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October 15, 2009

Mr. Russell Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
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Submitted by e-mail to: director@fasb.org

Re: File Reference No. 1730-100 – Exposure Draft: Topic 932 – *Oil and Gas Reserve Estimation and Disclosures*

Dear Mr. Golden:

Chevron is pleased to provide comments to the Financial Accounting Standards Board (FASB) on its Exposure Draft for the proposed Accounting Standards Update (ASU) of Topic 932 related to *Oil and Gas Reserve Estimation and Disclosures*.

Chevron has participated with other member companies of the American Petroleum Institute (API) in recent months to assist the FASB staff in its efforts to incorporate changes to Topic 932 made necessary by the final rule of the Securities and Exchange Commission (SEC), *Modernization of Oil and Gas Reporting Requirements*. We sincerely appreciate the cooperation extended by the FASB staff to the API companies. The API's comment letter on the Topic 932 Exposure Draft was submitted separately on October 15, 2009. Chevron fully endorses the comments made in that letter.

Matters in the API letter of particular importance to Chevron are as follows:

1. *Definitions of "extension well" and "exploratory well"*

As explained in detail in the API letter, we believe the definition of an extension well in the Exposure Draft would require companies to change the accounting for, and disclosure of, these wells from exploratory to development. We do not believe such a change is warranted and request the accounting and disclosure rules be written consistent with the prior text in FAS 19, *Financial Accounting and Reporting by Oil and Gas Producing Companies*.

2. *Equity method investments in significant oil and gas activities*

We support the proposal to expand the detail provided in the supplemental oil and gas tables for equity-method investments. Chevron has voluntarily provided such detail for more than a decade. We also support the proposal to permit the disclosure of the summation of the amounts or quantities for the consolidated and equity-method investments.

We note, however, that the "illustrations" in the Exposure Draft require the same geographic segregation of consolidated and equity-method investments. For Chevron (and perhaps many other companies), this would result in the disclosure of *de minimis* consolidated and equity-method information for certain geographic areas. [For example, Chevron has significant equity-method investments that would require separate country disclosures for Kazakhstan. However, Chevron's consolidated investment in Kazakhstan consists of one field. We believe neither the SEC nor the FASB would intentionally require disclosure of such *de minimis* (and what Chevron considers proprietary) information.]

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Accordingly, we request companies be given the latitude to adjust the “illustrations” to provide information meaningful under the circumstances. Suggested language that would provide this latitude is shown as underlined text below:

Excerpt from page 18 of the Exposure Draft:

>> Example 1: Reserve Quantity Information

932-235-55-2 This Example illustrates the guidance found in paragraphs 932-235-50-3 through 50-11 regarding reserve information. Presentation of information in this Example may be arranged to avoid disclosure of *de minimis* information for either consolidated or equity investments for any particular geographic area.

We also offer comment on a matter not included in the API letter. The following is excerpted from page 2 of the Exposure Draft:

The proposed amendments to Topic 932 would be...applied prospectively as a change in estimate.

We agree with the FASB that the changes in Topic 932 represent a change in accounting estimate. We note that the SEC states the following on page 91 of its final rule, *Modernization of Oil and Gas Reporting*: “We believe that any accounting change resulting from the changes in definitions and required pricing assumptions in Rule 4-10, should be treated as a change in accounting *principle* that is inseparable from a change in accounting estimate...” (emphasis added).

The only accounting change resulting from the SEC changes is the impact on the unit-of-production (UOP) calculation of depletion and depreciation. The SEC changes affect disclosures in 2009 and the amount of UOP depreciation beginning in 2010. The UOP depreciation method (i.e., the accounting “principle”) does not change. No change in accounting principle has occurred. We note also that under the old SEC rules, the reserve-quantity estimates were affected every year by a change in the price and cost assumptions. These changes were always considered changes in estimates, not a change in accounting principle.

* * *

We trust our comments, and those of the API, are helpful to the FASB in developing the final ASU in this important area. We encourage the FASB to finalize the ASU as soon as possible after the comment deadline on October 15, 2009.

If you have any questions on the content of this letter, please contact Al Ziarnik, Assistant Comptroller, at (925) 842-5031 or at apzi@chevron.com.

Very truly yours,

