

**22ND ANNUAL
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**THE MODERNIZATION OF SEC OIL AND GAS
DISCLOSURE RULES**

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Ron Baker, a Director in LECG's Houston office, has more than a decade of experience in accounting consultation, forensic accounting, insolvency, and litigation support. He began his career in 1994 as an auditor at the public accounting firm of Arthur Andersen, where he gained extensive experience in mergers and acquisitions. During his time in public accounting, Mr. Baker concentrated almost exclusively on serving the needs of his energy clients.

After leaving public accounting, Mr. Baker worked as a derivatives and hedging expert for a large international energy company, providing continuous consultation, and managing the worldwide implementation of *FAS 133, Accounting for Derivatives and Hedging Activities* for his employer. During this time, he provided training on the subject of derivatives and hedging for various internal and external groups, was interviewed by industry periodicals, and was a guest speaker at the 2001 European Derivatives Conference in London.

In 2002, Mr. Baker began work in the areas of forensic accounting and litigation support on the Enron bankruptcy and related litigation. His work included managing a detailed forensic analysis of over 120 of Enron's off-balance sheet transactions for litigation and federal investigation purposes. During this time, he also managed an extensive avoidance action analysis, conducted fraud investigations and consulted with senior estate management on various transactional accounting and bankruptcy issues.

Mr. Baker continues to provide a broad range of accounting consultation and litigation support services to clients. He joined LECG as a Director in 2008.

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The Modernization of SEC Oil and Gas Disclosure Rules

BY:
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INTRODUCTION

Why did this take so long? Surely, many people in the oil and gas industry have been asking that question since the Securities and Exchange Commission (“SEC”) first began this project. If there was ever a set of rules that needed modernization, this was it. It may have come decades later than many would have liked, but it is a welcome occasion for most in this industry.

Over the past decade, the financial news has been rampant with stories of bankruptcies, financial fraud, corporate greed, and financial reporting restatements. In response, the public and, of course, Congress has looked to the SEC, among others, for explanations.

Why doesn’t the system work? Why can’t an investor look at a set of financial statements and really understand the true value of a company? How can an investor have enough trust to risk their savings if they don’t have a full picture of a company’s assets?

While these changes don’t garner the kind of headlines that dominate recent financial news and certainly don’t address the issues regarding fraud, the changes are very significant, and are an example of how the system can work.....it just takes time. This is a perfect example of a situation when the interest of the public good and the interest of corporate America are completely in synch. The investing public has an absolute need and right to complete accurate and useful information in order to make their investment decisions. Unfortunately, the existing rules for companies with oil and gas assets, and especially companies focused entirely in the area of exploration and production, were literally restricted from providing a full or accurate picture of complete and useful information by the very rules which were intended to protect the investing public.

With the release of *Final Rule, Modernization of the Oil and Gas Reporting Requirements* (the “Final Rule”), the SEC has addressed these issues, and, perhaps more importantly, has taken measures to make the rules adaptive for the future of this industry.

¹ Ron E. Baker is a Director for LECG. He is a certified public accountant. Ron has over 14 years of professional experience. He provides technical accounting consultation, forensic accounting and litigation support services, with particular emphasis on derivatives, energy and bankruptcy.