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SPENCER BACHUS, AL, CHAIRMAN

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

BARNEY FRANK, MA, RANKING MEMBER

August 21, 2012

The Honorable Mary L. Schapiro
Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chairman Schapiro:

Section 1504 of the Dodd Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203) (the "Dodd-Frank Act") requires issuers engaged in the commercial development of oil, natural gas, or minerals to disclose in an annual report certain payments made to the United States or a foreign government. As the U.S. Securities and Exchange Commission (SEC) finalizes the rule to implement Section 1504, I encourage the SEC to use the flexibility provided by the Dodd-Frank Act to issue a final rule that does not run counter to section 23(a)(2) of the Securities Exchange Act of 1934 ("the Exchange Act"), which prohibits the SEC from adopting any rule that imposes a burden on competition not necessary or appropriate in the furtherance of the Act.

Section 1504 of the Dodd-Frank Act requires resource extraction companies to disclose payments made to each government and for each project. Congress did not define the word "project," leaving the SEC to use its authority to craft a definition that would provide investors with this new disclosure and avoid competitive harm to public companies. During the comment period, U.S. companies expressed strong concerns that a narrow definition of "project" would require the disclosure of proprietary information, placing them at a competitive disadvantage with companies that do not offer their stock to the public in the United States. Public companies control less than 10 percent of the world's oil and gas resource base and compete against large national or government-owned energy corporations for contracts. It is necessary for public companies to keep some contract terms and land acquisitions confidential to prevent private competitors from exploiting the disclosed information. Furthermore, the disclosure of specific information could also threaten the safety and security of U.S. personnel by revealing their exact location in dangerous countries. As the SEC formulates its definition of "project," the Commission should evaluate how project-level reporting could affect the ability of U.S. companies to compete against government-owned or privately-held companies.

Defining a project on a multi-country level, like a geologic basin for example, is consistent with the statutory language and intent of Section 1504. The Dodd-Frank Act does not require project-level reporting to be a subset of government-level reporting. Boundaries of geologic extraction projects do not fall neatly within political boundaries. Geologic projects may encompass multiple governments, portions of multiple countries or portions of a single government. The statute does not prohibit multi-country level reporting for projects, nor would multi-country level reporting allow multiple companies to aggregate project payments. Each resource extraction issuer may report its individual payments for projects that span multiple countries.

The SEC should construct a rule consistent with the plain meaning of Section 1504 and must thoroughly evaluate competitiveness costs expressed by numerous commentors. The SEC's three-part mission statement is not mutually exclusive. The Commission's final rule to implement Section 1504 need not disproportionately favor the protection of investors over the promotion of fair, orderly and efficient markets and the facilitation of capital formation.

Thank you for your attention to this important issue.

Sincerely,

SPENCER BACHUS
Chairman