



September 18, 2008

Ms. Florence Harmon
Acting Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

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

Dear Ms. Harmon:

The American Petroleum Institute (API) would like to provide the following addendum to our comment letter of August 20, 2008 on the SEC rule proposal to modernize the oil and gas reporting requirements. The attachments include the summary of key points that members of the API General Committee on Finance reviewed with members of the SEC staff in the meeting held on September 4th in the Commission's offices in Washington D.C. The last page is a high level outline of the steps that our member companies expect will be required to implement the final rule if enacted in the current form and is the basis for our estimates of the implementation work effort.

The API appreciates the Commission's efforts to revise the current disclosure rules and to provide us the opportunity to meet with the staff. Representatives of the API and its member companies are available to further discuss the rule proposal and to answer any additional questions that the staff may have on our comment letter.

Very truly yours,

A handwritten signature in black ink that reads "Patrick T. Mulva". The signature is fluid and cursive, with a large initial "P" and a long, sweeping underline.

Patrick T. Mulva
Chairman, API General Committee on Finance

cc: Mr. Wayne Carnall SEC
 Mr. H. Roger Schwall SEC

American Petroleum Institute (API) General Committee on Finance

September 4, 2008

“Modernization of the Oil and Gas Reporting Requirements”

Overview

- API appreciates the extensive effort required to develop the rule proposal
 - + Staff’s process has been comprehensive and thoughtful
 - + Proposal well written, easy to understand despite complexity of issues

- API General Committee on Finance sponsored Ad Hoc Working Group to develop an industry response
 - + Working Group consisted of 10 companies
 - + Extensive participation/consultation by all companies
 - + Unanimous support for final comment letter
 - + Several member companies will be providing separate letters

Summary Observations on Rule Proposal

- Positively addresses API recommendations on earlier Concept Release but proposes extensive increase in disclosures
 - + SEC estimated implementation effort at 35 hours; API estimates at 15,000 – 20,000 hours for larger companies
 - + Requires new processes, systems changes, extensive training effort

- Several common themes to proposed disclosures that are troubling:
 - + Use of bright line tests versus principles-based approach
 - + Many intended as anti-abuse measures
 - + Excessive granularity
 - + Require duplicative work efforts
 - + Not clear that SEC and FASB will work together to align rules

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“Modernization of the Oil and Gas Reporting Requirements”

Positive Features

- Largely consistent with SPE PRMS definitions
- Proposed “reliable technology” standard allows the use of new technologies to support the recognition of proved reserves
- Allows, but does not require, reporting of probable/possible reserves
- Uses 12-month average prices to calculate reserves – eliminates year-end pricing issues
- Allows inclusion of oil sands and other non-traditional resources
- Aligns PUD and PD recognition thresholds at “reasonable certainty”
- Does not require third party reserves reviews

Key Concerns

- Dual pricing bases: one for reserves disclosures, one for accounting
- 12-month average price period would end on December 31 – no relief on year-end workload
- Extensive new disclosures on PUDs, scrutiny of PUDs over five years old
- Increased granularity of reserves disclosures – use of multiple parameters
- Increased geographic granularity of all disclosures – potentially to individual country, field or basin
- Increased granularity of well disclosures, introduction of new categories
- Disclose technology used to support material reserves additions
- Disclose qualifications of reserves estimators
- Expanded MD&A requirements

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Outline of Company Implementation Process for Final Rules

- Multi-discipline team analyzes final rules, identifies changes
- Develop internal implementation guidelines
- Expose implementation guidelines to organization, revise for feedback
- Plan required systems changes (Reserves and General Ledger systems)
- Implement systems changes
- Revise Sarbanes-Oxley related internal controls over financial reporting
- Train personnel on new rules, reporting requirements, system changes
- Reassessment of all properties, operations against new rules
- Execute new reporting processes to collect and consolidate required data
- Redesign annual report and 10-K for extensive new disclosures
- Review changes, final reporting with Senior Management
- Review changes, implementation process with external auditor