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## Exploring Possible Effects of Changes in Capital Structure on the Market Value of Oil and Gas Companies

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### Abstract

*This paper aims to test the effect of changes in capital structure on the market value of oil and gas companies. Tests are performed in order to see if changes in capital structure affect market value. These tests are performed on three dimensions: over the long-term (the 10 year period between 1998-2007); the short-term (for one year – 2006); and for announcements of changes in capital structure. The findings of the long-term test show no significant relationship between changes in capital structure and changes in market value. However, the short-term and announcement tests show a generally positive relationship between changes in capital structure and changes in a company's market value. This paper is one of the few to combine long-term and short-term tests to study the effect of changes in capital structure on oil companies' market value. Indeed, it is one of only a handful of papers which examine the capital structure of oil companies.*

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