

PART 71—DESIGNATION OF CLASS A, CLASS B, CLASS C, CLASS D, AND CLASS E AIRSPACE AREAS; AIRWAYS; ROUTES; AND REPORTING POINTS

■ 1. The authority citation for part 71 continues to read as follows:

Authority: 49 U.S.C. 106(g), 40103, 40113, 40120; E.O. 10854, 24 FR 9565, 3 CFR 1959–1963 Comp., p. 389.

§ 71.1 [Amended]

■ 2. The incorporation by reference in 14 CFR 71.1 of Federal Aviation Administration Order 7400.9M, dated August 30, 2004, and effective September 16, 2004, is amended as follows:

* * * * *

Paragraph 6005 Class E airspace areas extending upward from 700 feet or more above the surface of the earth.

* * * * *

ACE MO E5 Lamar, MO

Lamar Municipal Airport, MO
(Lat. 37°29'22" N., long. 94°18'41" W.)
Spring River NDB
(Lat. 37°29'13" N., long. 94°18'37" W.)

That airspace extending upward from 700 feet above the surface within a 6.3-mile radius of Lamar Municipal Airport and within 2.5 miles each side of the 221° bearing from the Spring River NDB extending from the 6.3-mile radius of the airport to 7 miles southwest of the NDB.

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Dated: Issued in Kansas City, MO on September 21, 2004.

Elizabeth S. Wallis,

Acting Manager, Air Traffic Division, Central Region.

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SECURITIES AND EXCHANGE COMMISSION

17 CFR Part 211

[Release No. SAB 106]

Staff Accounting Bulletin No. 106

AGENCY: Securities and Exchange Commission.

ACTION: Publication of staff accounting bulletin.

SUMMARY: The interpretations in this staff accounting bulletin express the staff's views regarding the application of FASB Statement No. 143, *Accounting for Asset Retirement Obligations*, by oil and gas producing companies following the full cost accounting method.

DATES: Effective September 28, 2004.

FOR FURTHER INFORMATION CONTACT:

Cathy J. Cole or John W. Albert, Office of the Chief Accountant (202) 942–4400 or Leslie A. Overton, Division of

Corporation Finance (202) 942–2960, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549–1103.

SUPPLEMENTARY INFORMATION: The statements in staff accounting bulletins are not rules or interpretations of the Commission, nor are they published as bearing the Commission's official approval. They represent interpretations and practices followed by the Division of Corporation Finance and the Office of the Chief Accountant in administering the disclosure requirements of the Federal securities laws.

Dated: September 28, 2004.

Margaret H. McFarland,

Deputy Secretary.

PART 211—[AMENDED]

■ Accordingly, part 211 of title 17 of the Code of Federal Regulations is amended by adding Staff Accounting Bulletin No. 106 to the table found in subpart B.

Note: The text of SAB 106 will not appear in the Code of Federal Regulations.

Staff Accounting Bulletin No. 106

The staff hereby adds Section 4 to Topic 12–D of the staff accounting bulletin series. Topic 12–D.4 provides guidance regarding the interaction of Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations*, with the full cost accounting rules in Article 4–10 of Regulation S–X.

Topic 12: Oil and Gas Producing Activities

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D. Application of Full Cost Method of Accounting

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4. Interaction of Statement 143¹ and the Full Cost Rules

a. Impact of Statement 143 on the Full Cost Ceiling Test

Facts: A company following the full cost method of accounting under Rule 4–10(c) of Regulation S–X must periodically calculate a limitation on capitalized costs, *i.e.*, the full cost ceiling. Prior to adopting Statement 143, in calculating the full cost ceiling a company reduced the expected future revenues from proved oil and gas reserves by the estimated future expenditures to be incurred in developing and producing such reserves discounted using a factor specified in the rule. While expected future cash

flows related to the asset retirement obligation (ARO) were included in the calculation of the ceiling test, no associated asset was recorded. Under Statement 143, a company must recognize a liability for an asset retirement obligation at fair value in the period in which the obligation is incurred, if a reasonable estimate of fair value can be made. The company also must initially capitalize the associated asset retirement costs by increasing long-lived oil and gas assets by the same amount as the liability. Any asset retirement costs capitalized pursuant to Statement 143 are subject to the full cost ceiling limitation under Rule 4–10(c)(4) of Regulation S–X. If after adoption of Statement 143, a company were to continue calculating the full cost ceiling by reducing expected future net revenues by the cash flows required to settle the ARO, then the effect would be to “double-count” such costs in the ceiling test. The assets that must be recovered would be increased while the future net revenues available to recover the assets continue to be reduced by the amount of the ARO settlement cash flows.

Question 1: After adopting Statement 143, how should a company compute the full cost ceiling to avoid double-counting the expected future cash outflows associated with asset retirement costs?

Interpretive Response: After adoption of Statement 143, the future cash outflows associated with settling AROs that have been accrued on the balance sheet should be excluded from the computation of the present value of estimated future net revenues for purposes of the full cost ceiling calculation.^{2,3}

Question 2: What disclosures should the company provide on the interaction of Statement 143 and the full cost rules?

Interpretive Response: In order to inform financial statement users on the interaction of Statement 143 and the full cost rules, a company following such rules is expected to provide appropriate disclosures in the financial statement footnotes and Management's Discussion and Analysis explaining in detail how

² If an obligation for expected asset retirement costs has not been accrued under Statement 143 for certain asset retirement costs required to be included in the full cost ceiling calculation under Rule 4–10(c)(4), such costs should continue to be included in the full cost ceiling calculation.

³ This approach is consistent with the guidance in paragraph 12 of Statement 143 on testing for impairment under Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Under that guidance, the asset tested should include capitalized asset retirement costs. The estimated cash flows related to the associated ARO that has been recognized in the financial statements are to be excluded from both the undiscounted cash flows used to test for recoverability and the discounted cash flows used to measure the asset's fair value.

¹ Statement of Financial Accounting Standards No. 143 (Statement 143), *Accounting for Asset Retirement Obligations*, is effective for financial statements issued for fiscal years beginning after June 15, 2002.

the adoption of Statement 143 impacts its accounting for oil and gas operations. This disclosure is expected to address each area of accounting that is impacted or expected to be impacted and should specifically address each way that the company's application of full cost accounting has changed as a result of adoption of Statement 143. These disclosures and discussions should include, but are not limited to, how the company's calculation of the ceiling test and depreciation, depletion, and amortization are affected by the adoption of Statement 143.

b. Impact of Statement 143 on the Calculation of Depreciation, Depletion, and Amortization

Facts: Regarding the base for depreciation, depletion, and amortization (DD&A) of proved reserves, Rule 4–10(c)(3)(i) of Regulations S–X states that “[c]osts to be amortized shall include (A) all capitalized costs, less accumulated amortization, other than the cost of properties described in paragraph (ii) below;⁴ (B) the estimated future expenditures (based on current costs) to be incurred in developing proved reserves; and (C) estimated dismantlement and abandonment costs, net of estimated salvage values.” Statement 143 requires that upon initial recognition of an ARO, the associated asset retirement costs be included in the capitalized costs of the company. Therefore, subsequent to the adoption of Statement 143, the estimated dismantlement and abandonment costs described in (C) above may be included in the capitalized costs described in (A) above, at least to the extent that an ARO has been incurred as a result of acquisition, exploration and development activities to date. Future development activities on proved reserves may result in additional asset retirement obligations when such activities are performed and the associated asset retirement costs will be capitalized at that time.

Question: Following the adoption of Statement 143, should the costs to be amortized under Rule 4–10(c)(3) of Regulation S–X include an amount for estimated dismantlement and abandonment costs, net of estimated salvage values, that are expected to result from future development activities?

Interpretive Response: Yes. To the extent that estimated dismantlement and abandonment costs, net of

estimated salvage values, have not been included as capitalized costs in the base for computing DD&A because they have not yet been capitalized as asset retirement costs under Statement 143, compliance with Rule 4–10(c)(3) of Regulation S–X continues to require that they be included in the base for computing DD&A. Companies should estimate the amount of dismantlement and abandonment costs that will be incurred as a result of future development activities on proved reserves and include those amounts in the costs to be amortized.

c. Transition

Question: When will registrants be expected to comply with the accounting and disclosures described in this bulletin?

Interpretive Response: All registrants are expected to apply the accounting and disclosures described in this bulletin prospectively as of the beginning of the first fiscal quarter beginning after the publication of this bulletin in the **Federal Register**. If a registrant files financial statements with the Commission before applying the guidance in this bulletin, disclosures similar to those described in Staff Accounting Bulletin Topic 11–M should be provided.

[FR Doc. 04–22186 Filed 10–1–04; 8:45 am]

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

Food and Drug Administration

21 CFR Part 520

Oral Dosage Form New Animal Drugs; Ivermectin Paste

AGENCY: Food and Drug Administration, HHS.

ACTION: Final rule.

SUMMARY: The Food and Drug Administration (FDA) is amending the animal drug regulations to reflect approval of a supplemental new animal drug application (NADA) filed by Merial Ltd. The supplemental NADA provides revised labeling for ivermectin oral paste used in horses.

DATES: This rule is effective October 4, 2004.

FOR FURTHER INFORMATION CONTACT: Martine Hartogensis, Center for Veterinary Medicine (HFV–216), Food and Drug Administration, 7519 Standish Pl., Rockville, MD 20855, 301–827–

7815, e-mail:

martine.hartogensis@fda.gov.

SUPPLEMENTARY INFORMATION: Merial Ltd., 3239 Satellite Blvd., Bldg. 500, Duluth, GA 30096–4640, filed a supplement to NADA 134–314 for EQVALAN (ivermectin 1.87 percent) Paste for Horses. The supplemental application provides for revisions to the labeled indications. Specifically, under the sub-heading “Small Strongyles,” the labeling has been revised to separate the listing of adult species from the fourth-stage larvae. The supplemental NADA is approved as of August 9, 2004, and 21 CFR 520.1192 is amended to reflect the approval. The basis of approval is discussed in the freedom of information summary.

In accordance with the freedom of information provisions of 21 CFR part 20 and 21 CFR 514.11(e)(2)(ii), a summary of safety and effectiveness data and information submitted to support approval of this application may be seen in the Division of Dockets Management (HFA–305), Food and Drug Administration, 5630 Fishers Lane, rm. 1061, Rockville, MD 20852, between 9 a.m. and 4 p.m., Monday through Friday.

The agency has determined under 21 CFR 25.33(d)(1) that this action is of a type that does not individually or cumulatively have a significant effect on the human environment. Therefore, neither an environmental assessment nor an environmental impact statement is required.

This rule does not meet the definition of “rule” in 5 U.S.C. 804(3)(A) because it is a rule of “particular applicability.” Therefore, it is not subject to the congressional review requirements in 5 U.S.C. 801–808.

List of Subjects in 21 CFR Part 520

Animal drugs.

■ Therefore, under the Federal Food, Drug, and Cosmetic Act and under authority delegated to the Commissioner of Food and Drugs and redelegated to the Center for Veterinary Medicine, 21 CFR part 520 is amended as follows:

PART 520—ORAL DOSAGE FORM NEW ANIMAL DRUGS

■ 1. The authority citation for 21 CFR part 520 continues to read as follows:

Authority: 21 U.S.C. 360b.

■ 2. Section 520.1192 is amended by revising paragraph (e)(1) to read as follows:

⁴ The reference to “cost of properties described in paragraph (ii) below” relates to the costs of investments in unproved properties and major development projects, as defined.