

Federal Accounting Standards Advisory Board

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NEWS RELEASE

FASAB Issues Standard on Accounting for Federal Oil and Gas Resources

The Chairman of the Federal Accounting Standards Advisory Board (FASAB), Tom Allen, announced today that FASAB issued Statement of Federal Financial Accounting Standards (SFFAS) 38, *Accounting for Federal Oil and Gas Resources*.

Federal proved reserves are the estimated quantities of oil and gas under federal lands that are believed with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. While these reserves represent assets and ideally would be valued and included in the balance sheet, SFFAS 38 instead provides for a three-year period of experimental reporting. By requiring the federal government to report its royalty share of estimated oil and gas production from federal proved reserves and the portion of that share to be distributed to others as required supplementary information (RSI)¹, FASAB hopes to gain insight into the challenges associated with valuing these assets and liabilities. In addition to the values, a discussion of all significant federal oil and gas resources under management by the federal government – including those not yet “proved” – is required to provide context for the reader.²

“This standard on accounting for federal oil and gas resources is the product of many years of staff research and due process,” according to Chairman Allen. “The Board is committed to ensuring that the requirements for federal financial reporting meet the desired objectives of federal financial reporting – stewardship, operating performance, budgetary integrity, and systems and controls. In addition, federal financial reporting should be understandable, reliable, relevant, timely, consistent, and comparable. For that reason, the Board has taken an experimental approach through this standard because of the volatility and uncertainty that is inherent in oil and gas reporting.”

¹ RSI is information that FASAB requires to accompany basic information. RSI is unaudited but subject to certain audit procedures specified in auditing standards.

² Federal lands contain a variety of natural resources other than oil and gas proved reserves that are not specifically addressed by this Statement. This Statement does not require or preclude entities from reporting information about other types of federally-owned natural resources; however, this Statement should be considered in conjunction with SFFAS 7, *Accounting for Revenue and Other Financing Sources*, when applying SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, to other types of federally-owned natural resources.

The information is required to be reported as RSI for periods beginning after September 30, 2011. However, it is the Board's intent that the information required by this Statement transition to basic information (which is subject to full audit) 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 determine whether the information will transition to basic information through financial statement recognition or note disclosure. SFFAS 38 will remain in effect until such time a determination is made.

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.