Eni S.p.A.
Divisione Exploration & Production

Sede secondaria in San Donato Milanese (MI)
Via Emilia 1, 20097
Tel. centralino: +39 02520 1
www.eni.it

Sede legale in Roma
Piazzale Enrico Mattei 1, 00144
Capitale sociale € 4.005.358.876,00 i.v.
Registro Imprese di Roma
Codice Fiscale 00484960588
Partita IVA 00905811006
R.E.A. Roma n. 756453

RIV – Prot. 28/08
San Donato M.se, September 08, 2008

Ms. Florence Harmon
Acting Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: "Modernization of the Oil and Gas Reporting Requirements" (File Number S7-15-08)

Dear Ms. Harmon,

Eni S.p.A. ("Eni") is pleased to submit comments on the Securities and Exchange Commission (the "SEC") proposed rules entitled "*Modernization of the oil and gas reporting requirements*".

Eni is an Italian public company, listed on the Italian stock exchange and the New York Stock Exchange, engaged in the oil and gas, electricity generation, petrochemicals, oilfield services and engineering industries.

We would like to express our appreciation for your efforts in revising the oil and gas reserves estimation and disclosure requirements with a view to modernizing the existing rules and guidelines.
We also noted that the proposal reflects most of the comments and suggestions included in our previous letter responding to your Concept Release.
However, in our opinion, some of the rule proposals may have a negative impact for oil and gas companies in terms of the time and costs required for compliance without clear improvement in the information provided to the annual report users.
The following comments are focused on certain critical issues only in order to better clarify Eni's position on this matter.

Eni

Summary of Eni's recommendations to improve SEC proposed modernization of the oil and gas reporting requirements

- **Pricing Assumptions**

The proposed rule requires two different reporting bases in calculating oil and gas reserves: (i) the first one, considering the "12-Month Average Price" for oil and gas disclosure purposes; and (ii) the second one, using the "Single-day Year-end price" for accounting purposes.

(i) "12-Month Average Price" (and Time Period to compute this average)
The SEC is proposing use of an average price for the 12 months preceding the end of the fiscal year. This average would be based on a 12-point average of month-end prices ending with the last day of a company's fiscal year.
In our comments to the Concept Release, we suggested that such 12-month period should end, for year-end reporting companies, on September 30 of each year and we continue to recommend such term in order to allow companies to timely and accurately calculate their reserves taking into account the additional disclosures requirements and the ever growing accelerated filing requirements.
Alternatively, we recommend that this average be computed on the period ending on October 31 or on November 30.

(ii) Prices used for accounting purposes

The Commission is proposing to change the single-day, year-end pricing for the estimation of reserves, but not to modify the prices that are used for accounting purposes.
In particular, companies using either the successful efforts accounting method described in Statement of Financial Accounting Standard ("SFAS") No. 19 or the full cost accounting method, set forth in Rule 4-10 (c) of Regulation S-X, would continue to depreciate oil and gas producing assets using a unit-of-production basis over proved reserves using single-day, year-end prices.
In Eni's opinion, continuing to require the use of the year-end price for purposes of determining reserves for amortization expenses while using a different price for purposes of disclosing reserves estimates in Commission filings would provide misleading information to annual report users, because it would introduce a desalignment between the reserves disclosures required by SFAS 69 and the underlying accounting. This would also involve the need to include further disclosures to explain the different bases for estimating reserves.
Furthermore, such a requirement would impose an unnecessary and significant burden on companies, since the preparation of reserves estimates for purposes of reserves disclosures with an average 12-month price and the assessment of the unit-of-production depreciation with a different price would be extremely costly and time-consuming. In addition, it would double the volume of data required to be collated and used by companies and the related internal control systems and procedures without providing an effective added value to financial statements users.

For the foregoing reasons, we recommend that the Commission adopt a single reference, which is the use of an average 12-month price, both for accounting and disclosure requirements.

- **Voluntary disclosures of Probable and Possible reserves**

As suggested in our earlier comment to the Concept Release, the reporting of reserves should be limited to proved reserves only, because we believe that any benefits arising from the disclosures of unproved reserves would be greatly reduced by the costs and efforts required to guarantee homogeneity and consistency of such reserves data.
We understand that your proposal contemplates voluntary disclosures for the purpose of increasing market transparency and providing investors with additional information.
However, if certain companies begin reporting probable and possible reserves, there may be market pressure for other companies to do the same.
This would force companies to provide additional reporting of probable and possible reserves which will result in significant costs for companies and will expose investors to the risk of confusion arising from the uncertainties associated with such disclosures.
Hence, we suggest that disclosures should be limited to proved reserves only.

- **Expanded disclosure requirements**

We note that a significant number of disclosures, which were not contemplated in the previous SEC "Concept Release", have been added in the current proposed rule.
As a general matter, we would like to express our doubts about the fact that the proposed increase in details and complexity of the disclosures would actually benefit investors in terms of clarity and transparency.
In addition, the impact in terms of costs and time in adjusting company processes, the relevant tools and the subsequent training of the dedicated resources is to be taken into adequate account and – we feel – has not been properly addressed in the SEC estimate of the incremental efforts.

a) Proved Undeveloped Reserves

The proposed rule requires a series of new disclosures about Proved Undeveloped Reserves ("PUDs") and, in particular, the summary of all the PUDs that are older than five years, the reasons for those remaining undeveloped, details on the development plans and principal changes thereto. Such rule proposal also requires that the conversion from PUDs to Proved Developed Reserves ("PDs") for each of the last five years and the investments necessary to carry out such a conversion should be disclosed in tabular format.
Given the complexity of such disclosures and the significant updating of the existing processes that would be required without clear benefits for investors, we suggest that the Commission eliminate the request for these new disclosures. The cost/benefit test, in our view, has not been satisfied.

b) Geographic area

The rule proposal introduces a new definition of "geographic area". According to this new definition, reserves are broken down by continent and additional information is requested for any country with reserves amounting to 15% or more of the company's total oil or gas reserves and for each field containing 10% or more than the company's total oil or gas reserves. We

understand that once the geographic separation is determined, the same break down is required for other data such as production, prices, drilling activity, wells and acreage.
We believe that such detailed disclosures in a rigid geographic segmentation will result in many instances in a non optimal representation. In addition, the disclosures of information at field or basin level may jeopardize the company's negotiating position as well as asset sales. Moreover, the disclosures of information on particular fields could be restricted by local law or regulation.
It would be unfortunate if a listing in the United States and related disclosure obligations were to put a company at a comparative disadvantage with its unlisted competitors.
For all these reasons, we suggest that the SEC do not adopt these additional disclosure requirements. The determination of the most appropriate geographic categorization should be left to the companies as per the current requirements.

c) Drill well disclosures

The Commission is proposing to expand the disclosures related to drill wells. In addition to the current categories of exploration and development wells, the proposal would require to provide further information about two new categories, extension wells and suspended wells.
We do not believe that such proposed additional information would be useful to investors in evaluating a company's economic value.
Moreover, there could be potential issues with the interpretation of the new definitions that would lead to inconsistent disclosures provided to investors.
Therefore, we suggest that the Commission do not adopt the proposed disclosure requirements concerning drilling activities.

d) Technology to support reserve additions

Under the new proposal, issuers are required to disclose the technology used to justify the recognition of reserves additions. In Eni's opinion, this requirement is problematic since reserve recognition is based on the use of various technologies and methods. Therefore, making reference to only one technology would be incorrect. Conversely, disclosing the various technologies used in the recognition of the added reserves would make such disclosure impractical and technically complex. We believe that company's management should be trusted with the ability to appropriately recognise technological innovation and breakthroughs which support their project investment decisions. For these reasons, we recommend deleting the proposal of this requirement.
As an alternative we suggest the Commission require a general overview of technologies used by companies.

e) Qualification of reserves estimators

As for the reserves estimators, we concur that such estimators should have the appropriate qualifications and expertise to guarantee that reserves are evaluated and certified in compliance with a set of rules and principles generally in use in the oil and gas industry. Nevertheless, we deem that the disclosures required by the new proposal are technically and practically complex given that in large companies such estimators are numerous and located worldwide. Moreover,

the different qualifications are hardly comparable since they are issued by different countries, states and institutions.

- **Alignment of oil and gas reserves definitions**

The rule proposal provides an oil and gas reserves definition which refers, among other conditions, to the "legal right to produce". In our opinion this condition is too narrow and it seems to be inconsistent with the principles-based approach pursued by the Commission. In addition, the Society of Petroleum Engineers (SPE) system does not require an entity to have the legal right to extract the oil and gas before being able to declare a reserve. In fact the SPE states that for a project to be included in the reserves classification "there must be a reasonable expectation that all required internal and external approvals will be forthcoming".
For the above reasons, we believe that the Commission should modify the proposed reserve definition in order to make it broader and more consistent with the SPE system.

As a general suggestion, we recommend that the Commission ensure alignment with FASB and IASB rules and related guidelines about oil and gas industries, coordinating rule changes with these boards. In this way, a common set of rules would provide comparable and transparent information in company's report.

Finally we observe that the SEC proposal does not deal with the disclosures of equity company reserves. As part of the effort to modernize oil and gas reporting disclosures, we support the combined reporting of consolidated subsidiaries and equity companies since the separate disclosure may create confusion to the financial statement users.

We are grateful for this opportunity to comment on the proposed revisions to the oil and gas reserves disclosure requirements and we are available to discuss the above with the Commission.

Sincerely,

Innocenzo Titone
Reserves
Senior Vice President