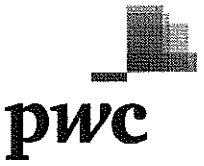


Ms. Elizabeth Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street N.E.
Washington, DC
20549-1090

2 March 2011

Dear Ms. Murphy:

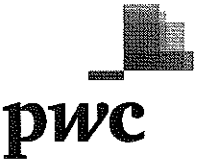
Subject: File Number S7-42-10, *Disclosure of Payments by Resource Extraction Issuers*

We appreciate the opportunity to respond to the Securities and Exchange Commission's (SEC) proposed rule *Disclosure of Payments by Resource Extraction Issuers* (the "Proposed Rule"), which attempts to create operational rules to implement Section 13(q) of the Exchange Act as added by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "statute"). Given the opaqueness of the statute, the SEC staff should be commended for their efforts. The majority of the requests for comment in the Proposed Rule were intended specifically for registrants. Accordingly, we have not responded to each question in the Proposed Rule. Please see the attached appendix for our detailed comments.

We note that one of the stated purposes of the Proposed Rule is to provide useful information to investors. We agree that the investors' perspective is critically important and should be the key consideration as the Proposed Rule is finalized. It is from this perspective that we approach your request to provide comments.

A significant concern with the Proposed Rule relates to its statements and inferences that suggest that detailed resource extraction payment disclosures are somehow inherently more valuable to investors than appropriately summarized disclosures. In our view, investors do not benefit by being overloaded with large amounts of raw data that they must sift through. The general investor population is better served when they are provided condensed financial information that is supplemented with appropriately descriptive narrative context. In fact, current SEC rules are replete with guidance that directs registrants to provide information that they believe is necessary to give an investor insight and understanding. Given that Form 10-K and the other forms included within the 1934 Act are primary tools in communicating with investors, we believe mandating inclusion of detailed information within such forms without a clear and proven benefit to investors sets an unwarranted precedent. Accordingly, we recommend that the SEC adhere to its obligation under the statute to create rules that are practicable. In doing so, the SEC can avoid mandating the reporting of excessive detail, while creating rules that develop resource extraction payment disclosures that are summarized at a level that is truly decision useful for investors.

We also have concerns with the requirement in the Proposed Rule to prepare resource extraction payment disclosures on the cash-basis of accounting. Because registrants' existing reporting processes and accounting systems are based on the accrual method of accounting (and require



certain payments to be capitalized), the Proposed Rule will require registrants' accounting groups to develop new information systems, processes, and controls. This burden comes at a time when registrants are already engaged in implementing numerous, large scale accounting standards. Accordingly, we recommend the first year impact to registrants' accounting resources be considered by the SEC staff as the Proposed Rule is finalized, especially in regard to the implementation date.

Consistent with the themes discussed above, we note that President Obama signed an executive order entitled *Improving Regulation and Regulatory Review* (the "Executive Order") on January 18, 2011. While we appreciate that the SEC is not required to implement the Executive Order, we understand the SEC shares its goals. Accordingly, we recommend that the SEC staff consider the spirit of the Executive Order as the Proposed Rule is finalized. Specifically, we believe that the concepts of "competitiveness" and "benefits and costs" within the Executive Order should be central to defining "not de minimis" and "project", establishing the annual due date of the resource extraction payment disclosures, and determining if such disclosures will be subject to some level of attestation.

We are available to discuss our comments and to answer any questions that the SEC staff may have. Please contact Ken Miller or Ricardo Moreno regarding our submission.

Sincerely,

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APPENDIX
PricewaterhouseCoopers' Response to Questions
File Number S7-42-10, *Disclosure of Payments by Resource Extraction Issuers*

1. **Should the Commission exempt certain categories of issuers, such as smaller reporting companies or foreign private issuers, from the proposed rules? If so, which ones and why? If not, why not? Would providing an exemption for certain issuers be consistent with the statute? If we do not provide such an exemption when adopting final rules, would foreign private issuers or any other issuers deregister to avoid the disclosure requirement?**

   Response: Given that oil and gas disclosures required by ASC 932 and Item 1200 of Regulation S-K do not contain exemptions for certain categories of registrants, we believe the resource extraction payment disclosure should be applicable to all registrants regardless of their size, ownership or filing status. Further, we note that the statute requires the SEC to prepare and provide to the public a compilation of the resource extraction payment disclosures from all registrants. Accordingly, it is not intuitive to exempt any registrant from the SEC's final version of *Disclosure of Payments by Resource Extraction Issuers* (the "Final Rule").

2. **Would our proposed rules present undue costs to smaller reporting companies? If so, how could we mitigate those costs? Also, if our proposed rules present undue costs to smaller reporting companies, do the benefits of making their resource extraction payment information publicly available justify these costs? Should our rules provide more limited disclosure and reporting obligations for smaller reporting companies? If so, what should these limited requirements entail? Should our rules provide for a delayed implementation date for smaller reporting companies in order to provide them additional time to prepare for the requirement and the benefit of observing how larger companies comply?**

   Response: We appreciate that estimating the incremental cost of the Proposed Rule is inherently difficult. Assuming the SEC's estimated costs are accurate, we believe the Proposed Rule presents undue costs to all sized registrants. We recommend that the SEC study further the preparer cost associated with the Proposed Rule and consider if cost reductions can be achieved by focusing on the definitions of "not de minimis" and "project".

3. **Should the Commission provide an exemption to allow foreign private issuers to follow their home country rules and disclose in their Form 20-F the required home country disclosure?**

   Response: As indicated in our response to Question 1, we believe that any required resource extraction payment disclosure should be applicable to all registrants. Further, we note that the statute requires the SEC to prepare and provide to the public a compilation of the resource extraction payment disclosures from all registrants. Accordingly, it is not intuitive to exempt any registrant from the Final Rule.

6. **Should we, as proposed, define "commercial development of oil, natural gas, or minerals" as the term is described in the statute? Should it be defined differently (e.g. more broadly or more narrowly)? If we should define the term, what definition would be appropriate?**

   Response: Given that the Proposed Rule indicates that the resource extraction payment disclosures are intended to be used by investors, we believe the definition of "commercial development of oil, natural gas, or minerals" should be consistent with existing, understood definitions that are used for other SEC disclosures. Accordingly, we believe the definition of

"commercial development of oil, natural gas, or minerals" should encompass the existing definition of "oil and gas producing activities" found in Regulation S-X Article 4.

26. Section 13(q) establishes the threshold for payment disclosure as "not de minimis," which we preliminarily believe is a standard different from a materiality standard. Is our interpretation that "not de minimis" is not the same as "material" correct?

Response: We believe that before considering the term "not de minimis" in the context of the Proposed Rule, one must first consider the terms "project" and "payment". These three terms are explicitly linked, and conclusions or alterations concerning "project" and "payment" will impact how "not de minimis" should be applied. Given that the resource extraction payment disclosures are intended to be used by investors, it appears logical to consider existing financial reporting definitions if "not de minimis" is to be defined. Having said that, we agree with the SEC staff's conclusion that "not de minimis" is not the same as "material". Per the Merriam-Webster Dictionary, de minimis is defined as "lacking significance or importance, so minor as to merit disregard". As noted in SAB 99, a matter is "material" if there is a substantial likelihood that a reasonable person would consider it important. Accordingly, we believe there could be significant differences between a "not de minimis" amount and a material amount.

27. Should we define "not de minimis" for purposes of the proposed rules? Why or why not? What would be the advantages or disadvantages of not defining that term? If the final rules do not provide a definition, should an issuer be required to disclose the basis and methodology it used in assessing whether a payment amount was "not de minimis?"

Response: Without an understanding of the final conclusions on the terms "project" and "payments", it is not possible to comment on the pros and cons of attempting to define "not de minimis". We note that one of the stated purposes of the Proposed Rule is to provide useful information to investors. Accordingly, if the SEC attempts to define "not de minimis" we recommend they consider existing concepts and methodology within SAB 99. Further, if the SEC concurs with our response from the previous question that a de minimis amount is lower than a material amount, any definition of "not de minimis" should not be in conflict with Regulation S-X Rule 4-02, which indicates that items that are not material need not be separately disclosed.

39. Should we define "project" for purposes of this new disclosure requirement? If so, why? If not, why not?

Response: Given that the definition of a "project" is a gating issue to several other issues being solicited for comment, including the definitions of "payment" and "not de minimis", we believe that appropriately defining the term "project" is critical for the Final Rule to be operational.

40. If we should define "project," what definition would be appropriate? Please be as specific as possible and discuss the basis for your recommendation.

Response: We note that one of the stated purposes of the Proposed Rule is to provide useful information to investors. Currently, the level of detail that is required to be disclosed by an oil and gas registrant is dictated by the definition "geographic area" included within Regulation S-K Item 1200. As a result, an individual country is the lowest geographic level at which comprehensive oil and gas disclosures are required to be provided. Given that an oil and gas investor is generally unlikely to have a perspective at any level lower than the country level, we recommend that the term "project" be defined as the country. To require resource extraction payment disclosures at any level lower than a country-level without also requiring

corresponding disclosures of reserves, production, etc, may not be meaningful to investors because they will have no operational context. Further, to the extent that investors are concerned about improving transparency and accountability in resource-rich countries and therefore believe that resource extraction payment disclosures represent valuable, actionable information, it is unclear to us how resource extraction payment disclosures at levels lower than a country-level will be useful.

49. As noted above, our rules currently include definitions of "subsidiary" and "control," which would apply in this context as well. Should we include a different definition for "subsidiary" or "entity under the control of" a resource extraction issuer? If so, why? How should the definitions vary?

Response: We note that one of the stated purposes of the Proposed Rule is to provide useful information to investors. Given that the disclosures required by the Proposed Rule will be provided to investors in a 1934 Act form, we believe it would be very confusing to an investor to have definitions of "subsidiary" and "control" in the Final Rule that are different from the definitions that are used to prepare GAAP basis financial statements and other information filed on 1934 Act forms.

51. Under the proposed rules, a resource extraction issuer would be required to provide disclosure for an entity if it is consolidated in the financial statements of the resource extraction issuer presented under U.S. GAAP (or other jurisdictional GAAP that requires a U.S. GAAP reconciliation) and IFRS as issued by the IASB because entities meeting the consolidation requirement generally also meet the definition of control. Are there circumstances under U.S. GAAP and IFRS that would render different consolidation results, such as proportionate consolidation, that we should consider? If so, please describe the circumstances and indicate how the different circumstances should be addressed in the new rules. We understand that entities and operations that are proportionately consolidated are viewed as consolidated entities or operations of an extractive issuer, while investments presented on the equity method are not viewed as consolidated entities or operations. Should our rules specifically include these concepts? For instance, should our rules treat equity investees differently even if they are controlled by the resource extraction issuer? Should our rules, as proposed, include equity investees that the issuer controls but does not consolidate?

Response: Consistent with our response to Question 49, it is imperative that the definitions for "subsidiary" and "control" used for the Final Rule be consistent with how those terms are defined to prepare GAAP basis financial statements. Further, we note that the statute requires the SEC to prepare and provide to the public a compilation of the resource extraction payment disclosures from all registrants. Accordingly, it is not intuitive to define "control" in a manner that could lead to payments made by equity investees to be reported by more than one registrant.

55. Should the Commission include an exception to the requirement to disclose the payment information if the laws of a host country prohibit the resource extraction issuer from disclosing the information? Would such an exception be consistent with the statutory provision and the protection of investors? If we provide such an exception, should it be similar to the exception provided in Instruction 4 to Item 1202 of Regulation S-K? Should we require the registrant to disclose the project and the country and to state why the payment information is not disclosed? If so, should we revise Item 1202 to require the same disclosure of the country and reason for non-disclosure?

Response: The exception included within Item 1202 of Regulation S-K in regard to disclosing oil and gas reserve and production information when a host country prohibits

such disclosure was the product of lengthy and well reasoned dialog between the SEC and oil and gas registrants in connection with the SEC's *Modernization of Oil and Gas Reporting,* finalized in December 2008. As noted in our response to Question 40, we believe that the resource extraction payment disclosures can only be useful when an investor has the perspective provided by the other comprehensive oil and gas disclosures. Given that consistency is a fundamental underpinning of effective financial reporting, we recommend that the current exception within Item 1202 of Regulation S-K be extended to the resource extraction payment disclosures required by the Proposed Rule.

70. **As noted above, Section 13(q) mandates that a resource extraction issuer provide the payment disclosure required by that section in an annual report, but it does not specifically mandate the time period for which a resource extraction issuer must provide the disclosure. Is it reasonable to require resource extraction issuers to provide the mandated payment information for the fiscal year covered by the applicable annual report, as proposed? Why or why not? Should the rules instead require disclosure of payments made by resource extraction issuers during the most recent calendar year?**

Response: Given that the resource extraction payment disclosures will be provided to investors in a 1934 Act form, we believe it would be very confusing to provide an investor resource extraction payment disclosures covering a time frame that is different than the period covered by the accompanying GAAP basis financial statements.

75. **Should we require a resource extraction issuer to present some or all of the required payment information in the body of the annual report instead of, or in addition to, presenting the information in the exhibits? If you believe we should require disclosure of some or all the payment information in the body of the annual report, please explain what information should be required and why. For example, should we require a resource extraction issuer to provide a summary of the payment information in the body of the annual report? If so, what items of information should be disclosed in the summary?**

Response: Please see our response to Question 87 concerning our views on the location of resource extraction payment disclosures, summarized or other. As noted in our response to Question 40, we recommend that resource extraction payment disclosures be prepared at a country level because we are not convinced that resource extraction payment disclosures prepared at a level lower than a country level provides investors useful information. We believe the fact that the SEC is contemplating requiring a summary of the resource extraction payment disclosures in the body of the annual report suggests that the SEC staff might have concerns that investors will not benefit from detailed resource extraction payment disclosures. If so, we recommend that the SEC consider reducing the size of the disclosure by focusing on the definitions of "not de minimis" and "project".

76. **Section 13(q) does not require the resource extraction payment information to be audited or provided on an accrual basis. Accordingly, the proposed rules do not include such requirements. Should we require resource extraction issuers to have the payment information audited or provide the payment information on an accrual basis? Why or why not? What would be the likely benefits and burdens? Would including such requirements be consistent with the statute?**

Response: Given that the statute does not require the disclosures to be audited, we see no reason for the SEC to include an audit requirement in the Final Rule. The audit procedures currently being conducted by independent auditors are designed to render an opinion on the financial statements taken as a whole. The cash basis disclosures required by the Proposed Rule are not supplemental to, or directly derived from, registrants' accrual basis financial statements. Further, the definitions of "project" and "not de minimis" could

contemplate amounts that are significantly lower than the materiality thresholds normally considered in audits of financial statements. Accordingly, if the Final Rule mandates that the resource extraction payment disclosures are audited, or subjected to some other level of attestation, auditors will need to plan, develop and perform audit procedures that will be incremental to their current audit engagements. It is not possible to estimate the extent of these incremental audit procedures prior to understanding how "project" and "not de minimis" are defined in the Final Rule.

86. Section 13(q) (3) requires the Commission to provide a compilation of the disclosure made by resource extraction issuers. Should the Commission provide the compilation on an annual basis? Should the compilation be provided on a calendar year basis, or would some other time period be more appropriate? Should the compilation provide information as to the type and total amount of payments made on a country basis? What other information should be provided in the compilation?

Response: It is our understanding that most extraction registrants have calendar year ends. Accordingly, we recommend that the SEC prepare its compilation of resource extraction payment disclosures on a calendar year end basis. Given that one of the stated purposes of requiring registrants to provide resource extraction payment disclosures relates to the value such disclosures will provide investors, we recommend that the type and form of the information in the SEC's compilation be identical to the type and form of information required of registrants.

87. Should we, as proposed, require the resource extraction payment disclosure to be furnished as exhibits to the annual report? If not, why not? How should it be provided?

Response: If the SEC were to require the resource extraction payment disclosures to be "filed", as opposed to "furnished" as currently proposed, AICPA Professional Standards would require auditors to consider whether the resource extraction payment disclosures are materially inconsistent with the financial statements. Given that the resource extraction payment disclosures are prepared on a basis of accounting different from the financial statements (cash basis versus accrual basis), the application of these professional standards will be inherently difficult and result in incremental costs that we believe will outweigh the benefit to users. Further, if the resource extraction payment disclosures are "filed" it is likely that underwriters will require auditors to address the resource extraction payment disclosures within comfort letters, which could, depending on the ultimate definitions for "project" and "not de minimis", increase registrants' cost to file registration statements. Accordingly, we recommend that the SEC not alter its current proposal to have the disclosures "furnished".

91. Should we provide a delayed effective date for the final rules, either for all issuers subject to the rules or for certain types of issuers (e.g. smaller reporting companies or foreign private issuers)? Would doing so be consistent with the statute? Why or why not? If we should provide for a delayed effective date, should issuers be required to provide disclosure in an annual report for the fiscal year ending on or after June 30, 2012, September 30, 2012, December 31, 2012, or some other date?

Response: As stated in our response to Question 1, we believe resource extraction payment disclosures should be applicable to all registrants regardless of their size, ownership or filing status. The Proposed Rule requires the resource extraction payment disclosures to be prepared on a cash basis of accounting which is different from the accrual basis of accounting used to prepare financial statements. As a result, accounting groups within registrants will be required to develop new information systems, processes, and controls.

Further, these same accounting groups will also be engaged in adopting various new accounting standards. Accordingly, we recommend that the effective date of the final rule be delayed to annual periods beginning after December 31, 2012.