

February 18, 2008

Ms. Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

RE: File Number S7-29-07, *Concept Release on Possible Revisions to the Disclosure Requirements Relating to Oil and Gas Reserves*

Dear Ms. Morris,

We appreciate the opportunity to respond to the Securities and Exchange Commission's (SEC or Commission) *Concept Release on Possible Revisions to the Disclosure Requirements Relating to Oil and Gas Reserves* (Concept Release) and strongly support the Commission's effort to reassess the current disclosure requirements relating to oil and gas reserves by soliciting views from interested parties. Given that a majority of the questions raised in the Concept Release pertain to technical engineering topics that are outside our expertise, we have not responded to each question. However, we believe that the definition of proved reserves and the form and content of oil and gas reserves disclosures are important to investors. Therefore, we have provided the following observations for consideration.

Disclosure of Non-Traditional Resources

Currently the Commission's rules prohibit the characterization of proved reserves from "non-traditional" sources, such as those from oil shale and tar sands, as oil and gas reserves. We note that some oil and gas companies have significant amounts of capitalized costs related to non-traditional resources and that non-traditional reserve information is commonly used by management of oil and gas companies for a variety of reasons, including the preparation of financial statements. In our experience, oil and gas companies do not draw a distinction operationally between traditional and non-traditional resources. Allowing disclosure of non-traditional proved reserves as oil and gas reserves would help investors recognize the significance of these resources in relation to traditional oil and gas reserves. We encourage the Commission to reconsider its position prohibiting disclosure of these resources as oil and gas reserves.

Accounting Implications

While the Concept Release pertains specifically to the disclosure requirements for oil and gas reserves, we note a number of areas that could impact the accounting for oil and gas activities, and therefore encourage the Commission to consider these areas in any future rule making proposals.

Application of Statement of Financial Accounting Standard (FAS) No. 154 (FAS 154), *Accounting Changes and Error Corrections*

If the Commission changes the definition of proved reserves, the unit-of-production amortization rate for many oil and gas companies will be revised. While paragraph 30 of FAS 19, *Financial Accounting and Reporting by Oil and Gas Producing Companies* (FAS 19), is clear that revisions to the amortization rate resulting from reserve “revisions” made in the normal course are considered changes in accounting estimates, we believe there could be different views within the preparer community concerning whether a change to the definition of proved reserves is a change in accounting principle or a change in estimate effected by a change in accounting principle under FAS 154. If such a change is deemed to be a change in accounting principle, we believe that in many cases it would be impracticable to apply the effect of such change retrospectively. As the definition of proved reserves in FAS 19 is based on the SEC definition, we recommend that the SEC staff coordinate with the FASB to amend FAS 19 to provide transition guidance to account for the definition change prospectively.

Geological and Geophysical Expenditures (G&G)

Based on the Concept Release, the Commission may consider allowing companies to use new technologies such as 3-D seismic to claim resources as proved undeveloped reserves. Paragraph 18 of FAS 19 requires exploratory G&G costs such as 3-D seismic to be expensed as incurred. If the Commission allows the use of 3-D seismic to demonstrate the existence of proved undeveloped reserves, the immediate expensing of this type of exploratory G&G should be reconsidered. We recommend that the SEC staff coordinate with the FASB to consider an amendment to FAS 19.

Full Cost Accounting Rules

The Commission should consider the impact that potential changes might have on the full cost accounting rules. In particular, any changes to the definition of proved reserves or the primary inputs to the standardized measure (e.g., static operating conditions, year end prices and costs, and the 10% discount rate) could impact the Commission's prescribed ceiling test calculation.

IFRS Convergence

The Commission should consider convergence with International Financial Reporting Standards (IFRS) in connection with its rulemaking, including the Commission's recent elimination of the requirement for certain foreign private issuers to reconcile their financial statements to U.S. GAAP. Given that IFRS does not require the use of a particular definition of proved reserves, the elimination of the U.S. GAAP reconciliation now allows diversity in how foreign private issuers report proved reserves in SEC filings, potentially including the disclosures required by FAS 69, *Disclosures about Oil and Gas Producing Activities*. We encourage the Commission to pursue convergence in this area through discussions with the IASB.

Potential Implications to the Auditing Standards

The requirements for auditors in relation to the unaudited supplemental information required by FAS 69 are prescribed in AU Sections 558 and 9558 (as promulgated by the AICPA Auditing Standards Board (ASB) and as adopted in PCAOB Rule 3200T on an interim basis). We believe that changes to the form or content of the FAS 69 disclosure requirements could impact the prescribed procedures in AU Sections 558 and 9558.

AU Section 558 specifies that the auditor should ordinarily inquire whether the supplemental information is "measured and presented within prescribed guidelines." Further, AU Section 9558 specifies that the auditor should inquire whether the standardized measure is prepared based on "existing" economic and operating conditions consistent with those embedded in the current SEC definition of proved reserves. Based on the Concept Release, it appears that the Commission may consider allowing oil and gas companies to use the proved reserve definition included within the Petroleum Resources Management System (PRMS), which is based on each company's "defined" economic and operating conditions. We believe that a change to the definition of proved reserves or to the standardized measure to allow for the use of "defined" economic and operating conditions, such as a pricing framework based on other than historical prices, may impact the procedures required of auditors. We recommend that the SEC coordinate with the PCAOB to consider and address potential implications to the auditing standards.

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We are available to discuss our comments and to answer any questions that the SEC staff may have. Please contact Ken Miller (973-236-7336) or Thomas Smith (973-236-4964) regarding our submission.

Sincerely,

PricewaterhouseCoopers LLP