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Dallas, Texas 75218**

**SENT VIA EMAIL**

July 29, 2004

Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
P. O. Box 5116  
Norwalk, CT 06856-5116

Letter of Comment No: /0  
File Reference: 1099-001  
Date Received:

Re: Proposed Interpretation– *Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143*

I am writing to provide my comments on the above referenced Proposed Interpretation.

1. I do not believe a conditional asset retirement obligation meets the definition of a liability under FASB Concepts Statement No. 6 if it is not probable that the conditional event giving rise to the obligation will occur. As noted in paragraph B8 of the Proposed Interpretation, FASB Concept Statement No. 6 defines liabilities as probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events. Use whatever definition of **probable** you want – from FASB Statement No. 5, Webster’s Dictionary, or some other definition. If the conditional event giving rise to the asset retirement obligation is not probable of occurring, no liability has been incurred under the FASB Concepts Statement No. 6 definition, and an asset retirement obligation is not recognized under FASB Statement No. 143 (consistent with paragraphs 3 and 4 of that Statement). The Board should modify the Proposed Interpretation to be consistent with this recognition standard.
2. Regardless of whether or not the Board chooses to retain the recognition criteria contained in the Proposed Interpretation (the recognition criteria of which I do not agree, as noted above), the Board needs to expand the illustrative examples contained in Appendix A. The conclusion in Example 4 is that no asset retirement obligation is recognized because, while the useful life of the refinery is not infinite, the refinery has an indeterminate useful life because of maintenance and replacement activities. However, this “maintenance and replacement activities” argument (which effectively functions as a scope exception to the Statement’s generally intended recognition criteria) could just as easily be applied to the factory containing asbestos (Example 1) or the wood poles (Example 2), yet the conclusion in both of those examples is that an asset retirement obligation must be recognized. The Board needs to expand the guidance in the Examples to eliminate this confusion and inconsistency, otherwise Example 4 will likely become the basis on which conditional asset retirement obligations will not be recognized.

Thank you for considering these comments.

Sincerely,

Greg Swalwell