



December 8, 2011

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

File reference: PCAOB Rulemaking Docket Matter No. 37, *Concept Release on Auditor Independence and Audit Firm Rotation*

Continental Resources, Inc. appreciates the opportunity to provide comments on the PCAOB's Concept Release on Auditor Independence and Audit Firm Rotation (the "Concept Release"). We support the PCAOB's objective of improving audit quality through the enhancement of auditor independence, objectivity and professional skepticism. However, after giving consideration to the viewpoints outlined in the Concept Release, we are opposed to mandatory audit firm rotation as we believe it will not result in meaningful improvement in auditor independence, audit quality or the reliability of financial reporting. We believe the costs and disruptions associated with mandatory rotation would be substantial and would outweigh any potential benefits to the investing public. Our opposition to mandatory rotation is driven primarily by the following issues:

Limited rotation alternatives

We operate in the specialized industry of oil and gas exploration and production. There is a very limited number of audit firms in our market that have the specialized industry knowledge needed to effectively audit a public company in our industry. Local offices of audit firms have different skill sets and industry expertise and we believe an audit firm must have a solid understanding of a client's industry in order to perform a high quality audit.

Under a mandatory audit firm rotation requirement, companies located in regions lacking multiple audit firms that possess sufficient resources and personnel may be forced to engage an audit firm that does not have a local office or choose a firm that does not have a staff with the skills needed to effectively audit a public company in a specialized industry. Additionally, current independence rules restrict audit firms from providing certain non-audit services to clients. If mandatory rotation is required, a company's options for selecting a new auditor will be limited if the available firms are being used to provide prohibited non-audit services. This could be particularly challenging in situations where an audit firm provides hardware and software implementation services for a company's financial information system, thereby prohibiting that firm from being chosen to audit the company's financial statements over the useful life of the system. Such a challenge would be compounded in smaller markets that have a limited number of audit firms.

For the above reasons, mandatory firm rotation could restrict an audit committee's ability to choose a firm that is best suited to perform a high quality audit for a company's shareholders.

Such a circumstance could lead to reduced audit quality and increased risk of audit failure, while creating significant administrative burdens and additional costs as we discuss further below.

Increased audit cost and effort

On page 3 of the Concept Release, the PCAOB acknowledges that a mandatory rotation requirement would significantly change the status quo and would risk significant cost and disruption. This assertion is supported by the 2003 study performed by the General Accounting Office ("GAO") on the topic of firm rotation, which found that nearly all larger audit firms expect audit costs to increase more than 20 percent as a result of first-year orientation efforts.

We agree that mandatory rotation will increase audit costs given that firms will incur start-up costs that will be billed to clients. A significant portion of an audit firm's incremental first-year audit work involves the preparation of documentation to support the auditor's understanding of business processes, internal controls, information technology structure, risk assessments, etc. The audit effort expended to document an auditor's understanding of the business, which often times recreates documentation that already existed with the predecessor firm, will produce higher audit costs for companies with no readily apparent improvement in audit quality.

Mandatory rotation will not only increase audit costs, but will also increase the amount of time and costs incurred by a company in evaluating, selecting and educating new auditors on a recurring basis. The aforementioned 2003 GAO study found that, following a change in auditor under mandatory audit firm rotation, additional first year audit-related costs could potentially be 43 percent to 128 percent higher than the likely recurring costs with no change in auditor. We believe the costs associated with mandatory rotation would exceed any perceived benefits, especially given our concerns regarding diminished audit quality as discussed below.

Diminished audit quality

We believe audit quality will be diminished, not improved, under a mandatory audit firm rotation requirement, particularly in the early years of an engagement period due to unfamiliarity of audit personnel with the client and its critical areas. As previously mentioned, we believe auditors need sufficient knowledge of a client and its industry in order to perform an effective audit. An audit firm's cumulative knowledge contributes to better-designed audit procedures and more thoughtful questions. Gaining this knowledge takes considerable time and ultimately becomes a critical component needed to perform a high quality audit.

Mandatory rotation would eliminate the benefits derived from the knowledge accumulated by an audit firm, thereby reducing the effectiveness of an audit and resulting in a greater risk of audit failure. In the first and perhaps second year of an engagement period, auditors spend considerable time documenting their understanding of a company's business. This documentation effort may negatively impact the auditor's ability to focus its resources on identifying critical audit areas and developing robust and tailored audit procedures that may have otherwise been performed by the predecessor audit firm. For these reasons, we believe mandatory firm rotation would have negative implications on audit quality and the reliability of financial reporting, particularly during a time when accounting rules and audits are becoming increasingly complex.

In summary, we believe the auditing profession's foundation of independence, objectivity and professional skepticism are well supported by the current regulatory and enforcement framework established by the Sarbanes-Oxley Act, the PCAOB and the SEC. We believe the relationship between an audit firm and its client is kept fresh through audit partner rotation, concurring partner rotation, internal peer reviews, external peer reviews, PCAOB reviews, and natural employee turnover at audit firms and companies. Therefore, we believe mandatory audit firm rotation will not result in a meaningful improvement in auditor independence or audit quality and could potentially diminish audit quality. Consequently, the costs and disruption resulting from a rotation requirement will exceed any potential benefits. It is our belief that a company's independent audit committee is in the best position to evaluate whether its external auditor is independent, objective and exercises an appropriate level of professional skepticism and mandatory rotation could hinder an audit committee's ability to oversee the audit process in the interest of shareholders.

We thank the PCAOB for the opportunity to comment on the Concept Release and hope the Board takes our concerns into consideration.

Sincerely,



Claude A. Seaman
Chief Accounting Officer