



February 25, 2005

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Financial Accounting Standards Board
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Letter of Comment No: / File Reference: FSPFAS19A

FSP No. FAS 19-a: Accounting for Suspended Well Costs

Dear Larry:

The Accounting Committee of the American Petroleum Institute (API) wishes to express its views on the Proposed FASB Staff Position No. FAS 19-a, entitled Accounting for Suspended Well Costs (FSP FAS 19-a).

In general API supports FSP FAS 19-a. It is consistent with the principles underlying Statement of Financial Accounting Standards No. 19, Financial Accounting and Reporting by Oil and Gas Producing Companies (FAS 19) while at the same time it recognizes the operational and technical realities of exploring for oil and gas in today's business environment. API does believe however that the following suggestions would enhance the effectiveness of FSP FAS 19-a:

- Revised FAS 19 paragraph 31 API suggests re-wording the first criterion for capitalizing exploratory wells beyond one year as follows "if the well has found a sufficient quantity of reserves to justify proceeding with the project plan and...." The underlined section removes the emphasis from completion of the exploratory well as a producing well and places it on proceeding with the project. This is a more workable requirement, as the project plan does not always call for exploratory wells being completed as producing wells.
- <u>Disclosures FSP FAS 19-a paragraph 10</u> API has the following suggestions to improve the disclosure requirements:
 - Disclosing the information required by paragraph 10 on a quarterly basis would not provide significantly more useful information than if it was required only annually, but would be unnecessarily costly and burdensome. As an alternative to full quarterly disclosures, API suggests that the paragraph 10 disclosures be required annually but supplemented with quarterly qualitative information on any significant changes from the prior year.

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- Paragraph 10(b) requires disclosure of the number of wells that are suspended. API does not believe that this information would serve any useful purpose and recommends that it be removed.
- Paragraph 10(c) asks for "information still required to classify the associated reserves as proved". API believes that a more useful disclosure would be for "activities" that were still required rather than "information", which would be a natural follow-up to the information required by the first part of paragraph 10(c).
- The requirement in paragraph 10(c) to provide the "estimated timing for completing the evaluation of the reserves" is forward-looking information and should not be required in the notes to the financial statements. API believes that this information is more appropriately in the Management Discussion and Analysis section of the SEC 10-K filings for public companies.

API appreciates the FASB Staff's attention to this issue and if you wish to discuss any of these comments, please call me at (972) 444-1252.

Very truly yours,

R. H. Stock

Chair, Accounting Committee American Petroleum Institute