Accounting for Oil And Gas Hedges: The Good, the Bad, and the Ugly

An increase in U.S. domestic crude oil and natural gas production coupled with transportation infrastructure limitations have resulted in supply and demand imbalances across the country and increased market price volatilities, reports a white paper posted by *Oil & Gas Financial Journal* and sponsored by Opportune.

As a result of the imbalances and volatilities, energy companies continue to enter into OTC and exchange traded energy derivative instruments to manage commodity price risk.

"While these energy derivatives can be effective economic hedges, they do present management with challenges springing from the complex rules that dictate how they should be recorded in financial statements," the report says.

The article discusses the complex accounting rules for these instruments as well as the accounting challenges specific to the energy industry.

Read the white paper.