

Federal Accounting Standards Advisory Board

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NEWS RELEASE

FASAB Releases Revised Exposure Draft on Accounting for Federal Oil and Gas Resources

The Chairman of the Federal Accounting Standards Advisory Board (FASAB), Tom Allen, announced today that the FASAB is seeking input on a Revised Exposure Draft, *Accounting for Federal Oil and Gas Resources*. This exposure draft proposes standards that would result in recognition of the estimated value of royalties from federal oil and gas leases and changes in those values over time as well as the amount of royalties designated for distribution to non-federal entities such as state governments. If the proposal is adopted, federal financial reports would also provide information about revenues and depletion expense attributable to production during the reporting period, related trend information, estimated quantities of federal oil and gas resources, and the estimated value of royalty relief on production during the period.

While the proposed standards in the revised exposure draft are similar in concept to those contained in the original exposure draft issued on May 21, 2007, substantive changes have been made to the valuation and disclosure requirements that require re-exposure. "The board has revised the proposed standards on accounting for federal oil and gas resources after thoroughly considering all of the comments received on the previous exposure draft and extensive feedback from the Department of Interior's field test team," according to Chairman Allen. "I believe the end result of this exposure draft, if implemented, would be a more cost-effective standard that is sensitive to the lack of resources available to implement accounting standards while still resulting in valuable information that contributes to meeting federal financial reporting objectives."

Extensive federal oil and gas resources exist on public lands throughout the country and on the Outer Continental Shelf. Currently, there are no specific accounting standards for federal oil and gas resources and there is no federal financial reporting about the quantity or value of these assets. In addition, royalty revenues are recognized but expenses are not recognized for the asset exchanged to produce those revenues. "The proposed standards would serve to fill the current voids in accounting for federal oil and gas resources," according to Chairman Allen.

The exposure draft requests written comments by September 8, 2009, and encourages respondents to provide the reasons for their positions. The exposure draft in PDF format and the specific questions for respondents in Word format are available on the FASAB website at <http://www.fasab.gov/exposure.html>.

ABOUT FASAB

Accounting and financial reporting standards are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus, federal accounting standards and financial reporting play a major role in fulfilling the government's duty to be publicly accountable and can be used to assess (1) the government's accountability and its efficiency and effectiveness, and (2) the economic, political, and social consequences of the allocation and various uses of federal resources. The FASAB issues federal accounting standards after following a due process consistent with the Memorandum of Understanding under which it operates. Due process includes consideration of the financial and budgetary information needs of citizens, congressional oversight groups, executive agencies, and the needs of other users of federal financial information.

For more information on FASAB, please visit our website: www.fasab.gov.