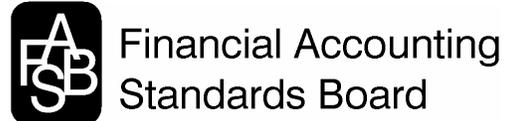


MINUTES



To: Board Members
From: Kispert (ext. 310)
Subject: Minutes of Board Meeting **Date:** November 16, 2004
cc: Young, Leisenring, Bielstein, L. Smith, Petrone, Golden, Westerlund,
E. Smith, Mahoney, Gabriele, Polley, Swift, Richter, Getz, Sutay,
Thompson, FASB Intranet (e-mail)

The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Board's deliberations. All of the conclusions reported are tentative and may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue a final Statement or Interpretation.

Topic: Amendment to FASB Statement No. 19, *Financial Accounting and Reporting by Oil and Gas Producing Companies*, for Suspended Well Costs

Basis for Discussion: Memorandum dated October 25, 2004

Length of Discussion: 12:00 pm to 12:15 pm

Attendance:

Board members present: Herz, Trott, Batavick, Crooch, Schieneman, Schipper, and Seidman

Board members absent: None

Staff in charge of topic: Westerlund

Other staff at Board table: L. Smith, Golden, E. Smith, Kispert

Outside participants: Leisenring

Summary of Decisions Reached:

The Board unanimously agreed to add a narrow scope project to the Board's agenda to amend the guidance for suspended well costs in FASB Statement No. 19, *Financial Accounting and Reporting by Oil and Gas Producing Companies*.

Objective of Meeting:

The objective of the Board meeting was to decide whether to add a project to the Board's agenda to amend the guidance for suspended well costs in Statement 19.

Matters Discussed and Decisions Reached:

1. Mr. Westerlund began the meeting by stating that the primary objective of the meeting was to determine whether to add a project to the Board's agenda to amend the guidance for suspended well costs in Statement 19. Additionally, the staff would ask the Board for its thoughts on the general direction of the issue.
2. Mr. Westerlund stated that at the September EITF meeting, the Task Force discussed EITF Issue No. 04-9, "Accounting for Suspended Well Costs," which addresses whether there are circumstances that would permit the continued capitalization of exploratory well costs beyond one year after the completion of drilling. The Task Force generally agreed that exploratory well costs should be capitalized beyond one year if an entity is making sufficient progress assessing the reserves and the economic and operating viability of the project. The Task Force also generally agreed that an amendment to Statement 19 is required to permit exploratory well costs to be carried as an asset for a period longer than one year. Accordingly, the Task Force removed Issue 04-9 from its agenda and is asking the Board to consider an amendment to Statement 19 to address the issue.
3. Mr. Westerlund stated that the staff recommends that the Board add a narrow scope project to its agenda to amend the guidance for suspended well costs in Statement 19. Furthermore, he asked whether the Board prefers to amend

the guidance for suspended well costs through an FASB Statement or through a Board-directed FSP. He then stated that he would open the floor for Board discussion to decide whether to add a project for suspended well costs to the Board's agenda.

4. Mr. Crooch stated that he understands the industry has changed since Statement 19 was issued so the guidance should be updated. Mr. Batavick agreed with Mr. Crooch and also stated that this is a topical issue from an SEC perspective, which is another reason to add the project to the Board's agenda.
5. Ms. Seidman agreed that a project should be added to the agenda. Ms. Seidman indicated that she would prefer that the project be of limited scope.
6. Mr. Crooch stated he would prefer a Board-directed FSP. Mr. Herz then asked whether an FSP would include a basis for conclusions because there has been good discussion and rationale for why a change in guidance is needed. Mr. Westerlund replied that those reasons could be included in a Board-directed FSP.
7. The staff then clarified that a Board-directed FSP would change the words in Statement 19. Ms. Schipper asked whether the Board should set a precedent for amending Statements through an FSP.
8. Mr. L. Smith stated that a meeting with the Board is scheduled for next week to discuss certain administrative procedures with respect to how guidance is issued. If the Board preferred, the decision as to what form of literature should be used to issue the amended guidance on suspended well costs could be postponed until after that meeting.
9. The Board agreed to add a project for suspended well costs to its agenda, but decided to not determine what type of guidance will be provided at this point.
10. Mr. Westerlund then asked Board members to provide their initial thoughts on:
 - (a) The general direction of the guidance that was recommended by the EITF
 - (b) Whether the staff should explore an alternative that uses an impairment test

(c) Whether the Board has other potential solutions that it would like the staff to explore.

11. Mr. Trott would like to pursue the EITF recommendation, but would also include exploratory-type stratigraphic test wells. Mr. Herz asked if the SEC staff had any objection to the EITF recommendation, and Mr. Westerlund responded that the SEC did not object to the direction of that guidance.

Follow-up Items:

None.

General Announcements:

None.