



**Federal Accounting Standards Advisory Board**

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**Deferral of the Effective Date of SFFAS 38, *Accounting for  
Federal Oil and Gas Resources***

**Statement of Federal Financial Accounting Standards 41**

July 6, 2011

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## THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General established the Federal Accounting Standards Advisory Board (FASAB or “the Board”) in October 1990. FASAB is responsible for promulgating accounting standards for the United States Government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

An accounting standard is typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. The proposed standards are published in an exposure draft for public comment. In some cases, a discussion memorandum, invitation for comment, or preliminary views document may be published before an exposure draft is published on a specific topic. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standard with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information is available from the FASAB or its website:

- “Memorandum of Understanding among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board.”
- “Mission Statement: Federal Accounting Standards Advisory Board”, exposure drafts, Statements of Federal Financial Accounting Standards and Concepts, FASAB newsletters, and other items of interest are posted on FASAB’s website at: [www.fasab.gov](http://www.fasab.gov).

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**Summary**

This Statement defers the effective date of Statement of Federal Financial Accounting Standards (SFFAS) 38, *Accounting for Federal Oil and Gas Resources*, for one year. The standards contained in SFFAS 38 will become effective as required supplementary information for periods beginning after September 30, 2012, with earlier implementation encouraged.

**Table of Contents** **4**

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**Table of Contents**

Summary ..... 3

Standards ..... 5

    Scope ..... 5

    Amendment to SFFAS 38..... 5

    Effective Date ..... 5

Appendix A: Basis for Conclusions ..... 6

    Project History ..... 6

    Request for Deferral ..... 7

    Due Process ..... 7

        Comment Letters..... 8

Appendix B: Abbreviations ..... 10

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**Standards**

**Scope**

1. This Statement applies to federal entities that report information about federal oil and gas resources in general purpose federal financial reports, including the consolidated financial report of the U.S. Government (CFR), in conformance with SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.

**Amendment to SFFAS 38**

2. Paragraphs 5 and 30 of SFFAS 38, *Accounting for Federal Oil and Gas Resources*, are amended as follows:

The standards are effective as RSI for periods beginning after September 30, ~~2011~~2012. Earlier implementation is encouraged.

**Effective Date**

3. This standard is effective upon issuance.

The provisions of this Statement need not be applied to immaterial items.

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**Appendix A: Basis for Conclusions**

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards enunciated in this Statement—not the material in this appendix—should govern the accounting for specific transactions, events, or conditions.

**Project History**

- A1. FASAB issued Statement of Federal Financial Accounting Standards (SFFAS) 38, *Accounting for Federal Oil and Gas Resources*, on April 13, 2010. This standard requires the value of the federal government’s estimated petroleum royalties from the production of federal oil and gas proved reserves be reported in a schedule of estimated federal oil and gas petroleum royalties. In addition, this standard requires the value of estimated petroleum royalty revenue designated for others be reported in a schedule of estimated federal oil and gas petroleum royalties to be distributed to others. These schedules are to be presented as required supplementary information (RSI) as part of a discussion of all significant federal oil and gas resources under management by the entity. SFFAS 38 is effective as RSI for periods beginning after September 30, 2011 with earlier implementation encouraged.
- A2. It is the Board’s intent that the information required by SFFAS 38 transitions to basic information after being reported as RSI for a period of three years. Prior to the conclusion of the three-year RSI period, the Board plans to make a determination as to whether the information will transition to basic information as financial statement recognition or note disclosure. SFFAS 38 will remain in effect until such time as a determination is made.
- A3. On September 30, 2010, FASAB staff was informed that the Department of the Interior (DOI) was considering requesting a one-year deferral of the effective date of SFFAS 38 due to the recent reorganization of the Minerals Management Service (MMS) into several different bureaus under the newly created Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE). MMS had been the component entity responsible for collecting royalties and charged with preparing the information to be reported under SFFAS 38.
- A4. On October 7, 2010, FASAB staff notified a BOEMRE representative that in order to issue an amendment to the standard by September 2011, staff would need to receive DOI’s formal deferral request in time to prepare a draft exposure draft (ED) for the December 2010 board meeting.

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**Request for Deferral**

- A5. The formal request was received from BOEMRE on November 18, 2010. The request explained that MMS's successor organization will be divided into three new entities. First, the BOEMRE and the Bureau of Safety and Environment Enforcement will divide the duties of the former Offshore Energy and Minerals Management organization, with the former managing the development of conventional and renewable resources and minerals on the Outer Continental Shelf, and the latter providing safety and environmental oversight. These new bureaus will report to the Assistant Secretary of Land and Minerals Management. Second, the Office of Natural Resources Revenue (ONRR) will perform the roles of the former Minerals Revenue Management organization and report to the Assistant Secretary for Policy, Management and Budget.
- A6. BOEMRE's request stated that many issues and challenges have arisen as a direct result of these organizational changes that will greatly complicate the implementation of SFFAS 38 for fiscal year 2012. Accordingly, a one-year deferral of SFFAS 38 was requested.
- A7. While a reorganization in and of itself would not normally be a justification for deferring a standard, the Board members noted that the nature and extent of the MMS reorganization goes above and beyond what would be considered within the normal course of operations. The Board therefore approved the one-year deferral, but emphasized that earlier implementation is encouraged and strongly urged that the standard be implemented for fiscal year 2012 if at all possible.

**Due Process**

- A8. The Exposure Draft (ED), *Deferral of the Effective Date of SFFAS 38, Accounting for Federal Oil and Gas Resources*, was released on January 5, 2011, with comments requested by February 7, 2011.
- A9. Upon release of the ED, notices and press releases were provided to the FASAB email listserv, the Federal Register, *The Journal of Accountancy*, *AGA Today*, *the CPA Journal*, *Government Executive*, *the CPA Letter*, *Government Accounting and Auditing Update*, the CFO Council, the Council of Inspectors General on Integrity and Efficiency, and the Financial Statement Audit Network, and committees of professional associations generally commenting on exposure drafts in the past (e.g., Greater Washington Society of CPAs, AGA Financial Management Standards Board).
- A10. This broad announcement was followed by direct e-mailings of the press release to:

- a) Relevant congressional committees: Senate Committee on Energy and Natural Resources, Senate Committee on Finance, House Committee on Financial Services, and House Committee on Natural Resources;
- b) Public interest groups and think tanks: Alliance to Save Energy, The Brookings Institution, The Cato Institute, Center on Budget and Policy Priorities, Citizens Against Government Waste, The Concord Coalition, The Heritage Foundation, National Parks Conservation Association (NPCA), Natural Resources Defense Council (NRDC), OMB Watch, Resources for the Future (RFF), Sierra Club, The Urban Institute, and World Resources Institute (WRI);
- c) Respondents to SFFAS 38 and related EDs (or their successors);
- d) Agencies that manage and / or account for federal natural resources: Department of the Interior (DOI) Office of the Secretary; DOI Bureau of Land Management ; DOI Bureau of Ocean Energy Management, Regulation and Enforcement; DOI U.S. Geological Service (USGS); Department of Agriculture (USDA), Deputy CFO; and USDA Forest Service.

A11. To encourage responses, reminder notices were provided to the FASAB email listserv on January 28, 2011, and February 8, 2011.

**Comment Letters**

A12. Four comment letters were received from the following sources:

	<b>FEDERAL (Internal)</b>	<b>NON-FEDERAL (External)</b>
Users, academics, others	0	2
Auditors	0	0
Preparers and financial managers	2	0

A13. The Board considered responses to the exposure draft at its February 23, 2011, public meeting. The Board did not rely on the number in favor of or opposed to a given position. Information about the respondents' majority view is provided only as a means of summarizing the comments. The Board considered the arguments in each response and weighed the merits of the points raised. The respondents' comments are summarized below.

## Appendix A: Basis for Conclusions

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9

- A14. Three of the four respondents were in favor of deferring the effective date. One respondent disagreed, citing the need for DOI to incorporate the reporting for oil and gas resources into its newly reorganized reporting structure as it is being developed. The Board considered both views and decided to approve the one-year deferral, noting that the additional time provided to DOI to improve upon its estimation process in light of the major reorganization of MMS would be preferable.
- A15. This statement was approved for issuance by all members of the Board. Written ballots are available for public inspection at the FASAB's offices.

## Appendix B: Abbreviations

10

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### Appendix B: Abbreviations

BOEMRE	Bureau of Ocean Energy Management, Regulation and Enforcement
CFR	Consolidated Financial Report of the U.S. Government
DOI	Department of the Interior
ED	Exposure Draft
FASAB	Federal Accounting Standards Advisory Board
MMS	Minerals Management Service
ONRR	Office of Natural Resources Revenue
RSI	Required Supplementary Information
SFFAS	Statement of Federal Financial Accounting Standards
U.S.	United States

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