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June 27, 2011: Markey to SEC: Natural Gas Reporting Rules Violating “Trust, but Verify” Principle

New Rules by Financial Watchdog Allows Self-Reporting of Reserves by Nat Gas Cos.; Congressman Sends Investigative Letter to Agency

WASHINGTON (June 27, 2011) – Rep. Ed Markey (D-Mass.) today asked the Securities and Exchange Commission whether a 2008 rule allowing natural gas companies more flexibility in how they reported on unproven gas reserves had allowed the companies to paint an overly-optimistic picture of their reserves and the industry’s potential contribution to America’s energy needs. The letter was sent by Rep. Markey in response to an article published in today’s New York Times questioning whether these new rules provide investors with sufficient information regarding natural gas reserves and why they fail to provide for third-party verification of reported reserves.

“The SEC rules allow natural gas companies to self-report their reserves without providing enough detail or independent review of their claims,” said Rep. Markey, the Ranking Member of the Natural Resources Committee. **“When it comes to fuel that millions of Americans depend upon to meet their energy needs, the SEC should not violate the ‘trust, but verify’ principle. The SEC needs to provide answers on how they think these new rules could be affecting assumptions of domestic natural gas reserves.”**

The full letter sent by Rep. Markey to the Chair of the SEC, Mary Shapiro, is available [HERE](#).

Under prior SEC rules, natural gas companies were allowed to count gas only from areas close to their active wells as part of their proven reserves. Under the 2008 rules adopted by the Bush administration just days before former Chairman Christopher Cox’s departure from the commission, companies can now include gas from yet untapped fields based on modeling methods. The Times article reports that natural gas companies were not required under the rule to disclose precise details about the technology used to estimate reserve sizes, and that while the SEC considered requiring third party audits to verify the new reserve estimates, it did not do so in the final rule.

The letter today follows a similar inquiry sent by Rep. Markey to the Energy Information Administration about their reported staff concerns regarding the official estimates of domestic natural gas reserves. That letter can be found [HERE](#).

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