Depletion

For wasting assets and natural resources such as oil, gas, coal and timber

- The cost of these assets are based on:
  - Acquisition cost
    - Property rights may be acquired by lease or land purchase, with mineral rights. Undeveloped property is assigned to the resource if finding minerals is successful; debit loss if not
  - Exploration and discovery cost
    - Expense as incurred; costs that are substantial with uncertain risk are capitalized
  - Development cost
    - Tangible equipment is not considered in the depletion base
      - Transport and heavy equipment to extract minerals
      - They carry separate depreciation charges
    - Intangible development costs are in the depletion base
      - Drilling costs, tunnels, shafts, wells
  - Restoration cost
    - Costs to restore property after extraction are added to base

- Costs are combined into depletion base, and the quantity of minerals is estimated. The depletion expense is done by the units of production.

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<th>JE:</th>
<th>Inventory</th>
<th>xxx</th>
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<tbody>
<tr>
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<td>Accumulated Depletion</td>
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Full cost vs. Successful Efforts- these two methods are acceptable

- Full cost: unsuccessful ventures are a cost of successful ventures
- Successful efforts: only costs of successful efforts should be capitalized