

September 5, 2008

**Comment on SEC Proposed Rule**

**MODERNIZATION OF THE OIL AND GAS REPORTING REQUIREMENTS**

**Release Nos. 33-8935; 34-58030; File No. S7-15-08**

*Geoff Zakaib, P.Eng., MBA  
Member - XBRL Canada*

The comments below reflect my personal opinions.

I fully support the efforts of the SEC to modernize the reporting of oil and gas reserves. In doing so, I believe it is important to move towards a global standard for reserves and resources reporting that reflects the significant amount of work that has gone into the development of the Society of Petroleum Engineers - Petroleum Resources Management System (SPE PRMS) and the progress that has been made relative to the IASB's Extractive Activities research project. It should also be recognized that convergence of accounting standards based on IFRS will eventually accelerate the development of a global standard for reserves reporting. We should take full advantage of the current opportunity to be proactive in the rationalizing the various frameworks for reserves reporting.

While the SEC proposed rule is certainly a step in the right direction, I would encourage the SEC to move even closer to the currently established frameworks for oil and gas reserves and resources reporting such as SPE PRMS, Canadian Securities Administrators (CSA) NI 51-101 and frameworks in the mining industry developed through the Combined Reserves International Reporting Standards Committee (CRIRSCO). In this regard, for example, the reporting of reserves and resources should be permitted and within the reserves category the reporting of proven and probable reserve should be mandatory.

For the remainder of this letter I would like to respond to the questions posed in Section VII - Solicitation of Comment Regarding the Application of Interactive Data Format to Oil and Gas Disclosures.

*Should we adopt rules that require oil and gas disclosures to be provided in interactive data format? Instead of requiring such formatting, should we only permit the filing of oil and gas disclosures in interactive data format? What are the principal factors that we should consider in making these decisions?*

The use of interactive data format should be permitted by all filers. Mandatory filing requirements should be phased in (based on company size) in a similar way as outlined in the SEC proposed rule on interactive data (see *Interactive Data to Improve Financial Reporting Release No. 33-8924; File No. S7-11-08 at <http://www.sec.gov/rules/proposed/2008/33-8924.pdf>*). Realistically, the first mandatory oil and gas reserves disclosures in the interactive data format should be expected in 2010 to reflect year-end 2009 reserves.

Consideration should be given for the orderly transition to reporting with interactive data. Those companies that would like to voluntarily file using interactive data earlier than mandated by their size should be allowed to do so.

*If we require oil and gas disclosures to be filed in interactive data format, should we provide for a voluntary phase-in period to create a well-developed standard list of electronic tags? Without a requirement, would the development of products for using interactive data meet the needs of investors, analysts, and others who seek to use interactive data? Would a large percentage of oil and gas companies provide interactive data voluntarily and follow the same standard, if not required to do so?*

It is critical that a single set of electronic tags (i.e. a single taxonomy) authorized by the SEC be developed in advance of the requirement for companies to report using interactive data. Individual companies should not be allowed to use their own company-developed taxonomy as this would result in massive confusion and lack of comparability within the industry. Once an official SEC taxonomy is established that defines the basic set of tags, companies could be allowed to ‘extend’ the SEC taxonomy for their unique reporting requirements if necessary.

I would suggest that the SEC fund the development of an oil and gas reserves reporting taxonomy in a similar fashion to how it sponsored the development of the US GAAP taxonomy. XBRL-US should be engaged for the technical aspects of taxonomy development and the project team should also be resourced with industry reserves reporting experts. Working together their mandate would be to develop, test and release an official taxonomy for SEC reserves reporting. The SEC should collaborate with groups such as the SPE Oil and Gas Reserves Committee, IASB Extractive Activities research project team, Committee for Mineral Reserves International Reporting Standards and the United Nations Economic Commission for Europe Framework Classification (Ad Hoc Group of Experts on Harmonization of Fossil Energy and Mineral Resources Terminology) to ensure that the tags developed ultimately become an industry standard and that the taxonomy will be useful in a global context.

It should be noted that the US GAAP taxonomy already includes a number of disclosures for Extractive Industries (see Table 1 below) with tags similar to those that would be used to oil and gas reserves reporting. The taxonomy development process must ensure that the data tags are rationalized among the many disclosures and that tags become standardized with no duplication of meaning.

The US GAAP taxonomy has also been developed with a ‘dimensional’ capability and this is an excellent fit for the requirements of the reserves reporting taxonomy.

*Would investors, analysts, and others find presentation of oil and gas disclosures helpful if presented in interactive data format? In what ways would such users of the information find such a format beneficial?*

Oil and gas reserves disclosures in interactive data format would be exceptionally useful to investors, analysts and others. Reserves information could be easily extracted from the filings with existing XBRL tools and comparative analyses could be performed in a fraction of the time that it currently takes (i.e. without downloading huge PDF reports and having to copy and paste

data into spreadsheets). Also, the use of a standard taxonomy with tags would provide unambiguous identification of data at a very granular level.

*As we note above, there is not currently a well-developed standard list of electronic tags for the oil and gas disclosures. Are there any obstacles to creating a useful standard list of electronic tags for the oil and gas disclosures? Is the type of data presented in the proposed table conducive to interactive data format? Would it be particularly difficult to create standard electronic tags for any of the proposed data? Would there be any obstacles to providing comparable data in interactive format?*

The proposed tables are very conducive to the use of interactive data format. As mentioned above, the dimensional nature of the current US GAAP taxonomy is an excellent fit to the requirements of reserves reporting and the proposed tables. In fact, with the appropriate design of the reserves reporting taxonomy there would not be a need to mandate the design (presentation) of the tables. All the data elements would be tagged and thus available to be presented according to the needs of the user and tables could be rendered dynamically.

It would take the dedicated team effort to develop the reserves reporting taxonomy and it would require a source of funding. As the SEC has proven experience in the sponsorship of XBRL taxonomy development projects there should not be any insurmountable obstacles. The scope of the reserves reporting taxonomy would narrower than that of the US GAAP taxonomy and with the right team it could likely be completed in a matter of months.

*Would it be useful for the data in the proposed tables to interact with other data in Commission filings? If so, which data?*

Yes. As mentioned above, a number of oil and gas industry disclosures are already in the US GAAP taxonomy (see Table 1 below). These disclosures and others would benefit from the development of a standard tags that would clearly define the data elements and be consistently used throughout.

*If we adopt rules requiring oil and gas disclosures in interactive data format, should we require the use of the eXtensible Business Reporting Language (XBRL) standard? Are any other standards becoming more widely used or otherwise superior to XBRL? What would the advantages of any such other standards be over XBRL?*

The use of XBRL should be required. There are no other standards that are mature enough to provide the required functionality in the timeframe necessary. XBRL has already been employed as the technical foundation of the SEC's initiatives on interactive data that have been pursued over the last few years. XBRL is also the standard that will be used in the replacement to the EDGAR system that will be known as IDEA (Interactive Data Electronic Applications - see "*SEC Announces Successor to EDGAR Database*" at <http://www.sec.gov/news/press/2008/2008-179.htm>). For all these reasons, XBRL is the logical standard to be used for SEC oil and gas disclosures in the interactive data format.

## **Table 1 – Extractive Industries Disclosure – US GAAP Taxonomy**

### **Extended Link (965000 - Disclosure - Extractive Industries)**

Extractive Industries Disclosures [Text Block]

Proved Oil and Gas Reserve Quantities Disclosure [Text Block]

Schedule of Proved Developed and Undeveloped Oil and Gas Reserve Quantities [Text Block]

Oil Reserve Quantities, by Geographic Area [Table]

Oil Reserve Quantities, by Geographic Area [Axis]

Geographic Area of Oil Reserves [Domain]

Oil Reserve Quantities, by Geographic Area [Line Items]

Oil Reserves, Unit of Measure

Increase (Decrease) in Oil Reserves [Roll Forward]

Oil Reserves, Proved Reserves, Net, Beginning Balance

Oil Reserves, Revisions of Previous Estimates Increase (Decrease)

Oil Reserves, Improved Recovery

Oil Reserves, Purchases of Minerals in Place

Oil Reserves, Extensions, Discoveries and Other Additions

Oil Reserves, Production

Oil Reserves, Sales of Minerals in Place

Oil Reserves, Period Increase (Decrease), Total

Oil Reserves, Proved Reserves, Net, Ending Balance

Oil Reserves, Proportional Interest of Net Proved Oil Reserve Quantities of Equity Investees

Gas Reserve Quantities, by Geographic Area [Table]

Gas Reserve Quantities, by Geographic Area [Axis]

Geographic Area of Gas Reserves [Domain]

Gas Reserve Quantities, by Geographic Area [Line Items]

Gas Reserves, Unit of Measure

Increase (Decrease) in Gas Reserves [Roll Forward]

Gas Reserves, Net Proved Reserves, Beginning Balance

Gas Reserves, Revision Increase (Decrease) of Previous Estimates

Gas Reserves, Improved Recovery

Gas Reserves, Purchases of Minerals in Place

Gas Reserves, Extensions, Discoveries and Other Additions

Gas Reserves, Production

Gas Reserves, Sales of Minerals in Place

Gas Reserves, Period Increase (Decrease), Total

Gas Reserves, Net Proved Reserves, Ending Balance

Gas Reserves, Proportional Interest of Net Proved Gas Reserve Quantities of Equity  
Investees

Schedule of Natural Gas Liquids (NGLs) Reserve Quantities, by Geographic Area [Text Block]

Natural Gas Liquids Reserve Quantities, by Geographic Area [Table]

Natural Gas Liquids Reserve Quantities, by Geographic Area [Axis]

Natural Gas Liquids Reserves, Geographic Area [Domain]

Natural Gas Liquids Reserve Quantities, by Geographic Area [Line Items]

Natural Gas Liquids Reserves, Unit of Measure

Increase (Decrease) in Natural Gas Liquids Reserves [Roll Forward]

Natural Gas Liquids Reserves, Net Proved Reserves, Beginning Balance

Natural Gas Liquids Reserves, Revisions of Previous Estimates Increase (Decrease)

Natural Gas Liquids Reserves, Improved Recovery

Natural Gas Liquids Reserves, Purchases of Minerals in Place

Natural Gas Liquids Reserves, Extensions, Discoveries and Other Additions

Natural Gas Liquids Reserves, Production

Natural Gas Liquids Reserves, Sales of Minerals in Place

Natural Gas Liquids Reserves, Period Increase (Decrease), Total

Natural Gas Liquids Reserves, Net Proved Reserves, Ending Balance

Natural Gas Liquids Reserves, Proportional Interest of Net Proved NGLs Reserve Quantities  
of Equity Investees

Disclosure of Other Reserve Information [Abstract]

Reserves Related to Royalty Interests Not Available

Reserve Quantities of Oil and Gas Subject to Purchase under Long-term Supply, Purchase, or  
Similar Agreements and Contracts

Quantity of Oil or Gas Received under Long-term Supply, Purchase, or Similar Agreements and  
Contracts

Description of Significant Changes in Reserves Quantities or Significant Factors or Uncertainties  
that May Affect Proved Reserves

Government Restrictions on Disclosure of Estimated Reserves or Disclosure of Reserves Other than Proved

Disclosure of Certain Methane Gas Reserves

Disclosure of Reserve Information for Cost-of-service Oil and Gas Producing Properties of Rate Regulated Companies

NGL Reserves Not Clearly Attributable to Leasehold Interests

Capitalized Costs Relating to Oil and Gas Producing Activities Disclosure [Text Block]

Capitalized Costs Relating to Oil and Gas Producing Activities, by Geographic Area [Table]

Capitalized Costs Relating to Oil and Gas Producing Activities, by Geographic Area [Axis]

Geographic Area of Capitalized Costs [Domain]

Capitalized Costs Relating to Oil and Gas Producing Activities, by Geographic Area [Line Items]

Capitalized Costs, Oil and Gas Producing Activities, Net [Abstract]

Capitalized Costs, Oil and Gas Producing Activities, Gross [Abstract]

Capitalized Costs, Mineral Interests in Unproved Properties

Capitalized Costs, Mineral Interests in Proved Properties

Capitalized Costs, Wells and Related Equipment and Facilities

Capitalized Costs, Support Equipment and Facilities

Capitalized Costs, Uncompleted Wells, Equipment and Facilities

Capitalized Costs, Unproved Properties

Capitalized Costs, Proved Properties

Capitalized Costs, Asset Retirement Obligation Asset

Capitalized Costs, Oil and Gas Producing Activities, Gross, Total

Capitalized Costs, Accumulated Depreciation, Depletion, Amortization and Valuation Allowance for Relating to Oil and Gas Producing Activities

Capitalized Costs, Oil and Gas Producing Activities, Net

Capitalized Costs, Proportional Interest of Net Capitalized Costs of Equity Companies, Net

Cost Incurred in Oil and Gas Property Acquisition, Exploration, and Development Activities Disclosure [Text Block]

Costs Incurred in Oil and Gas Property Acquisition, Exploration, and Development Activities [Table]

Costs Incurred in Oil and Gas Property Acquisition, Exploration, and Development Activities [Axis]

Geographic Area of Costs Incurred [Domain]

Costs Incurred, Oil and Gas Property Acquisition, Exploration, and Development Activities [Line Items]

Costs Incurred, Acquisition of Oil and Gas Properties [Abstract]

Costs Incurred, Acquisition of Unproved Oil and Gas Properties

Costs Incurred, Acquisition of Oil and Gas Properties with Proved Reserves

Costs Incurred, Acquisition of Oil and Gas Properties, Total

Costs Incurred, Exploration Costs

Costs Incurred, Development Costs

Costs Incurred, Asset Retirement Obligation Incurred

Costs Incurred, Proportional Interest of Costs Incurred by Equity Companies

Results of Operations for Oil and Gas Producing Activities Disclosure [Text Block]

Results of Operations for Oil and Gas Producing Activities, by Geographic Area [Table]

Results of Operations for Oil and Gas Producing Activities, by Geographic Area [Axis]

Results of Operations, Geographic Area [Domain]

Results of Operations for Oil and Gas Producing Activities, by Geographic Area [Line Items]

Results of Operations, Oil and Gas Producing Activities Net Income (Excluding Corporate Overhead and Interest Costs) [Abstract]

Results of Operations, Income before Income Taxes [Abstract]

Results of Operations, Revenue from Oil and Gas Producing Activities [Abstract]

Results of Operations, Sales Revenue to Unaffiliated Enterprises

Results of Operations, Sales or Transfers to Entity's Other Operations

Results of Operations, Revenue, Other

Results of Operations, Revenue from Oil and Gas Producing Activities, Total

Results of Operations, Production or Lifting Costs

Results of Operations, Exploration Expense

Results of Operations, Dry Hole Costs

Results of Operations, Transportation Costs

Results of Operations, Depreciation, Depletion and Amortization, and Valuation Provisions

Results of Operations, Impairment of Oil and Gas Properties

Results of Operations, Accretion of Asset Retirement Obligations

Results of Operations, General and Administrative Related to Oil and Gas Producing Activities

Results of Operations, Expense, Other

Results of Operations, Income before Income Taxes, Total

Results of Operations, Income Tax Expense

Results of Operations, Oil and Gas Producing Activities Net Income (Excluding Corporate Overhead and Interest Costs), Total

Results of Operations, Entity's Share of Equity Method Investees' Results of Operations for Oil and Gas Producing Activities

Standardized Measure of Discounted Future Cash Flows Relating to Proved Reserves Disclosure [Text Block]

Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves [Table]

Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves [Axis]

Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves, Geographic Area [Domain]

Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves [Line Items]

Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves, Standardized Measure [Abstract]

Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves, Future Net Cash Flows [Abstract]

Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves, Future Cash Inflows

Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves, Future Development Costs

Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves, Future Production Costs

Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves, Future Income Tax Expense

Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves, Future Net Cash Flows, Total

Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves, 10 Percent Annual Discount for Estimated Timing of Cash Flows

Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves, Standardized Measure

Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves, Entity's Share of Equity Method Investees' Standardized Discounted Future Net Cash Flows

Significant Economic Interest by Consolidated Subsidiary in Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves Disclosure

Principal Sources of Change in Standardized Measure of Discounted Future Net Cash Flow Relating to Proved Oil and Gas Reserves [Abstract]

Increase (Decrease) in Standardized Measure of Discounted Future Net Cash Flow Relating to Proved Oil and Gas Reserves [Roll Forward]

Standardized Measure of Discounted Future Net Cash Flow Relating to Proved Oil and Gas Reserves, Beginning Balance

Sales and Transfers of Oil and Gas Produced, Net of Production Costs

Net Increase (Decrease) in Prices and Production Costs

Extensions, Discoveries, Additions and Improved Recovery, Less Related Costs

Previously Estimated Development Costs Incurred During Period

Revisions of Previous Quantity Estimates

Accretion of Discount

Increase (Decrease) in Estimated Future Development Costs



Increase Due to Purchases of Minerals in Place

Decrease Due to Sales of Minerals in Place

Increase (Decrease) in Future Income Tax Expense Estimates on Future Cash Flows Related to Proved Oil and Gas Reserves

Standardized Measure of Discounted Future Net Cash Flow of Proved Oil and Gas Reserves, Period Increase (Decrease), Total

Standardized Measure of Discounted Future Net Cash Flow Relating to Proved Oil and Gas Reserves, Ending Balance

Oil and Gas Net Production, Average Sales Price and Average Production Costs Disclosure [Text Block]

Average Sales Price and Production Costs Per Unit of Production [Table]

Average Sales Price and Production Costs Per Unit of Production, Geographic Area [Axis]

Geographic Area of Oil Production [Domain]

Average Sales Price and Production Costs Per Unit of Production, Production Type [Axis]

Production Type [Domain]

Crude Oil and NGL, Per Barrel [Member]

Natural Gas, Per Thousand Cubic Feet [Member]

Average Sales Price and Production Costs Per Unit of Production [Line Items]

Average Sales Prices

Average Production Costs Per Barrels of Oil Equivalents (BOE)

Consolidated Oil and Gas Production [Abstract]

Production, Barrels of Oil Equivalents

Consolidated Oil and Gas Production Costs Per Unit of Production

Consolidated Oil and Gas Production Costs, Unit of Measure

Average Production Cost Information

Productive Wells and Acreage Disclosure [Text Block]

Productive Wells [Abstract]

Schedule of Productive Wells [Text Block]

Productive Wells [Table]

Productive Wells [Axis]

Geographic Area of Productive Wells [Domain]

Productive Wells [Line Items]

Productive Oil Wells, Number of Wells, Gross

Productive Oil Wells, Number of Wells, Net

Productive Gas Wells, Number of Wells, Gross

Productive Gas Wells, Number of Wells, Net

Alternative Disclosure on Productive Wells

Gas and Oil Acreage [Abstract]

Schedule of Gas and Oil Acreage [Text Block]

Gas and Oil Acreage [Table]

Gas and Oil Acreage [Axis]

Gas and Oil Acreage, Geographic Area [Domain]

Gas and Oil Acreage [Line Items]

Gas and Oil Acreage, Developed, Gross

Gas and Oil Acreage, Developed, Net

Gas and Oil Acreage, Undeveloped, Gross

Gas and Oil Acreage, Undeveloped, Net

Minimum Remaining Terms of Leases and Concessions on Undeveloped Acreage

Net Productive and Dry Wells Drilled Disclosure [Text Block]

Exploratory Wells Drilled [Abstract]

Schedule of Exploratory Wells Drilled [Text Block]

Exploratory Wells Drilled [Table]

Exploratory Wells Drilled [Axis]

Exploratory Wells Drilled, Geographic Area [Domain]

Exploratory Wells Drilled [Line Items]

Exploratory Wells Drilled, Net Productive

Exploratory Wells Drilled, Net Nonproductive

Development Wells Drilled [Abstract]

Schedule of Development Wells Drilled [Text Block]

Development Wells Drilled [Table]

Development Wells Drilled [Axis]

Development Wells Drilled, Geographic Area [Domain]

Development Wells Drilled [Line Items]

Development Wells Drilled, Net Productive

Development Wells Drilled, Net Nonproductive

Oil and Gas Delivery Commitments and Contracts Disclosure [Text Block]

Oil and Gas Delivery Commitments and Contracts [Table]

Oil and Gas Delivery Commitments and Contracts [Axis]

Oil and Gas Delivery Commitments and Contracts, Oil Producing Property [Domain]

Oil and Gas Delivery Commitments and Contracts [Line Items]

Oil and Gas Delivery Commitments and Contracts, Remaining Contractual Volume

Oil and Gas Delivery Commitments and Contracts, Daily Production

Oil and Gas Delivery Commitments and Contracts, Term

Oil and Gas Delivery Commitments and Contracts, Fixed Price

Oil and Gas Delivery Commitments and Contracts Additional Information [Abstract]

Other Significant Aspects of Oil and Gas Delivery Commitments

Prior Inability to Deliver or Meet Oil and Gas Delivery Commitments and Contracts