September 9, 2008

To the Commission:

The management of Evolution Petroleum Corporation appreciates this opportunity to comment on the Commission's proposal for the "Modernization of the Oil and Gas Reporting Requirements". We generally support the Commission's proposals, with due consideration to significant technological advances and the changing types of resources being exploited that were once considered uneconomic since the last codification of 1982.

We offer the following summary of our comments, with specific responses thereafter:

1. We support 12-month historical average pricing, for both Successful Efforts and Full Cost Method adopters, and we agree that the current one day pricing rules are out of step with market volatility. We also support 12-month average pricing for both economic producibility and financial accounting purposes, thereby obviating the expense and confusion created by the concurrent use of two different reserve quantities and price decks. As a practical matter, we support ending the historic pricing period on the date which is one month prior to the financial period end.

2. We believe that early adoption should be allowed……..especially with respect to off-calendar fiscal year registrants. We believe it's advisable to accept that differing year-ends can rarely be equally comparable among registrants, and delaying these requirements into 2010 is not in the best interest of the investing public.

3. We support probable reserve reporting. Although less certain than proved reserves, we strongly believe that probable reserve reporting removes the "blinders" for investors. With proper and broader disclosures, the investor can finally evaluate the pipeline of raw materials available for future potential development into proved and/or producing reserves. Similarly, but of less importance, we believe that possible reserve reporting may provide additional valuable information to the investing public.

4. Although we believe probabilistic models are valuable tools where sufficient production data points are available for reliable statistical analysis, we strongly believe that such models should be used on no less than a field or program basis where available (as opposed to a well-by-well basis). By way of example, if two wells in the same field or program are each required to meet a 90% certainty reserve threshold, the combined well certainty becomes 99%, or 100-(.1 * .1). Consequently, the standard of a 90% threshold should apply to the overall program or field.

5. We support alternative technology in determining a company's reserves, including techniques that have been proved effective by actual production from

projects in an analogous reservoir in the same geologic formation in the immediate area or by other evidence using reliable technology that establishes reasonable certainty. We also support the concept that Continuous Accumulations can be assigned proved reserves beyond direct offsets, as long as a reasonable certainty exists.

We offer the following detailed responses, in red font, to specific sections of your proposals requesting comment:

II. Revisions and Additions to the Definition Section in Rule 4-10 of Regulation S-X

Request for Comment

• Should the economic producibility of a company's oil and gas reserves be based on a 12-month historical average price? Should we consider an historical average price over a shorter period of time, such as three, six, or nine months? Should we consider a longer period of time, such as two years? If so, why? A 12 month trailing average is appropriate as it captures all seasonal fluctuations, whereas a single day price can be influenced by technical factors, short term market disruptions, seasonal fluctuations and other abnormal factors.

• Should we require a different pricing method? Should we require the use of futures prices instead of historical prices? Is there enough information on futures prices and appropriate differentials for all products in all geographic areas to provide sufficient reporting consistency and comparability? Futures prices have significant weaknesses in that they rarely accurately predict future prices realized, are affected by declining liquidity in outer years and do not capture actual market differentials.

• Should the average price be calculated based on the prices on the last day of each month during the 12-month period, as proposed? Is there another method to calculate the price that would be more representative of the 12month average, such as prices on the first day of each month? Why would such a method be preferable? Where historical information is available, realized prices are best as they capture real data. In the absence of own data, purchasers can provide same adjusted by the terms of the purchase contract in place for the upcoming year.

• Should we require, rather than merely permit, disclosure based on several different pricing methods? If so, which different methods should we require? As long as each company must report reserves using the same pricing system, then companies should be allowed to provide additional disclosures at their election in whatever form desired. This allows the company to utilize whatever system is most appropriate to their circumstances while providing public a common pricing system for comparison.

• Should we require a different price, or supplemental disclosure, if circumstances indicate a consistent trend in prices, such as if prices at year-end are materially above or

below the average price for that year? If so, should we specify the particular circumstances that would trigger such disclosure, such as a 10%, 20%, or 30% differential between the average price and the year-end price? If so, what circumstances should we specify? No – if average historical prices are used and companies are allowed to provide supplemental pricing systems in order to explain or describe unique circumstances, then no further disclosure is necessary, or warranted as it would give too much credence to an abnormal, one day price.

Request for Comment

- Should the price used to determine the economic producibility of oil and gas reserves be based on a time period other than the fiscal year, as some commenters have suggested? If so, how would such pricing be useful? Would the use of a pricing period other than the fiscal year be misleading to investors? The 12 month period is the most appropriate time period for reasons cited above. Any longer period could incorporate market issues no longer relevant.
- Is a lag time between the close of the pricing period and the end of the company's fiscal year necessary? If so, should the pricing period close one month, two months, three months, or more before the end of the fiscal year? Explain why a particular lag time is preferable or necessary. Do accelerated filing deadlines for the periodic reports of larger companies justify using a pricing period ending before the fiscal year end? A 1 month lag period might be helpful in order to timely prepare financial statements since companies do not receive price information from first purchasers until the end of the month following production, which could create a conflict with recently adopted requirements for accelerated filings.

Request for Comment

- Should we require companies to use the same prices for accounting purposes as for disclosure outside of the financial statements? Most emphatically yes. Our goal should be to make financial statements as clear as possible, and use of different pricing systems only creates confusion.
- Is there a basis to continue to treat companies using the full cost accounting method differently from companies using the successful efforts accounting method? For example, should we require, or allow, a company using the successful efforts accounting method to use an average price but require companies using the full cost accounting method to use a single-day, year-end price? No, all companies should use the same pricing system in order to aid comparability. Also, the two issues are not strictly linked to each other.
- Should we require companies using the full cost accounting method to use a single-day, year-end price to calculate the limitation on capitalized costs under that accounting method, as proposed? If such a company were to use an average price and prices are higher than the average at year end or at the time the company issues its financial statements, should that company be required to record an impairment charge? No, use of a single day price is never appropriate due to influence of short term factors not related to fundamental value. For same reason, impairments based on single day pricing incorporate short term factors and do not reasonably reflect actual value impairment, particularly in the current environment of high daily volatility in market clearing prices of commodities (see oil trading price of July7, 2008 as example).
- Should the disclosures required by SFAS 69 be prepared based on different prices than the disclosures required by proposed Section 1200? There should be a single pricing system for all disclosures.

- If proved reserves, for purposes of disclosure outside of the financial statements, other than supplemental information provided pursuant to SFAS 69, are defined differently from reserves for purposes of determining depreciation, should we require disclosure of that fact, including quantification of the difference, if the effect on depreciation is material? ?
- What concerns would be raised by rules that require the use of different prices for accounting and disclosure purposes? For example, is it consistent to use an average price to estimate the amount of reserves, but then apply a single-day price to calculate the ceiling test under the full cost accounting method? Would companies have sufficient time to prepare separate reserves estimates for purposes of reserves disclosure on one hand, and calculation of depreciation on the other? Would such a requirement impose an unnecessary burden on companies? Different pricing breeds confusion, dual accounting and tremendous increased burden on filers.
- Will our proposed change to the definitions of proved reserves and proved developed reserves for accounting purposes have an impact on current depreciation amounts or net income and to what degree?
- If we change the definitions of proved reserves and proved developed reserves to use average pricing for accounting purposes, what would be the impact of that change on current depreciation amounts and on the ceiling test? Would the differences be significant?

Request for Comment

- Is our proposed definition of "reliable technology" appropriate? Should we change any of its proposed criteria, such as widespread acceptance, consistency, or 90% reliability? The latter criteria of 90% reliability may be difficult to define, whereas the first two are easier to obtain.
- Is the open-ended type of definition of "reliable technology" that we propose appropriate? Would permitting the company to determine which technologies to use to determine their reserves estimates be subject to abuse? Do investors have the capacity to distinguish whether a particular technology is reasonable for use in a particular situation? What are the risks associated with adoption of such a definition? The definition of "reliable technology" is likely to be defined by industry consensus with independent engineering firms leading the way. Mainstream engineering firms will be loathe to venture far from consensus due to reputation, and companies are unlikely to be willing to venture far from such consensus for similar reason.
- Is the proposed disclosure of the technology used to establish the appropriate level of certainty for material properties in a company's first filing with the Commission and for material additions to reserves estimates in subsequent filings appropriate? Should we require disclosure of the technology used for all properties? Should we require companies currently filing reports with the Commission to disclose the technology used to establish appropriate levels of certainty regarding their currently disclosed reserves estimates? As long as disclosure is of the general method applied and disclosure does not turn into scripture by SEC of what technologies must be used, then such disclosure is appropriate. For example, there are news stories about how new disclosure rules on NEO compensation appear to have resulted in Detailed description of technology may lead to forced damaging disclosure of proprietary and confidential information.

Request for Comment

- Is the proposed definition of "reasonable certainty" as "much more likely to be achieved than not" a clear standard? Is the standard in the proposed definition appropriate?

Would a different standard be more appropriate? Industry needs a safe harbor standard as definition above is open to different interpretations that won't be settled until a court case sets precedent.

- Is the proposed 90% threshold appropriate for defining reasonable certainty when probabilistic methods are used? Should we use another percentage value? If so, what value? The issue is not whether a 90% threshold is appropriate, but how it is applied. For example, such a standard works well when applied to a single well. However, if such standard is applied well by well to a group of wells, then the aggregate probability is far higher than 90%. For further example, if a group of 2 wells is evaluated, each with P>90% of a certain reserve value, then the P of both wells each being < that value is only 1% (10% x 10%), the P that both wells are > the reserve value is 81% (90% x 90%), and the P that 1 well is > and 1 well is < the reserve value is 18% (100% - 81% - 1%). Consequently, the standard of a 90% threshold should apply to the overall program, or at least on a field basis.

Request for Comment

- Are the proposed definitions of "deterministic estimate" and "probabilistic estimate" appropriate? Should we revise either of these definitions in any way? If so, how? Fine
- Are the statements regarding the use of deterministic and probabilistic estimates in the proposed definition of "reasonable certainty" appropriate? Should we change them in any way? If so, how? Fine as used
- Should an oil and gas company have the choice of using deterministic or probabilistic methods for reserves estimation, or should we require one method? If we were to require a single method, which one should it be? Why? Would there be greater comparability between companies if only one method was used? Each method is more applicable in certain circumstances. Probabilistic is appropriate where a sufficient data base exists to establish the probability assumptions, particularly in resource plays.
- Should we require companies to disclose whether they use deterministic or probabilistic methods for their reserves estimates? Yes, disclosure is always best.

Request for Comment

- Should we permit the use of technologies that do not provide direct information on fluid contacts to establish reservoir fluid contacts, provided that they meet the definition of "reliable technology," as proposed? Yes, unless fluid contact data is available and method is disclosed if material.
- Should there be other requirements to establish that reserves are proved? For example, for a project to be reasonably certain of implementation, is it necessary for the issuer to demonstrate either that it will be able to finance the project from internal cash flow or that it has secured external financing? No – this would create a chicken or egg scenario for companies that develop projects and then solicit financing – reservoir engineers will not sign off on proved status due to lack of confirmed funding, and financing sources won't commit funds or will demand onerous terms due to lack of proved status. Funding is always uncertain due to changes in commodity prices and cost of services. Funding can always be obtained at some cost for proved reserves.

III. Proposed Amendments to Codify the Oil and Gas Disclosure Requirements in Regulation S-K

Request for Comment

- Should we permit a company to disclose its probable or possible reserves, as proposed? If so, why? Yes – companies already do so in press releases and presentations using unspecified rules, just not in SEC filings. By allowing disclosure in filings, filers will have to follow uniform guidelines.
- Should we require, rather than permit, disclosure of probable or possible reserves? If so why? No – filers may have competitive reasons to not disclose.
- Should we adopt the proposed definitions of probable reserves and possible reserves? Should we make any revisions to those proposed definitions? If so, how should we revise them? Fine, but probabilistic methodology is preferred, especially for the Ps category. Otherwise, a 10% threshold is too unlikely to disclose.
- Are the proposed 50% and 10% probability thresholds appropriate for estimating probable and possible reserves quantities when a company uses probabilistic methods? Should probable reserves have a 60% or 70% probability threshold? Should possible reserves have a 15% or 20% probability threshold? If not, how should we modify them? The 50% threshold for probable is satisfactory if applied on a portfolio or fieldwide basis. Possible should be higher, say 25%, in order to be meaningful and material.

Request for Comment

- Should we expand the definition of proved undeveloped reserves to permit the use of techniques that have been proven effective by actual production from projects in an analogous reservoir in the same geologic formation in the immediate area or by other evidence using reliable technology that establishes reasonable certainty? Absolutely – for example, CO2 enhanced oil recovery is a well established technology in widespread use with known variables and required reservoir parameters. An analogous flood in the same geologic formation in the same general area is quite adequate to establish proved reserves, particularly if applied in a probabilistic manner. Same general area does not mean offsetting, but same geologic area.

Request for Comment

- Should we permit companies to disclose their probable reserves or

possible reserves? Is the probable reserves category, the possible reserves

category (or both categories) too uncertain to be included as disclosure in

a company's public filings? Should we only permit disclosure of probable

reserves? What are the advantages and disadvantages of permitting

disclosure of probable and possible reserves, from the perspective of both

an oil and gas company and an investor in an oil and gas company that

chooses to provide such disclosure? Would investors be concerned by

such disclosure? Would they understand the risks involved with probable

or possible reserves? Again, filers already disclose these reserves publicly, so allowing filing of such would enforce uniformity of guidelines in their determination. Possible reserves are also ok, but perhaps using a higher threshold.

- Would the proposed disclosure requirements provide sufficient disclosure

for investors to understand how companies classified their reserves? Filers would be incentivized to fully disclose in order to prevent potential antifraud actions.

Should the proposed Item require more disclosure regarding the

technologies used to establish certainty levels and assumptions made to

determine the reserves estimates for each classification? Disclosure should limited to whether done deterministic or probabilistic and overall basis for assumptions and data used – no more than by major field. This should not be used by SEC engineers as open invitation to question reserves filed as that is the job of the independent reservoir engineers.

- Should companies be required to provide risk factor disclosure regarding

the relative uncertainty associated with the estimation of probable and

possible reserves? Would do so anyway.

Request for Comments

- Should we adopt such an optional reserves sensitivity analysis table? Would such a table be beneficial to investors? Is such a table necessary or appropriate? All reserves sensitivity should be allowed at the discretion of the filer and in the form elected by the filer. Each filer has different circumstances that warrant different types of sensitivity analysis, and no one format will adequately capture the useful analyses.
- Should we require a sensitivity analysis if there has been a significant decline in prices at the end of the year? If so, should we specify a certain percentage decline that would trigger such disclosure? Let the market establish this need as long as filers fully disclose the base pricing utilized (NYMEX pricing and differentials to major fields).
- Should we revise the proposed form and content of the table? If so, how should we revise the table's form or content?
- As noted above in this release, SFAS 69 currently uses single-day, yearend prices to estimate reserves, while the reserves estimates in the proposed tables would be based on 12-month average year-end prices. If the FASB elects not to change its SFAS 69 disclosures to be based on 12month average year-end prices, should we require reconciliation between the proposed Item 1202 disclosures and the SFAS 69 disclosures? What other means should we adopt to promote comparability between these disclosures? Under no circumstance should filers have two sets of reserves utilizing different pricing – the exercise would be burdensome and would further distort financial statements.

Request for Comment

- Should we require a company to file reports from third party reserves preparers and reserves auditors containing the proposed disclosure when the company represents that a third party prepared its reserves estimates or conducted a reserves audit? As an alternative, should we not require that the third party's report be filed, but that the company must provide a description of the third party's report? If so, should we specify that company's description of the third party's report should contain the information that we propose to require in the third party's report? A summary of the third party report is sufficient – if there is any question raised, then SEC can always request to see report. Reports are sensitive documents containing detailed confidential information.

• Should we specify the disclosures that need to be included in third party reports? If so, is the disclosure that we have proposed for the reserves estimate preparer's and reserves auditor's reports appropriate? Should these reports contain more or less information? If they should include more information, what other information should they include? If less, what proposed information is not necessary?

• In an audit, should we specify the minimum percentage of reserves that should be examined and determined to be reasonable? If so, what should that percentage be? Should it be 50%, 75%, 90% or some other percentage? If so, why? 80% threshold works best – historically, this would capture the bulk of the value without requiring the exhaustive disclosure associated for the bulk of the properties.

• If the company engages multiple third parties to conduct reserves audits on different portions of its reserves, should the definition of reserves audit be conditioned on each third party evaluating at least 80% of the reserves covered by its reserves audit, as proposed? Yes. Is the scope of a reserves audit defined by geographic areas? If so, should the definition of a reserves audit be based on the third party's evaluation of 80% of the reserves located in the geographic areas covered by the reserves audit? Would disclosure that a company has hired a third party to audit only a portion of its reserves be confusing to investors? Is there a danger that investors will not be able to ascertain the extent of the reserves audit? Should we require that a company could not disclose that it has conducted a reserves audit unless 80% of all of its reserves have been evaluated by a third party or, if the company hires multiple third parties, by all of the third parties collectively?

• Is the proposed definition of "reserves audit" appropriate? Should we

revise this proposed definition in any way?

Request for Comment

• Should we adopt the proposed table? Alternatively, should we simply require companies to reclassify their PUDs after five years? Companies tend to drill the best PUDs and those PUDs required to hold leases first. This selection changes annually as new PUDs are developed. The fact that a current PUD has not been drilled in 5 years does not mean that it is not a valid PUD, just that it is not as good as those other PUDs competing for capital. This can change quickly due to more capital becoming available, more staff available to work the PUD, or less attractive PUDs are developed. Thus, a 5 year limitation does not make sense.

- Should the table require disclosure of other categories of changes to the status of PUDs, such as acquisitions, removals, and production? Should we add any categories? Already captured in Revisions.
- Some of the abuse related to PUD disclosure may be related to companies' desire to show proved reserves in light of our prohibition on disclosure of probable reserves. Would the proposed rules permitting disclosure of probable reserves reduce the incentive to categorize reserves as PUDs? If so, is the proposed table necessary?
- Should we require disclosure of the reasons for maintaining PUDs that have been classified as PUDs for more than five years, as proposed? If not, why not? No, see above. Companies can always make the blanket statement that PUDs are developed as ranked in profitability and reserves the right to adjust such ranking at any time.
- Should we require a company to disclose its plans to develop PUDs and to further develop proved oil and gas reserves, as proposed? If not, why not? No – such plans are confidential and disclosure can be adverse to company. Also, company needs the flexibility to change its plans to meet changing circumstances without fear of litigation over such changes.
- Should we require the company to discuss any material changes to PUDs that are disclosed in the table? If not, why not? Not necessary as companies already make such disclosure voluntarily if material.

Section V - Impact of Proposed Amendments on Accounting Literature

Request for Comment

- Are the proposed changes more properly characterized as a change in accounting principle or a change in estimate under SFAS 154?
- Would it be appropriate to consider the changes as a change in accounting principle, but specify that no retroactive revision of past years would be required? Absolutely – neither industry nor independent reservoir engineers have the capacity to conduct retroactive revisions.
- If we required retroactive revision of past years, would companies have the historical engineering and scientific data to make such revisions? If not, are there alternatives to retroactive revision that we should consider? Issue would be more of revising reports using information that was not then available, thus every report so revised would result in major changes, up and down.

Request for Comment

- Would the effect of such changes be material or have a material effect on historical amortization levels? Potentially
- Would the effect of such changes be material or have a material effect on comparability? Please provide any empirical evidence to support your conclusion.
- Would it be appropriate to continue to require the use of the year-end price for purposes of determining reserves for purposes of amortization expense while using a different price for purposes of disclosing reserves estimates in Commission filings? This would result in a different value associated with the use of the term "proved reserves" for purposes of disclosure, as opposed to the use of that term for purposes of accounting. Would this be confusing? Should we use a different term? Should we otherwise clarify the two different meanings of that term in different contexts? Absolutely inappropriate to have two

sets of reserves based on different pricing. Financial Statements are already of limited use due to all of the estimates now required.

Request for Comment

- Should we provide a delayed compliance date, as proposed above? No. If so, is the proposed date appropriate? Should we provide more or less time for companies to familiarize themselves with the proposed amendments? Less time.
- If we provide a delayed compliance date, should we permit early adoption by companies? Definitely.
- We also request early adoption, especially with respect to off-calendar year registrants. Although we desire direct comparability among filers, it should be recognized that such comparability is not possible between varying fiscal year ends.

Respectfully, on behalf of Evolution Petroleum and our staff,

Sterling H. McDonald
Chief Financial Officer
Evolution Petroleum Corporation