February 8, 2011

Ms. Wendy M. Payne, CPA, CGFM
Executive Director
Federal Accounting Standards Advisory Board
Mail Stop 6K17V
441 G Street, NW – Suite 6814
Washington, DC 20548

Dear Ms. Payne:
The Department of Interior (DOI) appreciates the opportunity to provide comments on
the Federal Accounting Standards Advisory Board’s (FASAB) Exposure Draft proposing
a one-year deferral of the effective date of SFFAS 38, *Accounting for Federal Oil and Gas
Resources*.

Q1. Do you agree or disagree with the proposed one-year deferral of the
effective date of SFFAS 38, *Accounting for Federal Oil and Gas Resources*
(see paragraph 2 and further discussion in paragraphs A1 through A7)?

The DOI agrees with the proposed one-year deferral of the effective date of SFFAS 38.

On May 19, 2010, Secretary Salazar announced the restructuring of the Minerals
Management Service (MMS), the component entity responsible for collecting federal oil
and gas royalties and charged with preparing the information to be reported under
SFFAS 38, by issuing Secretarial Order No. 3299. The structure established in Secretarial
Order No. 3299 reflects Interior’s conclusions regarding how best to achieve the goals of
mission independence, appropriate checks and balances, and rigorous oversight, while
maintaining ongoing communication and coordination necessary to facilitate an
effective, efficient and predictable process. As an interim step, MMS was also renamed
the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE).

MMS’s successor organization will be divided into three new entities. First, the
BOEMRE and the Bureau of Safety and Environmental 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 OCS, and the latter providing safety and environmental oversight.
Second, the Office of Natural Resources Revenue (ONRR) will perform the royalty
collection and disbursement roles of the former Minerals Revenue Management
organization. On October 1, 2010, ONRR was transferred to DOI’s Assistant Secretary for Policy, Management and Budget.

As a result of these significant organizational changes, many challenges and issues have arisen which will complicate the successful implementation of SFFAS 38. Numerous decisions remain regarding the reorganization and final make-up of the successor entities and the accounting and reporting support for each of the entities. Additionally, further analysis should be given to some of the underlying assumptions used in developing the requirements for the Standard, to determine potential impacts to reporting in light of the new organizational structure.

Accordingly, DOI concurs with the Exposure Draft which proposes a one-year deferral of the effective date of SFFAS 38, and we appreciate the opportunity to provide comments on the matter.

Sincerely,

/s/
Edward King
Acting Deputy Director
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US Department of the Interior
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