

International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH



16 April, 2004

Dear Sirs,

Comments on ED6 Exploration for and Evaluation of Mineral Resources

Cairn Energy PLC ("Cairn") welcomes the opportunity to comment on the above exposure draft. Cairn is a UK independent oil and gas exploration and production company, listed on the London Stock Exchange, with an operational focus on South Asia where we are very active. Currently we have exploration and producing activities in India and Bangladesh.

Cairn currently follows the full cost method of accounting for oil and gas exploration costs as permitted by the existing SORP (Statement of Recommended Practice) issued by OIAC (Oil Industry Accounting Committee) in the UK.

While we have a number of detailed comments on the Exposure Draft (ED) and the manner in which it is written, our primary concerns are summarised below. In general we feel that overall the ED lacks clarity and does not provide enough detailed guidance which leaves it open to differing interpretations. For example, we agree with the requirement to assess external sources of information to identify assets that may be impaired (Paragraph 13), but with references to "near future" instead of specific time scales in paras. 13(a) and 13(b) could result in a lack of consistency and comparability throughout the industry.

We strongly believe that Paragraph 8(b) excluding all administration and general overhead costs from exploration and evaluation assets is impractical and unworkable in practise, especially in the case of non-operated ventures where the information may not be separately identified by the operator. We believe that directly attributable administration and general overhead costs should be capitalised within exploration and evaluation assets as it is part of the overall cost of an asset.

DIRECTORS:

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We believe that impairment test on oil and gas exploration assets under full cost accounting should continue to be based on a geographical cost pool basis as defined in the SORP issued by the OIAC in the UK. The current exposure draft refers to a cost generating unit for exploration and evaluation assets being no larger than a segment (presumably as defined by IAS 14 although again this is not clear) but we believe further consideration should be given to the definition of a segment for companies following the full cost method of accounting.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "Chris Hebden".

Chris Hebden
Group Finance Manager – Statutory Reporting