Canadian Natural

September 8, 2008

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

Dear Ms. Harmon:

Re: File Number S7-15-08 – Modernization of the Oil and Gas Reporting Requirements

Canadian Natural Resources Limited (Canadian Natural) is pleased to provide comments on the "Modernization of the Oil and Gas Reporting Requirements" rule proposal. We appreciate the Securities and Exchange Commission's ("the Commission's") goal of providing investors with a better and more complete understanding of oil and gas reserves, which will aid investors in their evaluation of oil and gas companies.

Canadian Natural's key comments are summarized as follows:

- Prices used for determining reserves quantities should be the full 12-month historical average price.
- Prices used for accounting and disclosure purposes should be the same 12-month average price.
- Oil and gas producing activities should include bitumen extracted from oil sands and oil and gas extracted from coal beds and shales.
- Conventional and continuous accumulations should not be reported separately.
- The proposed table of reporting PUD development should not be required.

The following sections of this submission provide Canadian Natural's perspective on a number of the "requests for comment" outlined by the Commission's proposal. Canadian Natural recommends the following items be considered in finalizing and implementing the new requirements.

12-month average price *(Request for comments on pages 17-18)*

> *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?*

Canadian Natural agrees that the economic producibility of a company's oil and gas reserves should be based on a 12-month historical average price. Comparability of disclosures between companies would be maintained while removing the volatility currently created from a single "last day of year" price. This is a key issue for Canadian Natural and other producers of heavy oil as the differential from selected benchmark pricing (WTI) can vary dramatically due to seasonal as well as daily marketing influences.

> *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 12-month average, such as prices on the first day of each month? Why would such a method be preferable?*

The average price should be calculated using the price from all days in the 12-month period versus using the last day of the month as proposed. Daily prices, and monthly average prices for bitumen and heavy oil, are available and the average would represent a more accurate historical 12-month average price as opposed to an approximation. The price on the last day of the month usually does not reflect fluctuations within that given month and may not accurately represent the average monthly price.

> *Should we require, rather than merely permit, disclosure based on several different pricing methods? If so, which different methods should we require?*

No. Disclosure based on different pricing methods should continue to be permitted but remain optional.

> *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. Additional or supplemental disclose should not be required. Additional disclosure should remain optional.

Trailing Year-End Pricing *(Request for comments on pages 19-20)*

> *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 commentators have suggested? If so, how would such pricing be useful? Do accelerated filing deadlines for the periodic reports of larger companies justify using a pricing period ending before the fiscal year end?*

Canadian Natural recommends using an average 12-month annual price ending the quarter prior to the fiscal year end. Tests for economic producibility must be completed within the first few weeks of the next fiscal year which will continue to be problematic if the pricing data includes data up to the end of the fiscal year. Trailing year-end pricing would facilitate timely and accurate reporting.

> *Would the use of a pricing period other than the fiscal year be misleading to investors? Is a lag time between the close of the pricing period and the end of the company's fiscal year necessary?*

An average annual trailing year-end price would not be misleading to investors. The determination of the price would be defined and would be consistent and comparable for all companies.

> *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.*

Three months is preferable to coincide with quarterly financial reporting cycles. Alternatively, a two month lag would provide enough time for the required work to be completed.

Use the Same Average Price for Accounting and Disclosure Purposes *(Request for comments on pages 21-22)*

Canadian Natural believes the same price assumptions should be used to calculate reserves for both accounting and disclosure purposes. If different price assumptions are used to calculate reserves for accounting purposes, this would not only cause increased work and cost, but would increase the chance of investor confusion due to the inconsistency between the various reserves disclosures. Overall, it will result in decreased transparency of the accounting information provided. If there was a substantial difference between the accounting and disclosure reserves, it would raise questions and concerns over the relevance and comparability of the information provided.

Should we require companies to use the same prices for accounting purposes as for disclosure outside of the financial statements?

Yes. We do not believe it would be appropriate for companies to use one reserve quantity for accounting purposes under the requirements of SFAS 19 or Rule 4-10(c) of Regulation S-X and another reserve quantity for reserves disclosures under the requirements of SFAS 69. Accounting results that are inconsistent with reserves estimates and economics disclosed elsewhere in the same filing will hinder efforts to provide effective and transparent disclosures and will lead to investor confusion.

Canadian Natural encourages the Commission to work with FASB to arrive at a single 12-month historical average price methodology that would be used for reserves disclosures, financial accounting and financial statement purposes, and SFAS 69 disclosures.

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 method to use an average price but require companies using the full cost accounting method to use a single-day, year-end price?

We see no basis for treating successful efforts companies differently from full-cost companies for purposes of reserve quantity calculations.

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?

We believe that the same 12-month average pricing should be used to calculate the limitation on capitalized costs and to prepare the reserves for reserve disclosure purposes. We do not believe that the calculation of the limitation on capitalized costs based on the 12-month average pricing should be adjusted for any differences between the 12-month average pricing and the year-end prices or prices at the time the company issues its financial statements.

Should the disclosures required by SFAS 69 be prepared based on different prices than the disclosures required by proposed Section 1200?

No. We see no reason for different bases of the reserve quantity calculation.

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?

Canadian Natural believes that having two different bases for calculating reported reserves will only serve to confuse the investor. We see no benefit to the investor of presenting two different proved reserve quantities, which then requires additional disclosures to explain why differences exist.

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?

Requiring the use of different prices to calculate reserves for accounting and disclosure purposes could result in inconsistencies between the direction of reported reserve volume and economics movements, and the results of ceiling test limitation calculations.

This requirement would impose an unnecessary burden on companies. Besides our main concern that reporting two different reserve quantities calculated using two different pricing systems would create confusion and provide no benefit to the investor. We believe that requiring accounting and disclosure reserves to be calculated using different prices would severely strain the people, systems and governance processes of industry companies considering the short period of time between the year-end and filing date. Additional reserve runs would be required to be produced and reviewed specifically for financial accounting purposes. These additional efforts would result in significantly increased internal and external cost and time burdens to companies, which appear to be significantly underestimated in the Commission's estimates of additional costs and time required.

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?

The significance of the change to depreciation and depletion expense for industry companies will vary as a function of the significance of the differences between the average prices for the year versus prices at the end of the year. We believe updating the reserve definitions is appropriate and the associated accounting is simply an outcome of those changes.

> *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?*

The impact of the changed definitions on depreciation amounts and the ceiling test will depend on the magnitude of the difference between the 12-month average price and the year-end price, the sensitivity of the economics of an individual company's reserves to changes in prices, and the current excess of discounted future net revenues over capitalized costs in the ceiling test calculation. For some companies the changes could have little impact on their reported results while for others the changes could result in significant differences.

Extraction of Bitumen and Other Non-Traditional Resources (*Request for comments on pages 25-26*)

> *Should we consider the extraction of bitumen from oil sands, extraction of synthetic oil from oil shales, and production of natural gas and synthetic oil and gas from coal beds to be considered oil and gas producing activities, as proposed?*

Canadian Natural supports the recommended guidelines for production from oil sands, oil shales and coal beds. All products reported should be treated equally and should be based on the actual product produced.

Definition of "Proved Undeveloped Reserves" - Proposed replacement of certainty threshold *(Request for comments on pages 40-41)*

> *Are the proposed revisions appropriate? Would the proposed expansion of the PUDs definition create potential for abuses?*

The proposed revisions are appropriate and a significant improvement to the existing rule of a one spacing unit offset. Using engineering, geoscience, reliable technology and economic data in the technical analysis of proven undeveloped reserve booking will ensure reasonable certainty in the results. The revisions will remove the confusion and inconsistencies of determining appropriate offset spacing units to book proved reserves between horizontal and vertical wells and development schemes.

There will be less potential for abuse with the proposed expansion of the PUDs definition because the booking of reserves will be based on technical analysis instead of an arbitrary one spacing unit rule.

Geographic specificity with respect to reserves disclosures *(Request for comments on pages 61-62)*

> *Should we provide the proposed guidance about the level of specificity required when a company discloses its oil and gas reserves by "geographic area?*

The proposed geographic segmentation based on the percentage of the total company reserves has a high likelihood for competitive damage to companies engaging in the acquisition and disposition of petroleum assets. In addition, other disclosures such as production, exploration and development activities, costs and prices, land holdings and producing wells will need to follow the same segmentation for consistency and clarity. Canadian Natural recommends that disclosures aggregated by country or region continue as currently required in SFAS 69.

Separate Disclosure of conventional and continuous accumulations *(Request for comments on pages 62-63)*

> *Should we require separate disclosure of conventional accumulations and continuous accumulations, as proposed?*

Canadian Natural does not recommend that separate disclosure of conventional accumulations and continuous accumulations be required. Our belief in that this additional disclosure is not necessary for investor understanding. One intention of the Commission's proposal is to change the focus from the meaning of oil and gas producing activities to the final product of such activities, in spite of the technology used to extract the oil or gas. Reporting by product will supply the necessary information for investor understanding.

Some reserves cannot clearly be categorized as conventional or continuous accumulations but more accurately as a combination of the two. Canadian Natural has significant conventional production from reservoirs that could be considered continuous. There are also cases where production is commingled from conventional and continuous reservoirs. There is also potential for confusion as non-conventional production becomes a high proportion of a region's or basin's production in the future. Material "continuous" oil and gas activity could be discussed in the company's MD&A and would not need a separate reserve table.

Removal of the conventional and continuous categorization would also apply to the proposed disclosures on wells drilled and acreage.

> *Should we permit combining of columns if the product of the oil and gas producing activity is the same, such as natural gas, regardless of whether the reserves are in conventional or continuous accumulations?*

Yes, refer to the above comments.

Proposed Item 1203 (Proved undeveloped reserves) ***(Request for comments on pages 77-78)***

Should we adopt the proposed table?

The proposed table would require a significant increase in both the tracking and reporting of PUDs. The yearly tracking of PUDs on their inclusion, aging, conversion and capital investment is complex and would require involved changes to reserves and accounting information systems. The increasing number of large and lengthy oil and gas development projects will make these additional disclosure requirements a significant portion of company reserves reporting thus escalating disclosure complexity.

Canadian Natural recommends the requested disclosures be modified by removing the five-year table of PUD movements and the detailed review of PUDs undeveloped after five or more years. We also recommend that additional disclosure regarding the quantity of PUDs, the progress in converting PUDs and the material changes in PUD reserves that occurred during the year be left to management's judgment. This would be additional to the current multi year production and proved reserves information included in existing reserves disclosures.

Change in Accounting Principle or Estimate ***(Request for comments on pages 96-97)***

Are the proposed changes more properly characterized as a change in accounting principle or a change in estimate under SFAS 154?

Canadian Natural believes the proposed changes are more properly characterized as a change in estimate under SFAS 154 as the method of calculating the depreciation and the ceiling test is not changed, only the estimate of the reserves used in those calculations is changed.

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?

No, the changes should be characterized as a change in estimate as noted in the above comment.

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?

No. The historical information is not available to make retroactive revisions of prior years.

Canadian Natural appreciates the significant efforts of the Commission and its staff to undertake the modernization of the reporting requirements for oil and natural gas. Should the Commission have any questions, please direct your request to Mr. Bruce McGrath, Corporate Secretary. Thank you.

Yours very truly,

Steve W. Laut President & Chief Operating Officer	**Lyle G. Stevens** Senior Vice-President, Exploitation	**Douglas A. Proll** Chief Financial Officer & Senior Vice-President, Finance