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Endeavour
International Corporation

November 7, 2011

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

Re: PCAOB Release No. 2011-006, *Concept Release on Auditor Independence and Audit Firm Rotation*

Dear Board Members and Staff:

We appreciate the opportunity to comment on the Public Company Accounting Oversight Board's (PCAOB or the Board) *Concept Release on Auditor Independence and Audit Firm Rotation* and respectfully submit our observations and recommendations thereon.

We commend and support the Board on its standard-setting initiative to enhance auditor independence to address the expressed needs of investors and other users of financial information (collectively referred to herein as "investors"). Financial markets rely on the objectivity that an audit provides in producing an independent opinion regarding the accuracy of a company's financial statements. If auditors do not approach an audit with the required independence, objectivity and professional skepticism, audit deficiencies may result that are detrimental to financial markets. We acknowledge and agree that revisiting the issue of auditor independence and audit firm rotation is warranted at this time due to the recent dramatic changes in the global economic environment.

The objective of mandatory audit firm rotation is, ultimately, decreased audit failures. The substantive support for mandatory audit firm rotation presumes that extended audit tenure leads to audit failures through a lack of objectivity and skepticism. Currently, we see no evidence providing a correlation between audit tenure and audit failure. Given the magnitude of change that mandatory audit firm rotation would necessitate, we believe it is important that the PCAOB considers multiple viewpoints and seek substantiation that there is a correlation between audit tenure and audit failure actually exists before making such a significant and far-reaching decision.

Generally, we support measures that enhance auditor independence. However, we are concerned that focusing on audit firm rotation as a means to achieve that enhancement may not result in the desired effect and may actually decrease audit quality while increasing audit costs. As a public company, Endeavour International Corporation (Endeavour) utilizes the services of several of the major international audit firms in the preparation of audited financial statements filed with the Securities and Exchange Commission (SEC), statutory audits in foreign jurisdictions and for other allowable non-audit services.

With the creation of Endeavour in 2004 from the merger of a private company and a small SEC registration, Endeavour changed audit firms, from a smaller national firm to one of the major international firms. The insight of the audit committee was a critical element in this decision to change audit firms. The change was made to capture the greater expertise and experience in Endeavour's industry, oil and gas exploration and production, as well as the new audit firm's international strength in Endeavour's business locations. In addition, the audit committee considered the "full cost accounting" expertise and experience of the major firms' local offices in the areas of Endeavour's international operations. We believe that required firm rotation may lead to less desirable and/or fewer choices for audit committees. Responding to forced audit firm rotation, an audit committee could be faced with the decision to choose a firm with less expertise in the company's industry. An audit firm's lower expertise in specific areas could lead a decrease in audit quality in the accounting specific to the company's industry and evaluation of business risks while simultaneously increasing audit costs. Further, we believe that mandatory audit firm rotation could create a disincentive for audit firms to develop industry expertise. This could lead to a company's seeking industry expertise facing limited choices for audit firms it feels most qualified to handle the company's audit requirements. We believe that the audit committee of a company is best suited to make those decisions regarding the most appropriate audit firm for the company. Audit committees are well versed in the industry requirements, business risks and multi-jurisdictional aspects of the company's business. That knowledge gives the audit committee a unique perspective on the desirable attributes of an audit firm. A diligent audit committee will periodically assess the qualifications of the audit firm to determine if the changing needs or business risks of the company would benefit from a change in audit firms. Requiring the audit committee to choose a new audit firm due to the passage of an artificial deadline does not guarantee that the new audit firm will perform a "better" or more independent audit. It is change for change's sake.

A company could face added difficulty in selecting an appropriate new audit firm with audit firm rotation if it receives non-audit services from more than one of the other major accounting firms. Such practice is common among public companies as Sarbanes-Oxley rules prohibit a public company from obtaining certain non-audit services from the firm that performs the company's audit. Mandatory audit firm rotation would require a complex shuffling of both the audit and non-audit services. This complexity would be compounded if there are "cooling off" periods built into the audit firm rotation.

The primary premise behind audit firm rotation is that it would increase audit independence, which in turn would lead to enhanced objectivity and business skepticism. We believe there already are ample institutional and practical processes that provide for sufficient objectivity and business skepticism by the audit firms. Key audit partners rotate off audit engagements after five years due to SEC rules and avoid association with the audited company for another five years. We believe this required partner rotation strengthened auditor independence and objectivity. Required partner rotation is not the only rotation in audit personnel. Rotation also occurs as audit personnel receive promotions, move to other clients or offices, retire or otherwise leave the firm. National office teams and subject matter experts are usually involved in complex transactions and accounting issues. These subject matter experts do not interact with management on a routine basis and therefore have the separation from the company that prohibits a close relationship. The existing rotation in audit personnel and the lack of a close relationship between subject matter experts and the company keeps the relationship between the audit firm and the company dynamic. The fresh perspectives and approaches of new audit personnel allow the auditor to maintain the required independence, objectivity and healthy skepticism. Audit team members are also aware that any given audit they perform may be selected for internal firm review, peer review or PCAOB review. We believe that audit professionals place great importance on their professionalism, reputations and independence and there are sufficient safeguards in the present system to maintain that independence.

No thorough analysis of a rule change is complete without the analysis of the cost of the proposed rule. Audit firm rotation can only come with additional costs, both in fees charged by the audit firm and in time incurred by the company to support new audit firm. Any new audit firm will require time to get "up to speed." Since the audit firms will be facing this learning curve on every audit client after the mandatory rotation period expires, it will pass those costs along to its clients.

Audit firm rotation costs also come through lost opportunities and efficiencies. There are gains from auditor firm retention in the understanding of complicated contracts or accounting issues, the nature of the company's business risks, a familiarity with the company's industry and industry-specific accounting guidance. Audit firms use this knowledge to target high risk areas and create audit efficiencies. In addition, carryforward schedules are an essential part of the audit. A new auditor will incur time and costs to review and audit those opening balances, even if the schedules are made available by a predecessor auditor. As companies continue to work with limited financial staffs, particularly at smaller companies, the added burden of explaining long-standing contracts, debt instruments, business risks, etc. places a significant cost on the company each time an audit firm rotation occurs.

Audit quality may decrease due to lack of understanding of company history by the new audit firm. Audit quality increases with the audit firm's accumulated knowledge, experience and understanding of the client's operations, risks, and complex accounting and reporting issues. When audit personnel rotate, that institutional knowledge is retained by the remaining members of the audit engagement team.

In summary, we support the Board's desire for auditor independence and decreased audit failures. We strongly encourage the Board to seek empirical evidence regarding the correlation between audit tenure and audit failure. We have noted our belief that mandatory audit firm rotation will bring added costs and will not result in improvements in the audit process. We believe the audit committee is in the best position to determine when, and if, a change in audit firms will produce a better audit and, ultimately, better audited financial statements for the company's shareholders and other users of the financial statements.

We would be pleased to discuss our letter with you. If you have any questions, please contact Robert L. Thompson, Endeavour's Chief Accounting Officer, at 713.307.8773 or bob.thompson@endeavourcorp.com.

Sincerely,

By: Nancy K Q
Name: Nancy K. Quinn
Title: Board Member, Audit Committee Chair
Endeavour International Corporation

cc: Leiv L. Nergaard (Audit Committee member)
John B. Connally III (Audit Committee member)