Canadian Natural

January 19, 2009

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir or Madam:

**Re: Exposure Draft: Additional Exemptions for First-time Adopters – Proposed amendments to IFRS 1**

Canadian Natural Resources Limited ("Canadian Natural") is pleased to respond to the International Accounting Standards Board's invitation to comment on the above noted exposure draft.

Canadian Natural is a senior independent oil and gas exploration and production company headquartered in Calgary, Alberta, Canada, with operations in Western Canada, the North Sea, and Offshore West Africa. Our shares are publicly traded on the Toronto Stock Exchange and the New York Stock Exchange. Along with other Canadian public companies currently preparing their external financial statements and other continuous disclosure documents based on Canadian generally accepted accounting principles ("Canadian GAAP"), we will be adopting International Financial Reporting Standards ("IFRS") effective January 1, 2011.

We would like to comment on the following specific questions included in the exposure draft.

*Question 1 – Do you agree with the proposed deemed cost option for entities using full using full cost accounting under previous GAAP? Why or why not? If not, what alternative do you propose and why?*

Yes, we agree with the proposed deemed cost option for entities using full cost accounting under previous GAAP.

Canadian Natural is currently using full cost accounting as prescribed by Accounting Guideline 16 "Oil and Gas Accounting – Full Cost" issued by the Canadian Institute of Chartered Accountants. Canadian full cost accounting rules are substantially similar to the US full cost accounting rules, with the exception of impairment testing.

Under the full cost method of accounting in Canada, all costs related to producing oil and gas properties, including exploration and evaluation costs that have been determined to be impaired, are included in country level cost centres. Once these costs are included in a country level cost centre, they lose their individual identity and become part of the pool. Thus, it is very difficult at a later date to identify costs with specific assets. This is particularly the case with business combinations and acquisitions of producing properties. Since the unit of account under full cost accounting is the country level, the information used to allocate the fair value purchase price to assets and liabilities acquired is often prepared at the country level. It would be prohibitively difficult and costly, if not impossible, to recreate this historical information and to be able to allocate fair value at a lower level than a country.

Further, for Canadian income tax purposes, oil and gas expenditures are recorded in prescribed pools, rather than as separate assets. Therefore, tax records are not a source for detailed historical cost records.

Similar difficulties would be encountered in the recalculation of prior-year depletion expenses. Since depletion calculations are based on annual reserves, and prior-year reserve reports were not prepared at the unit of account required by IFRS, restating historical depletion expenses would require the generation of reserve reports for prior years at a lower level.

In summary, restating prior-year accounting would be a time consuming and costly exercise. Recreating the prior year information to restate prior year balances would be prohibitively difficult, if not impossible. Since financial statement users will already have made their decisions based on the prior-year reported numbers, we do not see any benefit to restating prior years.

We also believe that the proposed amendment to IFRS 1 would ensure that the objectives of IFRS 1 are met – that the first statements under IFRS contain high quality information that:

- is transparent and comparable over all periods presented;
- provides a suitable starting point for accounting under IFRS; and
- can be generated at a cost that does not exceed the benefits to users.

*Question 2 – Do you agree with the proposed disclosure requirements relating to the deemed cost option for oil and gas assets? Why or why not?*

Yes, we agree with the proposed disclosure requirements relating to the deemed cost option for oil and gas assets. The proposed disclosures will provide the user with useful information to be able to understand a company's conversion to IFRS.

*Question 4 – Do you agree with the proposal not to require the reassessment of whether an arrangement contains a lease in the circumstances described in this exposure draft? Why or why not?*

Yes, we agree with the proposal not to require the reassessment of whether an arrangement contains a lease in the circumstances described in the exposure draft. Canadian companies have already made assessments of whether arrangements contain a lease in accordance with the Emerging Issues Committee EIC-150 under Canadian GAAP. EIC-150 is identical to IFRIC 4, and has an earlier effective date. Therefore, any reassessment under IFRIC 4 on transition to IFRS would be a time consuming and redundant exercise that would result in the same accounting treatment as under previous Canadian GAAP.

Thank you for your consideration of the above comments. Should you wish to discuss our comments in more detail, please do not hesitate to contact any of the undersigned,


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