

FINANCIAL ACCOUNTING SERIES



ACCOUNTING STANDARDS UPDATE

No. 2009-11
September 2009

Extractive Activities—Oil and Gas

Amendment to Section 932-10-S99

An Amendment of the *FASB Accounting Standards Codification*[™]

Financial Accounting Standards Board
of the Financial Accounting Foundation

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FINANCIAL ACCOUNTING SERIES (ISSN 0885-9051) is published quarterly by the Financial Accounting Foundation. Periodicals – postage paid at Norwalk, CT and at additional mailing offices. The full subscription rate is \$230 per year. POSTMASTER: Send address changes to Financial Accounting Standards Board, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116. | **No. 323**

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Securities and Exchange Commission (SEC) Content

Extractive Activities—Oil and Gas

Amendment to Section 932-10-S99

This Accounting Standards Update represents a technical correction to the SEC Observer comment in EITF 90-22, “Accounting for Gas-Balancing Arrangements.”

1. In accordance with this SEC update, amend paragraph 932-10-S99-5 of the Codification as follows:

S99-5 The following is the text of SEC Observer Comment: Accounting for Gas-Balancing Arrangements.

The SEC staff has not taken a position on whether the entitlements method (each unit of gas is assumed to be jointly owned by the well partners. Sales revenue is recognized only to the extent of each partner's proportionate share of gas sold regardless of which partner sold the gas) or sales method (sales revenue is recognized for all gas sold by a partner to its customer notwithstanding the fact that the partner's ownership is less than 100% of the gas sold) is preferable with respect to accounting for gas-balancing arrangements, as defined in paragraphs 932-815-55-1 through 55-2, that do not meet the definition of a derivative in accordance with those paragraphs. A receivable or liability recorded using the entitlements method should be valued at the lower of (1) the price in effect at the time of production, (2) the current market value, or (3) if a contract is in hand, the contract price. Receivables should be net of selling expenses. If the sales method is used by the overtaker and reserves are insufficient to offset the imbalance, the overtaker should record a liability for the amount of shortfall in reserves valued at current market price unless a different price is specified in the contract in which case the contract price may be used.

Registrants should account for all significant gas imbalances consistently, using one accounting method. SEC registrants should disclose their method of accounting, as well as the amount of any imbalance in terms of units and value, if significant.

2. Add paragraph 932-10-S00-1 as follows:

Paragraph Number	Action	Accounting Standards Update	Date
932-10-S99-5	Amended	2009-11	09/18/2009