



Imperial Oil Limited
237 Fourth Avenue S.W.
P.O. Box 2480, Station 'M'
Calgary, Alberta
Canada T2P 3M9

Paul A. Smith
Senior Vice-President
Finance and Administration

Tel. (403) 237-4304
Fax. (403) 237-2060

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Ms. Florence Harmon
Acting Secretary,
Securities and Exchange Commission
100 F Street, NE,
Washington, DC 20549-1090

Re: File No. S7-15-08 - Modernization of the Oil and Gas Reporting Requirements

Dear Ms. Morris:

I am writing, on behalf of Imperial Oil Limited, in response to your request to comment on the rule proposal entitled "*Modernization of the Oil and Gas Reporting Requirements*". We appreciate the opportunity to provide comments.

Imperial Oil is a Canadian incorporated company and a large accelerated *Form 10-K* filer with the Securities and Exchange Commission (SEC). The company is one of Canada's largest integrated oil companies. It is active in all phases of the petroleum industry in Canada, including the exploration for, and production and sale of, crude oil and natural gas. In addition to conventional oil and gas, the company's wholly owned facilities at Cold Lake, Alberta, Canada produced 154 thousand barrels of heavy oil a day in 2007 and the company's share of synthetic crude oil production from the Syncrude oil sands operation, near Fort McMurray, Alberta, Canada, in which the company has a 25 percent interest, was 76 thousand barrels a day in 2007.

In developing our response to the rule proposal, we have limited our comments to the important areas in which we support the SEC's approach and provide recommendations to improve other aspects which we believe are too onerous to implement while providing little value to investors. Accordingly, we have not attempted to answer every question that was posed by the staff.

Imperial Oil supports the following aspects of the proposal:

Use of 12-Month Average Prices. The proposal to use 12-month average prices to calculate reserves (instead of year-end prices) is a significant improvement. The current use of year-end single-day prices introduces short-term price volatility into the reserves estimation process which is inconsistent with the long-term nature of the oil and gas

business. The use of 12-month average prices would reduce much of this volatility while maintaining the comparability of disclosures among companies.

Inclusion of Oil Sands and Other Non-traditional Resources. The proposed inclusion of tar sands, oil shale and other such resources in oil and gas reserves will improve the quality and completeness of disclosures as it will present upstream operations to investors and other financial statement users on the same basis that company management views such operations. The investment community also views hydrocarbons produced from such resources as an integral part of the upstream oil and gas production business.

No Requirement for Third Party Reserve Reviews. The rule proposal does not require the use of independent third party reviews to support company reserves estimates. We support this approach as we believe that the professional technical staffs of companies are in the best position to estimate reserves because of the inherent complexity of the evaluation process and the breadth and complexity of resources owned by most industry companies. Also, a requirement for third party evaluation would be inoperable at the outset as the capacity of existing third party reserves evaluation consultants is far short of what would be needed to handle existing registrants.

Optional Reporting of Probable/Possible Reserves. The proposed optional reporting of probable and possible reserves is not our preferred solution (i.e. limiting reporting to proved reserves only in documents filed with the Commission); however, it is an acceptable alternative to mandatory reporting. We continue to believe that financial statement users would not be well served by the mandated inclusion of such reserves due to their increased uncertainty and the breadth of methodologies and evaluation techniques that may be employed in their calculation. It is also felt that such reporting could expose companies to additional, unwarranted litigation due to their increased risk and uncertainty. However, under the staff's proposal, companies that desire to disclose probable and possible reserves in their filed documents would not be precluded from doing so.

Recommendations to Improve the Rule Proposal

Our key recommendations to improve the rule proposal are summarized below and focus on some of the new disclosure requirements.

Dual Reporting Bases. The proposal would require reserves to be calculated on two different bases: one using 12-month average prices for disclosure purposes and one using single day, year-end prices for accounting purposes (primarily the calculation of unit of production depreciation and depletion rates). We believe that having two different bases for reported reserves will only serve to confuse financial statement users and may require even more disclosures to explain the differences. In addition, this proposal effectively doubles the required amount of record keeping by registrants and is the single costliest feature of the rule proposal. We believe a two-price system would severely task the people, systems and governance processes that already are strained to meet the 60-day filing deadline for the Annual Report on Form 10-K. Further, this requirement would break the link between the required disclosures and the underlying accounting which we believe is inconsistent with an effective and transparent reporting model. For these

reasons, we strongly recommend that the accounting and disclosure requirements be aligned on the 12-month average price basis.

Expanded Reporting of Proved Undeveloped (PUD) Reserves. The proposed aging and tracking of PUDs by their year of recognition and the tracking of related investment dollars would be a complex new reporting requirement that would necessitate costly changes to both accounting and reserves information systems. We also see several definitional issues associated with capturing related investment dollars given that PUD investments can often span several calendar years before transfer to proved developed reserves. Given the increasing scale and term of industry development projects, we believe that these disclosures will apply to an increasingly significant portion of reported reserves, further expanding the complexity of the proposed disclosures. We also believe that these additional disclosures will be of limited incremental value to financial statement users in assessing a company's success in developing resources given the other multi-year production and proved reserve information already provided. We recommend the staff modify the requested disclosures by eliminating the proposed five-year table of PUD movements and the detailed recap of PUDs over five years old. We recommend replacing it with a requirement to discuss the quantity of PUDs, any material PUD changes during the year and the progress made during the year in converting PUDs to proved developed reserves. We suggest this information be disclosed with the proved oil and gas reserve quantities table required by FAS 69, "Disclosures about Oil and Gas Producing Activities." We believe this approach would be more consistent with a principles-based approach and of more value to financial statement users.

Increased Granularity of Reserves Disclosures. The proposal would require a significant increase in the granularity of reserves disclosures including separate disclosure by conventional accumulations and continuous accumulations, by product (e.g. oil, gas and bitumen), by geographic area and by proved developed and proved undeveloped reserves. We believe that segmentation along so many parameters makes the resulting disclosures too complex, reduces the usefulness of the information content for financial statement users and unnecessarily increases the cost and complexity of company record keeping. We recommend that the staff eliminate the proposed segmentation by conventional and continuous accumulations as we believe this split will be of limited incremental value to financial statement users. We believe the disclosures should continue to be differentiated by end-product (i.e. oil and natural gas) rather than by the nature by which the volumes are extracted. Similarly, we would recommend elimination of this subcategory for the proposed disclosures on drill wells and acreage.

Increased Geographic Granularity of Disclosures. The proposal also increases the granularity of disclosures by introducing a new definition for the term "geographic area" based on bright line tests. Once determined, this same geographic segmentation must be applied to numerous other disclosures, including production, prices, lifting costs, drilling activity, description of present activities, producing wells and acreage. Much of this information is not currently maintained at the sedimentary basin or field level due to the significant costs involved with such segmentation and the lack of relevancy to managing the day to day business. Such segmentation would likely require many subjective cost allocations, creating a false impression of precision.

We believe the establishment of bright line tests for reserves disclosures is inconsistent with a principles-based system. We also believe that the rigid application of the resulting geographic segmentation to all other disclosures will result in less than optimal segmentation in many instances. For example, the geographic dispersion of data for the other disclosure items may be very different than for reserves, resulting in disclosures that are too granular in some areas or too aggregated in others. In addition, we believe there is a strong potential for competitive damage to companies from disclosure of information at the field or basin level. Such disclosures can undermine the negotiating positions of companies in future property sale transactions or other asset transfers. Accordingly, we recommend that the staff continue to require reserves disclosures by country or regional aggregations currently specified in FAS No. 69, "Disclosures about Oil and Gas Producing Activities". We also recommend that the determination of geographic segmentation for all other disclosures be left to management's judgment, consistent with current rules. Management can best decide the appropriate segmentation for each disclosure item, based on their knowledge of the business and their assessment of the data distribution for each disclosure category. This would be more consistent with a principles-based approach.

Increased Granularity of Well Disclosures. The proposal would require a substantial increase in the granularity and complexity of well disclosures. Rather than expanding the existing disclosures as proposed, we believe that the staff should give consideration to completely eliminating the requirement for well disclosures. We do not believe that the existing or proposed well data provide any substantial insights to financial statement users in assessing the economic value of a company's operations, and therefore does not justify the costs incurred by companies to assemble it. Our view is in part driven by industry technology changes which reduce the significance and relevance of well count data. As drilling technology, including new horizontal drilling techniques, continues to progress, companies have been able to significantly reduce the number of wells needed to develop a field. Given the need for fewer wells, a tabular, numeric comparison of well counts over time could present a misleading indicator of actual field development activity to investors. If elimination of the drilling activity disclosure is viewed as too extreme a move at this time, we would alternatively suggest that the current drilling disclosure requirements be left unchanged. We believe that the proposed increase in the granularity and complexity of drill well disclosures is not cost/benefit justified and does not provide useful, relevant information for financial statement users.

Yours truly,

/s/ P.A. Smith