15 October 2009

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

Dear Sir or Madam

Re: File Reference No. 1730-100 Proposed Accounting Standards Update: Oil and Gas Reserve Estimation and Disclosures

We are grateful for the opportunity to respond to the questions in the Exposure Draft (ED). We have some general comments below followed by responses to the individual questions in the ED.

In general, we support the Financial Accounting Standards Board’s (FASB) fundamental changes in the ED for the proposed Accounting Standards Update for Topic 932. The reporting of oil and gas reserve disclosure information is very important to our industry, investors, and other users of financial statements. Although our basis of accounting is International Financial Reporting Standards (IFRS), we utilize US Generally Accepted Accounting Principles for extractive industry accounting pronouncements in absence of an applicable standard within IFRS. As a foreign private issuer with the Securities and Exchange Commission (SEC), we believe Topic 932 generally aligns with the SEC’s final rules for oil and gas reporting requirements. Additionally, we generally concur with the recommendations included within the American Petroleum Institute’s (API) comment letter to the FASB.

We support the key provisions as reflected in the ED as summarized below:

- Expanding the definition of oil and gas producing activities to include the extraction of salable hydrocarbons, in the solid, liquid, or gaseous state, from oil sands, shale, coalbeds, or other nonrenewable natural resources that are intended to be upgraded into synthetic oil or gas, and activities undertaken with a view to such extraction.

- Amending the definition of proved oil and gas reserves to indicate that entities must use the average, first-day-of-the-month price during the 12-month period before the ending date of the period covered by the report rather than the year-end price, when estimating reserve quantities that are
economical to produce, including the pricing used in a company’s standardized measure of discounted future net cash flows. The use of an average price will lessen any impacts of volatility.

- Requiring that an entity separately disclose information about reserve quantities and financial statement amounts for geographic areas that represent 15% or more of total proved reserves.

- Clarifying that an entity’s equity-method investments must be considered in determining whether it has significant oil and gas producing activities. We support the separate disclosure for amounts and quantities for consolidated and equity-method investments and the permitted disclosures of a combined total for consolidated and equity-method investment amounts and quantities.

However, we recommend an entity have the option of using either the alternative disclosure reporting as presented in the Appendix of the ED, by which entities may provide the detailed reporting disclosures on a total world basis vs. continent by continent displays, with some qualifying modifications as presented in the API response, or the disclosures represented in example illustrations 932-235-55-2 through 932-235-55-7.

- We support the transition guidance for 2009 reporting with respect to (i) prospective application, (ii) disclosures of the estimated effect (or portion of the effect) of initially applying the changes currently proposed in the ED, if the effect is significant and practical to estimate, and (iii) inclusion of quantitative amounts of previously defined non-traditional resources within the 2009 disclosures with significant and practical designations therein.

- We support the FASB’s decision that if entities elect to report non-proved reserves in their respective SEC filings, this information should not be included in the supplemental oil and gas disclosures as contained in Topic 932.

As noted in the API letter, we recommend that clarifications with respect to extension wells, and the applicable accounting treatment, should be re-addressed, consistent with current industry practice.

1. Do you agree with the Board’s decision to amend Topic 932 to clarify that equity method investments must be considered in determining whether an entity has significant oil and gas producing activities? Please describe any challenges that would be encountered in meeting this requirement.

We agree with the Board’s decision to clarify that equity-method investments must be considered in determining whether an entity has significant oil and gas producing activities. The substance vs. form for such reserves should not be a factor to determine whether an entity has significant oil and gas producing activities as entities generally manage their reserves in the aggregate.

2. Do you agree with the Board’s decision to require that an entity disclose the same level of detail about equity method investments with significant oil and gas producing activities as it does for its consolidated subsidiaries? Please describe any challenges that would be encountered in meeting this additional requirement. Should the Board consider establishing a threshold below which the entity would not be required to provide oil and gas disclosures about its equity method investment with significant oil and gas producing activities? If so, what should be the basis of that threshold?

We recommend an entity have the option of selecting either the alternative presentation format in the ED Appendix (first choice) or the more expanded disclosures by continent in the illustrations in the ED. The alternate disclosure approach, whereby entities would provide the detailed information on a worldwide total, would enable companies with a significant portfolio of equity method investments, some of which may be immaterial, to provide information which best fits the needs of the users of financial statements. Moreover, it protects any competitive or proprietary information which may be confined to concentrated operations within continents.
3. Should the Board consider permitting an entity to present the equity method investment quantity and amount detail in total rather than by geographic area and product (if applicable)? See the appendix of this proposed Update for an example of this alternative presentation for reserve quantities.

See response to Question #2 above.

4. Do you agree with the Board’s decision to permit an entity to present a total of consolidated entity and the entity’s share of equity method quantities of reserves and financial statement amounts? Does the total for the financial statement amounts provide decision-useful information even though it would not agree to the corresponding financial statement line items of the entity, since equity method investments are presented net within a single line item of the financial statements?

We support the Board’s decision to permit entities to optionally present a total of consolidated entity and its share of equity-method quantities of reserve and financial statement amounts. Entities manage their reserve portfolios in the aggregate. Permitting the disclosure of a combined total will help users of financial statements by “providing the math” to enable them to accurately assess an entity’s total proved reserves.

5. The Board decided that if the effect is significant and practical to estimate, an entity should disclose the effect (or portions of the effect) of the amendments to Topic 932 in this proposed Update on individual line items of the “roll-forward” disclosures of reserve quantity and the standardized measure for discounted future net cash flows. Do you agree with the Board’s decision not to require that an entity precisely measure and disclose the cumulative effect of every aspect of the adoption of the amendments to Topic 932 in this proposed Update on reserve quantities or the standardized measure for discounted future net cash flows? Please describe any operational or technical challenges with providing a “cumulative-effect” disclosure.

We agree with the Board’s decision not to require that an entity precisely measure and disclose the cumulative effect of every aspect of the adoption of the amendments to Topic 932 in this proposed Update on reserve quantities or the standardized measure for discounted future net cash flows. This is consistent with a principles-based approach. For reasons discussed below, such a requirement would be impractical and possibly result in misleading information. We note that for companies involved in oil-sands activities, such as Shell, the impact of the rule change for these resources will be separately displayed.

With regard to operational or technical challenges with providing a “cumulative effect” disclosure, this would require technical staffs to calculate reserves under both the old rules and new rules to arrive at the net amount of change. From an operational standpoint, most entities do not have systems or procedures designed to make two distinct reserve calculations for a portfolio of properties.

From a conceptual standpoint – even if the effort to calculate reserves under both the old rules and new rules were not onerous – such an effort could result in confusing and possibly misleading information for users of the financial statements since there can be more than one effect occurring at the same time and offsetting the effects presented on one line would obfuscate the multiple factors involved.

In summary, we believe that presenting 2009 reserve activity under the new rules, with no new single line-item impact, is most appropriate and provides consistent categories of change for all historical and future reporting periods.

Yours faithfully,

[Signature]

Paul Morshuis
Vice President Accounting and Reporting