

Congress of the United States
Washington, DC 20515

Honorable Mary Jo White
Chair, U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

July 24, 2015

Dear Chair White:

We write to ask the Securities and Exchange Commission (SEC) to assess the adequacy of and need for additional financial disclosure of publicly traded oil and gas exploration companies operating in the Outer Continental Shelf, and in particular in the Arctic Ocean. We request this assessment in order to ensure that companies are in compliance with the Securities Exchange Act of 1934, the Securities Act of 1933, and SEC Rule 10b-5, which require full and fair disclosure of the material risks to a public company.

Offshore oil and gas activities come with significant financial risks, and operating in the Arctic multiplies those risks. A catastrophic spill in the Arctic Ocean would devastate coastal communities and sensitive ocean ecosystems, and would likely result in costs to the responsible party on the order of tens of billions of dollars. In addition, clean-up of an oil spill in the Arctic would be hindered—or rendered impossible—by ice, weather, darkness, and the lack of infrastructure in this remote and dangerous region.

These risks are not speculative. For example, Shell's efforts to drill Arctic exploration wells in 2012 resulted in a series of equipment failures and, ultimately, the grounding of the *Kulluk* drill rig. Yet Shell's disclosures to-date provide investors with only limited generalities about the potential for an accident and nothing about the reduced effectiveness and lack of testing of oil spill response techniques and technologies in Arctic conditions.

Indeed, as Former Interior Secretary Ken Salazar said, "[T]he Arctic is a very difficult environment to operate in. Shell is one of the most resource-capable companies in the world [and] they encountered a whole host of problems in trying to operate up there."

For these reasons, we seek full public disclosure of the material risks inherent in searching for and developing oil and gas in one of the most remote and dangerous places on earth. Full disclosure of financial risk is necessary to protect investors by enabling them to make more informed investment decisions. Pursuant to the Securities Exchange Act of 1934, the Securities Act of 1933, and Rule 10b-5, public oil and gas exploration companies have an obligation to fully disclose material risks to their businesses.

We respectfully request the Securities and Exchange Commission to assess the need for additional financial disclosure of publicly traded oil and gas exploration companies operating in the Outer Continental Shelf, and in particular in the Arctic Ocean, and provide us with an explanation and justification for the status quo or further disclosure.

Sincerely,



RAÚL GRIJALVA
Ranking Member
Committee on Natural Resources



MAXINE WATERS
Ranking Member
Committee on Financial Services



ALAN LOWENTHAL
Ranking Member
Subcommittee on
Energy and Mineral Resources