

Disclosure Extension of Oil and Gas Reserve Quantum

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Abstract : This paper examines the extent of disclosure of oil and gas reserve quantum in annual reports of international oil and gas exploration and production companies, particularly companies in untested international markets, such as Canada, the UK and the US, and seeks to determine the underlying factors that affect the level of disclosure on oil reserve quantum. The study is concerned with the usefulness of disclosure of oil and gas reserves quantum to investors and other users. Given the primacy of the annual report (10-k) as a source of supplemental reserves data about the company and as the channel through which companies disseminate information about their performance, the annual reports for one year (2009) were the central focus of the study. This comparative study seeks to establish whether differences exist between the sample companies, based on new disclosure requirements by the Securities and Exchange Commission (SEC) in respect of reserves classification and definition. The extent of disclosure of reserve is provided and compared among the selected companies. Statistical analysis is performed to determine whether any differences exist in the extent of disclosure of reserve under the determinant variables. This study shows that some factors would affect the extent of disclosure of reserve quantum in the above-mentioned countries, namely: company's size, leverage and quality of auditor. Companies that provide reserves quantum in detail appear to display higher size. The findings also show that the level of leverage has affected companies' reserves quantum disclosure. Indeed, companies that provide detailed reserves quantum disclosure tend to employ a 'high-quality auditor'. In addition, the study found significant independent variable such as Profit Sharing Contracts (PSC). This factor could explain variations in the level of disclosure of oil reserve quantum between the contractor and host governments. The implementation of SEC oil and gas reporting requirements do not enhance companies' valuation because the new rules are based only on past and present reserves information (proven reserves); hence, future valuation of oil and gas companies is missing for the market.

Keywords : comparison, company characteristics, disclosure, reserve quantum, regulation

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