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August 6, 2004

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Letter of Comment No:
File Reference: FSPFAS142B

Date Received: 8/

FSP FAS 142-b Application of FAS 142 to Oil and Gas Producing Entities

Dear Larry:

The Accounting Committee of the American Petroleum Institute (API) wishes to express its views on the Proposed FASB Staff Position No. 142-b, entitled Application of FASB Statement No. 142, Goodwill and Other Intangible Assets, to Oil and Gas Producing Entities (FSP FAS 142-b).

As you know, in a letter dated July 15, 2003 to the Securities and Exchange Commission, API expressed concern over a tentative conclusion reached by the Commission that upon the adoption of FAS 141 and FAS 142, the costs of acquiring contractual mineral interests in oil and gas properties should be classified on the balance sheet as intangible assets. In that letter API offered several reasons supporting its position that these costs should continue to be recorded as tangible assets, which is consistent with industry's application of FAS 19. One of the reasons put forth was that paragraph 8(b) of FAS 142 scoped the accounting prescribed by FAS 19 out of the provisions of FAS 142. FSP FAS 142-b has now clarified that this scope exception includes the balance sheet classification and disclosures for drilling and mineral rights of oil and gas producing entities. This clarification is consistent with the position of API and we therefore support FSP FAS 142-b.

API appreciates the FASB Staff's attention to this issue.

Very truly yours,

R. H. Stock

Chair, Accounting Committee American Petroleum Institute