

October 15, 2009

Via e-mail

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

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

The American Petroleum Institute (API) is pleased to provide comments to the Financial Accounting Standards Board (FASB) on the "Proposed Accounting Standards Update: Oil and Gas Reserve Estimation and Disclosures". The API is a national trade organization representing over 400 companies involved in all aspects of the oil and natural gas industry including exploration, production, refining, marketing, distribution and marine activities.

The reporting of oil and gas reserve disclosure information is very important to our member companies, investors, and other users of financial statements. The API commends the FASB for aligning the oil and gas reserve estimation and disclosure requirements of Extractive Industries—Oil and Gas (Topic 932) with the requirements in the Securities and Exchange Commission's (SEC) final rule, *Modernization of the Oil and Gas Reporting Requirements*.

Specific answers to the FASB's questions are included herein.

Executive Summary

We believe the FASB's fundamental changes included in the Exposure Draft (ED) for the proposed Accounting Standards Update for Topic 932 align the accounting standards with the SEC's final rules for oil and gas reporting requirements.

We support the key provisions in the ED as summarized below and expanded in the succeeding paragraphs.

Expanding the definition of oil and gas producing activities to include the
extraction of saleable 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 yearend 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.
- 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.
 - O However, we recommend a threshold of materiality be included whereby entities with de minimus equity investments can optionally elect not to provide the expanded disclosures. For other entities with significant equity investments, we recommend the entity have the option of using either the alternative disclosure approach as presented in the ED (Appendix), with some qualifying modifications, or the disclosures represented in example illustrations 932-235-55-2 through 932-235-55-7.
- Additionally, 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.

Areas within the ED with the potential for unintended consequences

There are a few areas within the ED, which in its present content, could invite unintended accounting consequences.

Well classifications and resultant accounting

The definitions of extension wells and exploratory wells included in the ED could result in a change in the accounting and disclosures for certain drill wells. We do not believe this was the intention of the Board. We have also discussed this issue with the SEC staff.

Issue: Definition of "extension well" and "exploratory well." References to these well definitions are included on page 30 of the ED, within *Amendments to Master Glossary*, as follows:

Exploratory Well

An exploratory well is a well drilled to find a new field or to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir. Generally, an exploratory well is any well that is <u>not</u> a **development well**, <u>an extension well</u>, a **service well**, or a **stratigraphic test well**.

Extension Well

An extension well is a well drilled to extend the limits of a known reservoir.

Discussion of issue: Since an exploration well is defined on page 30 of the ED as "generally" not inclusive of an "extension well", one would infer that an extension well "generally" is a development well. (Note that the only two categories of "cost incurred" within 932-235-50-17 through 932-235-50-20 are exploration or development.)

Categorizing and accounting for an extension well as a development well is generally contrary to longstanding practice in the oil and gas industry. The following is an excerpt from the 4th edition (2001) of the textbook "Fundamentals of Oil and Gas Accounting (Gallun, Wright, Nichols and Stevenson):

"An extension well is a well that is drilled to test and extend the boundaries of a known, proved reservoir. Extension wells are included in the definition of exploratory wells. The distinguishing characteristic of an extension well is that it is drilled with the intention of adding new reserves. Wells that are drilled to add proved reserves are exploratory wells while wells that are drilled to produce known reserves are development wells. Thus, even though a well is drilled in a producing region, if the intention is to test for new reserves, then the well is classified as an extension well and accounted for as an **exploratory well**."

We understand the handling of extension wells as exploratory wells is the same position maintained historically and currently by the Big 4 auditing firms.

We note also that an extension well does not fit the Topic 932 definition of a development well: "A development well is a well drilled within the **proved area of an oil or gas reservoir** to the depth of a stratigraphic horizon known to be productive." (Emphasis added) Since an extension well fits neither the definition of exploration or development costs as defined in Topic 932-360-25-9 and -13, divergent industry practice is likely.

Recommendations to resolve this issue: We recommend edits to FASB Topic 932 definitions on page 30 of the ED, as follows (deleted text shown as strikeout; added text shown as underlined).

Exploratory Well

An exploration well is a well drilled to find a new field or to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir. Generally, an exploration well is any well that is not a development well, an extension well, a service well, or a stratigraphic test well in a proved area.

Extension Well

An extension well is a well drilled to extend the limits of a known reservoir.

These recommended changes result in a definition of an exploratory well consistent with historical practice and FASB Statement No 19 prior to Codification.

We also recommend these changes be coordinated with the SEC and made to the text on this topic in the SEC's *Modernization of the Oil and Gas Reporting Requirements*.

Certain governmental prohibitions

We are concerned that the draft language in paragraph 932-235-50-11 could be misinterpreted and cause an entity to not disclose proved reserves in a given country, even if that country permits its reserves to be disclosed on a continent or total entity basis. The current language could be interpreted to mean that if a country does not permit its reserves to be separately disclosed at the country level or for a particular field, an entity should exclude that country's reserves from any continent-level or total entity disclosures, even if such higher level disclosures are not prohibited by the country. This could result in a reduction to an entity's disclosures versus current practices and Topic 932 disclosure requirements, which we do not believe is the intent of the Board. As shown in Attachment A, we recommend some minor wording changes to this paragraph to add clarity and help avoid any misinterpretations in the application of the paragraph's provisions.

Expansion of key provisions of the ED

Expanding the definition of oil and gas producing activities

We support the expansion of the definition of oil and gas producing activities to include the extraction of saleable 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. This expanded definition within the accounting standards aligns and provides consistency with SEC required disclosures.

Technology has and will continue to change, and an entity's portfolio of hydrocarbon reserves typically includes both traditional and unconventional resources which are managed collectively as oil and gas operations. The methods of accounting and the related disclosures for all of these hydrocarbon resources should therefore be consistent in all respects.

Average 12-month pricing

We support amending the definition of proved oil and gas reserves such that entities must use the average, first-day-of-the-month sales 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 sales pricing used in a company's standardized measure of discounted future net cash flows. This expanded pricing determination aligns and provides consistency with SEC required disclosures.

An entity's business plans and decisions are not based on a single-point-in-time price, such as December 31. In addition, the use of an average price will tend to mitigate seasonality and any unusual impacts of commodity-price volatility, and it is consistent with what is now required by the SEC for performing economic limit tests.

Separate reserve disclosures for those areas greater than 15%

We support the requirement 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. This expanded disclosure requirement within the accounting standards aligns and provides consistency with SEC required disclosures.

Additionally, we concur with the FASB's recommendation that entities may elect to provide disclosures for geographic areas containing less than 15% of its total reserves if other factors warrant lower levels of reporting.

Equity- method investments

We concur with the recommendation to clarify that an entity's equity-method investments must be considered in determining whether it has significant oil and gas producing activities. This clarification aligns and provides consistency with SEC required disclosures.

However, we feel that some threshold of materiality should be applied with respect to further levels of expanded disclosure for equity-method investments. We recommend that an entity with equity-method reserves that are less than 15% of total proved reserves (i.e., the sum of consolidated and equity-method volumes), have the option to not provide expanded disclosures. However, single-line aggregate results by geographic area should continue to be required.

For an entity with equity-method reserves greater than 15% of total proved reserves, expanded disclosures should be required. We recommend that an entity have the option of selecting either the alternative presentation format in the ED Appendix (first choice) or the more expanded disclosures in the illustrations in the ED. This would enable companies with a significant portfolio of equity method investments, some of which may be *de minimus*, 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 one continent.

We have included as Attachment B versions of *Example Illustrations* 1, 3, 4, and 5 from the ED using the alternative presentation format which has been provided for the one alternative

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example included in the ED Appendix. We believe that *Example Illustrations* 2 and 6, as currently presented in the ED, will work under either disclosure approach.

Transitional guidance for 2009 reporting

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 concur with the FASB's recommendation that entities are not required to precisely measure and disclose the cumulative effect of every aspect of the adoption of the amendments to Topic 932 in the proposed Accounting Standards Update (Update). This is consistent with a principles-based approach. As outlined in the ED, entities should quantify the effects where significant and practical to estimate. Reserve reporting disclosures under both the SEC rules and the proposed Update require entities to report reserve quantities in the categories of "final products sold": *i. e.*, traditional oil and gas, synthetic oil and gas, and other resources. By virtue of separate reporting for synthetics and other resources, the cumulative effect for these resources will be displayed.

See our response to Question 5 to the specified Questions in the ED for further discussion regarding transitional guidance for 2009 reporting.

SEC's optional reporting of non-proved reserves

We concur with the FASB's decision that if entities elect to optionally report non-proved reserves, this reporting should not be included within Topic 932.

Conclusion

The API appreciates the FASB's efforts to align the oil and gas accounting standards and reporting requirements with the new SEC Oil and Gas Reporting Rules. Representatives of the API and its member companies would welcome the opportunity to discuss this response further with the FASB staff and/or to be available to answer questions. Additionally, we would like to thank the FASB staff for their engagement with the API during this drafting process.

Responses to each of the FASB's specific questions in the Update are included on the following pages and provide additional support and background for the key recommendations noted above.

Sincerely,

Patrick T. Mulva Chairman, General Committee on Finance

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American Petroleum Institute

Attachments

cc: Mr. Glenn Brady Extractive Activities Research Project, IASB

Mr. Robert Garnett IASB
Mr. Wayne Carnall SEC
Mr. Jonathan Duersch SEC

QUESTIONS AND RESPONSES SPECIFIED IN THE PROPOSED ASU EXPOSURE DRAFT

Responses are provided on the following pages to each of the questions posed in the ED.

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 requirements.

Response: 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 legal structure 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 collectively.

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?

Response: We feel that some threshold of materiality should be applied with respect to further levels of expanded disclosure for equity-method investments. We recommend an entity with equity-method reserves that are less than 15% of total proved reserves, (i.e, the sum of consolidated and equity method volumes), have the option to not provide expanded disclosures. However, single-line aggregate results by geographic area should continue to be required.

For an entity with equity-method reserves, greater than 15% of total proved reserves, expanded disclosures should be required. 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 in the illustrations in the ED. This would enable companies with a significant portfolio of equity method investments, some of which may be de minimus, 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 one continent.

See Attachment B for suggested versions of Example Illustrations 1,3,4, and 5 using the alternative presentation format included in the ED. We believe that Example Illustrations 2 and 6, as currently presented in the ED, will work under either disclosure approach.

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3. Should the Board consider permitting an entity to present the equity method investment quantity and amount detail in total rather than by geographic areas and product (if applicable)? See the appendix of this proposed Update for an example of this alternative presentation for reserve quantities.

Response: 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?

Response: 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. In the past, some entities have found that users of financial statements have been confused with the separate reporting of consolidated company and equity company reserves, especially with respect to whether they are additive. 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.

Response: 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. 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, 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. A separate but duplicative system would have to be created for this special purpose. Significant technical time (reserve engineers and earth

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scientists) would be required to estimate and document the two estimates. This is especially difficult for complex fields that use sophisticated earth modeling, seismic interpretation or numeric simulation. For a large-size company, calculating reserves under both the old rules and the new rules would involve thousands of incremental work-hours.

From a conceptual standpoint – even if the effort to calculate reserves under both the old rules and new rules were not significant – such an effort could result in confusing and possibly misleading information for users of the financial statements.

It is important to note that the reserve reconciliation (roll-forward table) is unique in that there can be more than one effect occurring at the same time. To present all of the offsetting effects of change on one line in the table discloses nothing regarding the magnitude of each effect. In fact, offsetting effects presented on one line could mask the underlying drivers of the net change and result in confusing and possibly misleading information. However, to show the magnitude of each change would require the impact of all of the other changes to be held constant. If it were desirable to show the impact of each change, in what order would one hold the variables constant to make such a calculation? For example, take a year-end 2009 discovery that is affected by a "new technology" allowed under the new rules and by a difference in price under the new rules. To show the effect of technology, price would be held constant. To show the effect of price, technology would be held constant. This cannot be done arithmetically to derive the answer.

In summary, we believe that reporting 2009 reserve activity under the new rules, and in the manner prescribed in the ED, with no new single line-item impact, will provide investors with meaningful disclosures using consistent categories of change for all historical and future reporting periods.

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Attachment A

932-235-50-11 An entity need not <u>separately</u> disclose the proved reserves in <u>for</u> a country containing reserves if that country's government prohibits <u>separately</u> disclosing reserves in <u>for</u> that country. In addition, an entity need not <u>separately</u> disclose the proved reserves <u>for</u> in a country containing reserves if that country's government prohibits <u>separately</u> disclosing a particular field and if <u>separately</u> disclosing reserves for that country would have the effect of disclosing reserves in particular fields. If a government <u>restricts</u> <u>prohibits in its entirety</u> the disclosure of estimated reserves for properties under its authority, or of amounts under long-term supply, purchase, or similar agreements or contracts, or if the government requires the disclosure of reserves other than proved, the entity shall indicate that the disclosed reserve estimates or amounts do not include figures for the named country or that reserve estimates include reserves other than proved.

Reserves Quantity Information (a) (e) For the Year Ended December 31, 20XX Example 1

		inent A Synthetic <u>Oil</u>		nent B untry A Synthetic Oil		ner ntries in tinent B Synthetic Oil	/ Cou	ontinents ntries Synthetic Oil	Total Con - by Pro		Method -	al Equity by Product Synthetic Oil	Total Consoli Equity Me - by Prod	ethod	Total Consolidated All Products (d)	Total Equity Method All Products	Total Consolidated and Equity Method (c) All Products (d)
Proved developed and undeveloped reserves	Oil	<u> </u>	<u>OII</u>	<u> </u>	<u> </u>	<u>On</u>	<u>011</u>	<u> </u>	<u> </u>	<u> </u>	<u>OII</u>	<u> </u>	<u> </u>	<u> </u>	Troducto	1100000	<u>i ioddoto</u>
Beginning of year	X	Х	Х	Х	Х	Х	Х	X	Х	Х	Х	Х	X	Х	Х	X	X
Revisions of previous estimates	X	X	Х	X	X	X	Х	X	X	X	X	X	X	X	X	X	X
Improved recovery	Х	X	Х	X	Х	Х	Х	X	X	X	Х	X	X	X	Х	X	X
Purchases of minerals in place	X	X	Х	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Extensions and discoveries	X	X	Х	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Production	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Sales of minerals in place	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
End of year	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X (b)	X	X
										,							
Proved developed reserves:																	
Beginning of year	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
End of year	X	X	X	X	X	X	X	Х	X	X	X	X	X	Х	X	X	X
Proved undeveloped reserves																	
Beginning of year	X	Х	Х	X	Х	Χ	Х	Х	Х	Х	Х	Х	X	X	Х	X	X
End of year	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
			• • •	• • •	•					• • •							
Oil and gas applicable to long-term supply agreements with governments or authorities in which the entity has the legal right to produce or has a revenue interest in the production: Proved reserves - end of year	X	X	X	X	X	X	X	X	x	X	X	X	X	X	X	X	х
Received during the year	X	X	Х	X	X	X X	X	X	X	X X	X	X	X	X	X X	X	X
Entity's share of proved reserves of investees accounted for by the equity method - end of year	х	x	X	x	x	Х	x	x									
Total consolidated, long-term supply and equity interests in reserves - end of year (c)	X	х	x	х	x	х	х	х					Х	х			Х

⁽a) Oil and synthetic oil reserves stated in barrels.

Note: changes to the alternate disclosure included in the appendix of the exposure draft are indicated in red

⁽b) Includes reserves of X barrels attributable to a consolidated subsidiary in which there is an X-percent noncontrolling interest.

⁽c) Optional disclosure.

⁽d) Includes oil and synthetic oil reserves, gas and synthetic gas reserves, and other products. "All products" shall be stated in oil-equivalent barrels. Conversion factor used to convert gas volumes to oil-equivalent volumes shall be disclosed.

⁽e) Similar tables shall be disclosed for gas and synthetic gas reserves and other products.

Costs Incurred in Oil and Gas Property Acquisition, Exploration and Development Example 3

Acquisition of properties	Continent A	Continent B - Country A	Other Countries in Continent B	Other Continents / Countries	Total <u>Consolidated</u>	Total Equity <u>Method</u>	Total Consolidated and Equity Method ^(a)
Proved	\$X	\$X	\$X	\$X	\$X	\$X	\$X
Unproved	Χ	X	X	X	Χ	X	X
Exploration costs	Χ	X	X	X	X	X	X
Development costs	X	X	Х	X	Х	X	X
Entity's share of costs of property acquisition, exploration and development accounted for by the equity method	\$X	\$X	\$X	\$X		\$X	
Total costs incurred, consolidated and equity interests (a)	\$X	\$X	\$X	\$X			\$X

(a) optional disclosure

Results of Operations for Producing Activities For the Year Ended December 31, 20XX **Example 4**

Parameter	Continent A	Continent B - Country A	Other Countries in Continent B	Other Continents / Countries	Total <u>Consolidated</u>	Total Equity <u>Method</u>	Total Consolidated and <u>Equity Method</u> ^(a)
Revenues Sales Transfers Total	\$X X X	\$X X X	\$X X X	\$X X X	\$X X X	*X X X	\$X X X
Production costs Exploration expenses	(X) (X)	(X) (X)	(X) (X)	(X) (X)	(X) (X)	(X) (X)	(X) (X)
Depreciation, depletion and amortization, and valuation provisions	(X)	(X)	(X)_	(X)_	(X)_	(X)	(X)
Income tax expenses	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Results of operations from producing activities (excluding corporate overhead and interest costs)	\$X	\$X	\$X	\$X	\$X	\$X	\$X
Entity's share of equity method investees' results of operations for producing activities	<u>\$X</u>	\$X	\$X	\$X			
Total consolidated and equity interests in results of operations for producing activities (a)	\$X	\$X	\$X	\$X			

(a) optional disclosure

Standardized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to Proved Oil and Gas Reserves at December 31, 20XX

Example 5

	Continent A	Continent B - Country A	Other Countries in Continent B	Other Continents / Countries	Total <u>Consolidated</u>	Total Equity <u>Method</u>	Total Consolidated and Equity Method ^(c)
Future cash inflows ^(a) Future production and development costs ^(a) Future income tax expenses ^(a) Future net cash flows	\$X (X) (X) X	\$X (X) (X) X	\$X (X) (X) X	\$X (X) (X) X	\$X (X) (X) X	\$X (X) (X) X	\$X (X) (X) X
10% annual discount for estimated timing of cash flows	(X)	(X)	(X)	(X)_	(X)	(X)	(X)
Standardized measure of discounted future net cash flows	\$X (b)	\$X	\$X	\$X	\$X	\$X	\$X
Entity's share of equity method investees' standardized measure of discounted future net cash flows	\$X	\$X	\$X	\$X			
Total consolidated and equity interests in the standardized measure of discounted future cash flows (c)	\$X	\$X	\$X	\$X			

⁽a) Future net cash flows were computed using prices used in estimating the entity's proved oil and gas reserves, and year-end costs and statutory tax rates (adjusted for tax deductions) that relate to existing proved oil and gas reserves in which the entity has mineral interests, including those mineral interests related to long-term supply agreements with governments for which the entity has the legal right to produce or a revenue interest in the production of the reserves.

- (b) Includes \$X attributable to a consolidated subsidary in which there is an X-percent noncontrolling interest.
- (c) Optional disclosure.

Attachment C

API General Committee on Finance Ad Hoc Working Group for FASB Proposed Accounting Standards Update: Oil and Gas Reserve Estimation and Disclosures

Participating Companies

Anadarko Petroleum Corporation

BP

Chevron Corporation

ConocoPhillips

Devon Energy Corporation

Exxon Mobil Corporation

Hess Corporation

Marathon Oil Corporation

Murphy Oil Corporation

Occidental Petroleum Corporation

Shell Oil Company