost (per barrel produced) at which such amounts are estimated to be feasibly developed, as well as the general basis for (i.e. technical certainty) of such estimates, including a description of the type, amount, and quality of geological and engineering data available. In addition, any political risks should be addressed by disclosing the general location, type of contract or claim, and the name of any other parties and counterparties involved.

* Regarding economic producibility (question # 8): Instead of a year-end price, we would encourage the SEC to require filers to use a one-year historical average as well as EIA reference, low and high price scenarios, to account for potential price volatilities.

* Regarding question # 15: In our opinion, the SEC should engage an independent third party (i.e. with no other contractual relationship with the company) to evaluate the filers' reserves estimates in the filings they make with the SEC. A fee should be charged to cover the cost. Professionals who compile reserves information should be appropriately certified, and used on a rotating basis.

* Until and unless there is a revised reporting rule, information about oil and gas resources (including carbon-intensive reserves) not classified as proved reserves should instead be disclosed in notes to the financial statements or reported as required supplementary information.

Investors everywhere are increasingly concerned about the impacts of global warming and the threats of climate change. The issue is broadly recognized as an issue of national and economic security. Ultimately, it may be the greatest challenge that humanity as a whole has faced to date. It is therefore incumbent upon the SEC to require that filers provide investors with information about the carbon content of proven, probable and potential oil reserves in their portfolio, as well as the potential liabilities posed by the continued extraction and use of those reserves.

We look forward to further engaging the SEC on these important questions.

Sincerely,

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