Summary

The Office of the Comptroller of the Currency (OCC) issued today the "Oil and Gas Exploration and Production Lending" booklet of the Comptroller's Handbook. This revised booklet replaces the "Oil and Gas Production Lending" booklet issued in April 2014.

This booklet provides updated guidance to examiners on the risks inherent in lending to upstream oil and gas exploration and production companies and provides supervisory guidance on prudent risk management of this lending activity. The booklet includes expanded examiner guidance for evaluating exploration and production loans and the impact that these lending activities have on the risk profile and financial condition of national banks and federal savings associations (collectively, banks).

Note for Community Banks

This booklet applies to examinations of all banks engaged in oil and gas exploration and production lending.

Highlights

The revised "Oil and Gas Exploration and Production Lending" booklet

- expands descriptions of the oil and gas business, types of oil and gas reserves, and lending structures.
- expands descriptions of prudent risk management for this line of business.
- expands and clarifies regulatory rating characteristics and factors that examiners should consider when evaluating oil and gas exploration and production loans, including application of accrual accounting guidelines.
- clarifies the differences between traditional asset-based lending and oil and gas reserve-based lending.
- expands the discussion of the allowance for loan and lease losses.

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Related Link

- "Oil and Gas Exploration and Production Lending" (PDF)