



Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Concept Release on possible revisions to the disclosure requirements relating to oil and gas reserves (File No. S7-29-07)

Dear Ms. Morris,

We are pleased to respond to Release No. 33-8870, in which the Securities and Exchange Commission (the “SEC”) has solicited information about the extent and nature of the public’s interest in revising oil and gas reserves disclosure requirements currently existing under the SEC rules.

Eni S.p.A. (“Eni”) is a public company, listed on the Italian Stock Exchange and the New York Stock Exchange, incorporated under the Laws of Italy. Eni, with its subsidiaries, is engaged in the oil and gas, electricity generation, petrochemicals, oilfield services and engineering industries. Eni has adopted comprehensive classification criteria for proved (developed and undeveloped) oil and gas reserves in accordance with U.S. Securities and Exchange Commission (“SEC”) regulation, as provided for in Rule 4-10 of Regulation S-X.

Eni would like to take this opportunity to express its appreciation for the Staff and the Commission’s efforts in revising the disclosure requirements.

It is a project we strongly endorse.

Oil and Gas Reserves Disclosure

The SEC’s reserves reporting system based on the rules established in 1978 needs, in Eni’s opinion, to be revised and reconsidered also in view of the several technical and commercial changes occurred in the oil and gas industry in the past 30 years.

In particular, the SEC rules, when adopted, applied mostly to US companies and the majority of their reserves were located in the United States. Today, the SEC rules may be considered as a global reserves reporting system in light of the fact that most of the world’s largest privately owned oil and gas companies are SEC registrants subject to the SEC reserve and other disclosure rules. Nowadays, the oil and gas reserves held by the universe of registrants is largely located not on the United States on-shore but in a wide variety of geographies and geological environments across the world.

Such significant changes recommend that the reserves reporting system be restructured.



Such rules, as revised, should emphasize the role of private oil and gas companies and their management' ability to evaluate their business and to achieve their industrial objectives through a comprehensive reserves reporting system, which reflects current geological and engineering data and innovations.

The current SEC definition of proved reserves appears not to reflect the evolution of oil and gas technologies and their subsequent practical application. As the SEC considers the best framework for updating the current rules, we would be in favour of the adoption of the Society of Petroleum Engineers ("SPE") reserves definitions and guidelines. We believe that the Commission could recognize to the SPE Oil and Gas Reserves Committee the authority to update the current definition and classification of reserves and associated technical guidelines and, going forward, to make the necessary and timely revisions to those definitions and guidelines. This approach would mirror the SEC's longstanding approach of looking at the private sector for leadership in establishing and improving accounting principles and standards through the Financial Accounting Standards Board ("FASB"), including with respect to accounting matters relating to reserves reporting. In the same way, we believe that the authority, with regard to the technical matters relating to reserves disclosure, could be recognized to the SPE. We acknowledge that, the acquisition of a "standard setting role" by the SPE, among others, would depend on the SEC evaluation of the appropriateness of SPE structure and governance.

The adoption of the SPE definitions and guidelines would be consistent with technological advancements occurred in the hydrocarbon industry and would achieve a principles based regime, thereby overcoming the current fragmentation of rules; in this context, the use of seismic data and any available geological and engineering information would be taken into account by companies as they form their professional judgement and make decisions and should be considered sufficient for determining proved reserves (developed and undeveloped) for reporting purposes. In particular, the concept of "reasonable certainty" is appropriate and, therefore, should be maintained. However, such concept is necessarily subjective and should be applied (and periodically monitored) with reference to the SPE accepted techniques. The same considerations apply, respectively, to the concepts of "economic producibility" and "existing economic and operating conditions" which are to be supported by either technical or commercial management views. This approach, in line with the SPE requirements, would also be consistent with a principles-based system.

The reporting of reserves should be limited to proved reserves only. Any benefits arising from the increased information on a company's value that would be associated with the disclosure of unproved reserves or resources would be greatly reduced by the effort required to guarantee consistency, homogeneity and quality of such information.

The currently prescribed use of year-end pricing, as of December 31 of each year, to calculate reserves has become less and less meaningful as the volatility of oil and gas prices has increased over the past several years. Such method does not reflect, and has no bearing on, the hydrocarbon industry's strategic planning. We suggest that reserves be calculated on the basis of the average price for the 12-month period ending September 30 each year. This would avoid the current drawbacks of a single day reference price and using the earlier date will facilitate the

preparation of year-end financial statements. At the same time, the rule would continue to provide a common reference for reserves estimates across the industry.

The process of modernisation of the SEC rules should recognise and incorporate all technological innovation and advancement which significantly improve how oil and gas companies identify their hydrocarbon reserves and support their project investment decisions. Unconventional resources and non conventional integrated projects (e.g.: “Tar sands”, “Ultra deep water”, “Lng” and “Gtl”), represent an increasing proportion of exploration and production investments. An increasing number of long term and integrated projects include a downstream component that is directly related to the upstream operations and shares in the same economic risk associated with the upstream investment. However, the current SEC rules and regulations do not provide an adequate treatment for such projects and the booking of related reserves is disfavoured under the current rules. This “gray area” does not allow stakeholders and investors in general to gain an accurate perception of a company’s value reflecting management’s investments plans and decisions making processes.

Furthermore, the Commission should eliminate the current exclusion of such unconventional resources (crude oil, natural gas, and natural gas liquids, that may be recovered from oil shales, coal, gilsonite and other sources) from the estimate of proved reserves and include a more general principle recognizing that hydrocarbons recoverable from current and future unconventional resources can be included within proved resources so long as the “reasonable certainty” standard is met.

Finally, in Eni’s opinion, oil and gas companies should not be required to engage an independent third party to evaluate their reporting of reserves.

Conclusions

In summary, our principal comments and suggestions are as follows:

- The SEC should adopt the SPE reserves definitions and guidelines;
- The reporting of reserves should be limited to proved reserves only;
- The concept of “reasonable certainty”, “economic producibility” and “existing economic and operating conditions” should be maintained but implemented applying the SPE guidelines;
- The year-end pricing, on December 31 each year, should be replaced with annual average price as of September 30 each year;
- The current exclusion of unconventional resources (crude oil, natural gas, and natural gas liquids, that may be recovered from oil shales, coal, gilsonite and other sources) should be eliminated;



- Non conventional integrated projects where the downstream component is connected with the upstream commitment should be adequately addressed in the reserves definitions;
- Oil and gas companies should not be required to engage an independent third party to evaluate their reporting of reserves.

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

A handwritten signature in black ink, appearing to read "Titone", written over the printed name.