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Ms. Florence E. Harmon,
Acting Secretary,
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100 F Street, NE
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MODERNIZATION OF THE OIL AND GAS REPORTING REQUIREMENTS

File Number S7-15-08

The Securities and Exchange Commission is proposing revisions to its current oil and gas reporting requirements with the stated goal being “to provide investors with a more meaningful and comprehensive understanding of oil and gas reserves, which should help investors evaluate the relative value of oil and gas companies”.

In its proposal, the Commission has provided a detailed description of the reasoning behind the proposed changes, but has also documented a very large number of specific “requests for comment”. The comprehensive nature of the document indicates a thorough evaluation by the Commission, but the focus on detailed rule-making could lead to inconsistencies with other rules. Consequently, I am concerned that despite the fact that some of the proposals appear reasonable in isolation, when considered as a package they will fail to deliver “more meaningful” information for investors. In addition, many of the proposed definitions could benefit from significantly improved clarity of meaning.

It is my view that any system that sets out to improve the quality of information that is to be disclosed to investors must be demonstrably consistent both internally (e.g. with the accounting regulations) and externally (e.g. with comparable investment opportunities). In the absence of such consistency, it is difficult to see how any changes will improve investors’ ability to “evaluate the relative value of oil and gas companies” or to compare them with alternative investment opportunities in companies in similar industries (which, surprisingly, was not a goal of these proposed revisions).

In summary, the proposals would fail to resolve the inconsistencies between the disclosure requirements for mining activities and those for oil and gas activities, and would introduce new inconsistencies between oil and gas reserves reporting and the associated financial accounts. The proposals may also hinder rather than facilitate any transition to a possible use of International Financial Reporting Standards (IFRS) for the extractive industries since they reflect a significant strengthening of the rules-based approach, rather than moving towards a more principles-based approach as favoured by the International Accounting Standards Board (IASB).

The Commission appears to have developed its proposals without consultation with the U.S. Financial Accounting Standards Board (FASB), based on comments in the document that it *intends* to discuss some of the issues with FASB. Further, it states that: "We intend to discuss our rulemaking project with the FASB and IASB and work with them to harmonize the rules upon effectiveness of the proposed rules, if adopted". It is my view that discussions regarding harmonization should be initiated *before* presenting any proposed rule changes for final public comment, as this approach would minimise the potential for adopting rules that are likely to reduce the opportunity for future harmonization.

Given the Commission's plan to publish for public comment a proposed Roadmap that could lead to the use of IFRS by U.S. issuers beginning in 2014, with a decision in 2011 on whether adoption of IFRS is in the public interest and would benefit investors, it is my view that it would be more cost-effective to delay further consideration of the proposed revisions to oil and gas reporting at least until such time that the Commission has had the opportunity to discuss with the FASB and IASB the key principles on which an IFRS for the extractive industries might be based. In this regard, it is noted that the Discussion Paper being prepared by the IASB's Extractive Activities Research Project is expected to be published in the next few months.

Please do not hesitate to contact me if you have any questions.

Yours sincerely,

A handwritten signature in black ink, appearing to read "James G. Ross". The signature is written in a cursive, flowing style.

James G. Ross
Managing Director