Pengrowth Energy Corporation appreciates the opportunity to comment on the revised Exposure Draft on Leases dated May 2013.

Comments Specific to Oil and Gas Operations

Pengrowth is an upstream oil and gas producer with interests in over 8,000 wells across 3 provinces in western Canada, and a non-operated interest in an eastern Canadian offshore gas project. Pengrowth produces approximately 88,000 BOE/day of oil and natural gas and a market capitalization of approximately $3 Billion, trading on both the TSX and NYSE.

We recommend that the exclusion for 'leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources' contained in paragraph 5(b) of the exposure draft be expanded or clarified that surface leases associated with oil and gas activities should also be excluded. We believe it is ambiguous in its current state.

In Canada, oil and gas rights are almost all owned by the applicable provincial government, while the surface lands are typically owned by private individuals. Leases need to be negotiated for both mineral and surface rights. Without a surface lease, one cannot access the mineral rights. These leases are intertwined with the resource, namely that the leases will essentially continue in perpetuity provided oil and gas continues to produce.

The term of each mineral lease is under the control of the producer and will only expire when an abandonment certificate is received from the provincial regulator, or if no well is drilled within the original lease term. Similarly, a surface lease will continue until a well is abandoned and the wellsite is remediated. Pengrowth has interests in approximately 7,700 surface leases with individual landowners consisting of individuals and governments.

We believe both mineral and surface leases should be excluded from the lease exposure draft and included in the IASB project on extractive industries.

General Comments about the Exposure Draft

We observe that there might be a number of unanticipated consequences as a result of proceeding with the exposure draft specific to the oil and gas business. We have a fundamental problem that a change in an accounting policy should result in additional cash being paid out, and that some of our most important KPI measures be impacted.

Net Profits Interest (NPI) Agreements – Pengrowth has a number of NPI agreements where a % of a properties revenue less royalty expense less operating costs will be paid to another party. Capital does not come into the equation. By capitalizing equipment operating leases, Pengrowth would actually be required to pay more than currently to a 3rd party, or attempt to renegotiate the NPI. We believe the Sable Offshore Energy Project off the coast of Nova Scotia would be one of our properties impacted.

Finding and Developing (F&D) Costs – One of the key drivers of an upstream oil and gas company is its F&D costs per barrel of reserves added. By capitalizing certain costs that were previously operating expenses, Pengrowth's F&D cost will rise.

Canadian Income Tax implications – It is our understanding that the capitalization of lease costs will result in paying more Canadian income taxes and a change in the deferred tax liability. Presently lease payments are fully deductible in the year incurred. Since income taxes follow GAAP, we believe capitalization of leases will result in that same deduction only being 10% deductible per year, thus accelerating paying taxes.

Users of Financial Statements – through discussions with various investment analysts, we believe the majority of users of Upstream company financial statements find the cash flow statement the most important. We believe adopting the standard would essentially move lease expenses from operating cash flows and move them to financing (interest expense) and investing (reduction in lease obligation). We do not believe users of our financial statements will find any value in the above change, and inflating our assets and liabilities. Accordingly, we see little value in incurring additional overhead costs to administer the change where no benefit to users would result.

Overhead to administer – by expensing leases as the bills are paid, there is currently very little administration involved in managing leases. If each lease must be capitalized individually, a significant amount of additional work will result, which means we either overwork our already overworked staff or hire more accountants for little or no value added.