



Resources

January 22, 2009

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

Dear Sirs:

Re: Comment on Exposure Draft for IFRS 1 Amendment

As with virtually all of Canada's independent oil and gas exploration and production companies and trusts, NAL Oil and Gas Trust ("NAL" or "the Trust") uses the full cost method of accounting for its fixed asset accounts. Exploration and development costs, including production equipment and facilities, and acquisition costs allocated to oil and gas exploration and development activities under the purchase method for business combinations, have all been recorded in a single countrywide cost centre, or "pool". Subsequent depletion and depreciation, including impairment provisions, are all determined and then recorded on this pool basis. Once costs are added to the Trusts cost pool, they are no longer identified with specific assets for either accounting or income tax purposes.

Conversion to IFRS as currently published would cause NAL to enter into a very costly, and most likely, impossible process of creating detailed historic records as at the transition date. The majority of the information required to create historic records is unavailable and/or potentially unverifiable requiring the Trust to use more subjective estimates. As investors, bankers and other creditors already rely heavily on NAL's independently determined oil and natural gas reserve reports, including related discounted and undiscounted values, a costly conversion process to recreate the historic exploration and evaluation costs and property, plant and equipment accounts would have little or no economic benefit to the Trust's stakeholders.

As outlined in the Canadian joint industry associations submission of January 30, 2008 to Mr. Paul Cherry, Chair of the Accounting Standards Board at the Canadian Institute of Chartered Accountants and to Ms. Liz Hickey, Director of Technical Activities at the International Accounting Standards Board, it was requested that the IASB consider amending IFRS 1 to allow the historic net book value of the fixed assets accounts to be allocated at the IFRS transition date between exploration and evaluation assets and property, plant and equipment, subject to capitalization limits imposed by impairment testing.



Our Trust strongly endorses the exemption for full cost oil and gas companies as specifically outlined in the September 25, 2008 IASB Exposure Draft titled “Additional Exemptions for First-time Adopters – Proposed amendments to IFRS 1”. Attached are our detailed responses to the questions posed in the Exposure Draft.

Yours truly,

A handwritten signature in blue ink, appearing to read 'Keith Steeves', written in a cursive style.

Keith Steeves, Chief Financial Officer
Attachment



Q1 – Deemed cost for oil and gas assets

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

We agree with and strongly endorse the proposed deemed cost option. As outlined previously in the covering letter, virtually all of Canada's independent oil and gas exploration and production companies and trusts, including NAL, use the full cost method of accounting for their fixed asset accounts. All capitalized costs have been recorded in a countrywide cost centre, or pool, and once costs are added to that pool, they lose their identity and are no longer identified with specific assets for either accounting or income tax purposes.

Conversion to IFRS, as currently published, would cause the Canadian oil and gas industry, including NAL, to enter into a very costly and, in many cases, almost impossible process of recreating detailed historic records as at the transition date due to unavailable and/or potentially unverifiable documentation of past activities together with the increased need to use more subjective estimates. As investors, bankers and other creditors already rely heavily on independently determined oil and natural gas reserve reports, including related discounted and undiscounted values, a costly conversion process to recreate the historic exploration and evaluation costs and property, plant and equipment accounts would have little or no economic benefit to stakeholders.

Q2 – Oil and gas assets – disclosure

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

We agree with the proposed disclosure requirements relating to the deemed cost options for oil and gas assets. Disclosure of the election to use the exemption outlined in the exposure draft, and the basis of carrying value allocations to the new categories of fixed asset accounts provides stakeholders with the information to understand the effects of the transition from the previous GAAP to IFRS.

Q3 – Deemed cost for operations subject to rate regulation

Do you agree with the proposed deemed cost option for entities with operations subject to rate regulation? Why or why not? If not, what alternative do you propose and why?

No comment



Q4 – Leases

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?

No comment

Q5 – Assessments under previous GAAP before the date of transition to IFRSs

Do you agree that the situation referred to in Question 4 is the only one in which additional relief of this type is needed? If not, in what other situations is relief necessary and why?

No comment
