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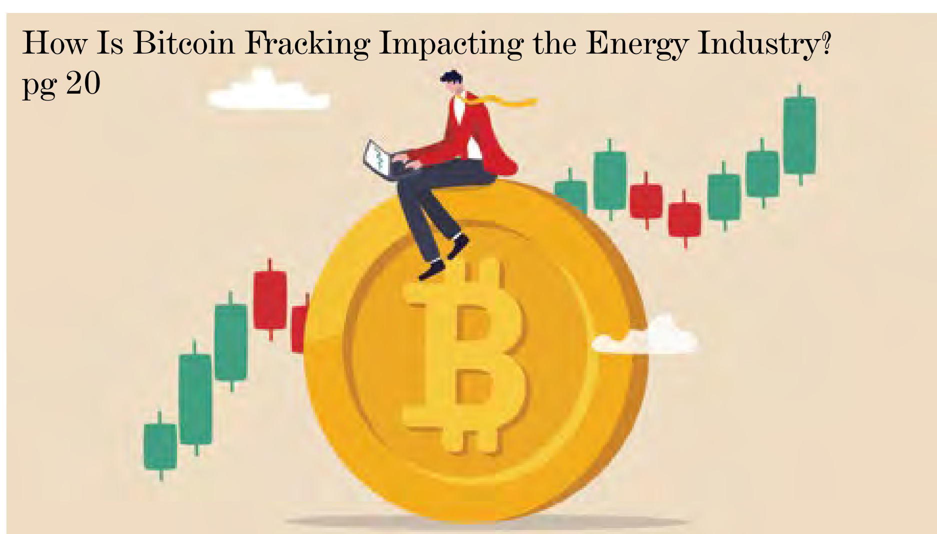

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PRESIDENT'S MESSAGE

"Just when I thought I was out, they pull me back in!" – The Godfather III

I'm writing this article a week removed from a marvelous if bittersweet Fall meeting in Dallas. I'll speak on the "bittersweet" a bit later in this article. However, from the standpoint of excellent networking opportunities, education and hard work, it was marvelous. Likewise, it was marvelous from the standpoint of recognition of the efforts of our members. We approved new economic rates, and the 2022 Accounting Procedure with accompanying Model Form Interpretation. We had lively discussions of current draft documents and took further steps towards kicking off the next projects in the pipeline. We bestowed awards of recognition to four outstanding COPAS members. Salomon Tristan and Mike Cougevan were inducted into the Ring of Honor, while Wade Hopper and Jeff Wright were both selected for the COPAS Eagle Award. All of these gentlemen are more than deserving honorees of these recognitions. Our organization wouldn't have been as successful without their support, hard work and constant dedication to this industry and this organization. I would be remiss not to say again how much I respect and appreciate these guys.

They also exemplify the quote at the beginning of my article. In the third film of The Godfather trilogy, an older, wiser Michael Corleone hopes to finally extricate himself from the world of crime in which he has participated for decades. Michael has pulled out of illicit enterprises, invested in legitimate businesses, tried to raise his daughter free of the tainted world of the Mafia, and left criminal associates behind. However, all his efforts to be free are wasted. He ultimately learns that there is no escaping the past. In frustration and helpless regret, he yells to uncaring fate: "Just when I thought I was out, they pull me back in!"

I never thought The Godfather III was a great film; or at least not "great" in the way the first two were. But this moment of stark clarity by the character has always stood out to me. It's an iconic line. I find myself mimicking Pacino's delivery of it in any moment where I'm forced to revisit something I thought was over. Usually, my delivery is a weak attempt at humor. Sometimes, like Michael Corleone, I'm just venting frustration. Occasionally, it's said in a moment of contemplative recognition. I'm probably an overly dramatic person; situations where it fits come up a lot.

Jeff, Wade, Mike and Salomon have all been toiling in the boiler room of the COPAS train for years. All have participated in key events, operations, and leadership roles during that time. Each has been integral to the development of the organization's guidance, the education and success of its members, and the path COPAS has taken over the years. By any reasonable standard, they all have paid their dues, fought the good fight, done their time – you choose the expression. They've each

DALIN ERROR, COPAS PRESIDENT

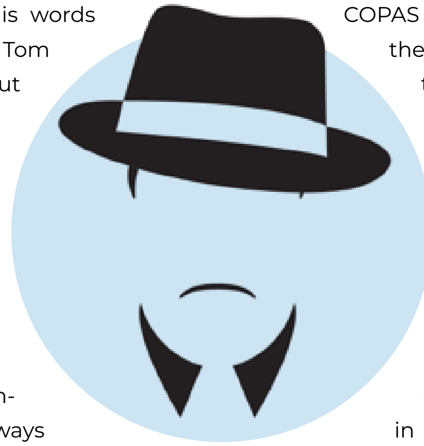
earned the right to go riding off into the sunset, with accounting glory trailing behind them...

And yet, year after year, we see all four back in the middle of everything: educating, enriching, leading by example. We pull them back in, and they continue to answer the call. While we recognized them with awards this year, they deserve recognition every year, as do so many others. It's humbling to me how many individuals serve COPAS and its members with few expectations beyond the satisfaction of helping the industry, preparing those following behind, keeping the organization strong, and ensuring a job well-done. They're all amazing examples of leadership and service, and I'm proud to be in their company.

Earlier, I indicated that the Fall meeting was bittersweet for me. As you've probably guessed, that's because it will be my last meeting as the President of COPAS. While I'm ready to roll off and let Craig Buck take the reins of our organization in 2023, as I look back on the events of this year, I'm also reflective of the many things we accomplished, and the many things left to do. Sometimes, I think reflections on the past should mingle pride with a little regret -- we can be proud of what we've achieved, but regretful of where we may have missed the mark. That's okay. Regret often spurs us to greater accomplishment down the road.

I shared some of these feelings with Tom Wierman during the meeting, including my expectations to fade into the background now. As always, he was sympathetic, respectful and thoughtful in his response. Tom validated my nostalgic feelings but reminded me that I still have two more years of service on the Board of Directors for COPAS, as well as continuing commitments to the redrafting team for MFI-40, the CEPS panel, and a few other, smaller projects. In one of those weak attempts at humor, with my best Pacino impression, I spoke the line: "Just when I thought I was out, they pull me back in!"

Tom's response was a crooked grin. "You'll never be free, Dalin. And I think you want it that way."



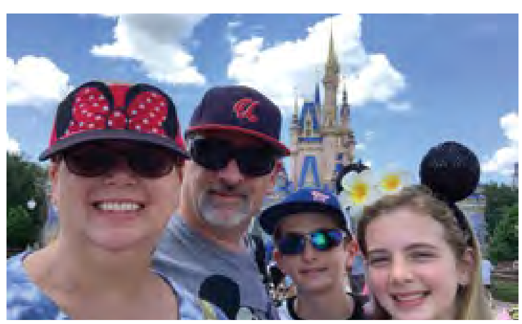
I laughed then, but his words stuck with me. Was Tom right? I thought about them during the hours driving home to Houston. I think it was around the halfway mark of my trip that I realized he probably was. We can never really step away from the things that are truly important to us. They always pull us back in. And I realized, that's okay. So, I spent the second half of the trip considering how much there was still to do, and what part I could play in it.

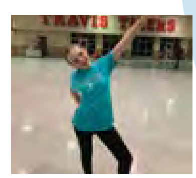
In my first ACCOUNTS article this year, I shared my background with you, including my roundabout route to oil and gas accounting. Back in 1997, I was a person looking to start my career over -- to find my true north. At the time, I never imagined it would be in this industry. I saw oil and gas as a paycheck that would help me foot the bills until I figured out what I really wanted to do. Now, twenty-five years later, here I am. I stayed. I found a home.

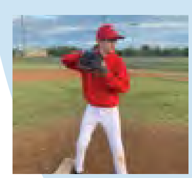
COPAS is important to me, as are the people in it. This industry is important to me. Its future, and the future of those following, are important to me. I've crossed the Rubicon; there's no looking back. I'm proud of what we've collectively accomplished, and of the small part I've played in it. I'm ready to keep going. As Tom surmised, I guess y'all are stuck with me for a little longer.

I hope the same will be true for you. Join in and get your hands dirty. If you are thinking about getting more involved, do it! We need you. If you are involved now, but looking to slow down or back out, reconsider. We need you. We need everyone.

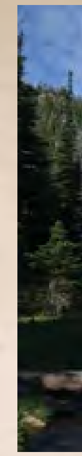
Let it pull you back in.







FROM THE HOME OFFICE



Tom Wierman, *COPAS Executive Director*
Tom.Wierman@copas.org

I hope you all had a great family gathering with an abundance of things to be thankful for this past Thanksgiving Day.

With Thanksgiving over we are speeding towards a time of year when things kick into overdrive. Whether it is hustling to finish work so that vacations can be taken, shopping, baking, or decorating, that window between Thanksgiving and New Year's just flies by.

Christmas is my very favorite time of year. Even with all the hustle and bustle of the busy season, packed parking lots and busy streets, I try to think more about the reason for the season than the annoyances that can sometimes overshadow. I hope you have a wonderful Christmas with your family.

The COPAS board just wrapped up the final 2022 board meeting. This board meeting is one of finishing prior business and transitioning to new directors and leadership. Nancy Brown joined the board for her first official meeting and Carolyn Sczepanski completed her last board meeting.

Dalin completed his last meeting as COPAS President but continues to serve another year on the board. We jokingly refer to that time on the board, after serving as president, as being the wise old sage. If you read Dalin's column a few pages earlier, you'll note his implied reference of "Hotel California;" you know, 'where you can check out, but you can never leave.' Dalin won't sit back and let this next year go by; he'll keep his sleeves rolled up doing wherever is needed. The board has prepared a short thank you to Dalin on pages 46-47. I add my appreciation to Dalin for the time we worked together this past year. Sometimes Dalin took my calls early morning, late night, between meetings or any time I wanted to bounce ideas off him. Thanks to your family and business for understanding all the things that go along with presiding over an organization.

Let's get to some COPAS news.

First, I'm now an Accredited Petroleum Accountant®. I have been working on a study guide nights and weekends starting this past winter. At the spring meeting I strongly suggested the Board of Examiners (BOE) offer me a peak at the questions to see if my material was close. I really didn't expect they would allow that, but I wasn't fully prepared for the challenge that was given to me in response. "Take it yourself and find out." I have the BOE, Vicki Cromer in particular, to blame, er thank. I have not done oil and gas accounting for more than 10 years, but I thought, "okay, why not?" So, I registered to take the exam and scheduled my test window at the testing center on September 30. I was nervous, but you know what, it wasn't that bad. The best news is I passed, so maybe my study material is good. Some of the rest of you will find out soon because I committed to having it ready for sale by the time this issue comes out, or shortly thereafter. The full list of new APA®s is listed on pages 28-29 Congratulations to them as well. I am excited to see how this review course will help. I hope it will prompt you to take the exam yourself.

Another big news item is our redesigned website. I like many things about the look, but probably the biggest improvement is that we've tailored the site towards the audience: those new to their career, those experienced professionals, and companies/employers. The website went live on October 11. From the statistics we're seeing, users are checking it out. The website tour will be available through the end of the year and then be disabled. The tour goes away after your first visit to a page but if you wanted to see some of that again, start another browsing session in "private or incognito," depending on what browser you are using. The button in the lower left will take you out of the tour if you don't want to continue it.

If you were at the fall meeting, you already know that the Council approved the new

Accounting Procedure and accompanying Model Form Interpretation. A big thank you to the project team for their hours (years!) of effort. If you are an ePublications subscriber, MFI-58 will be available to you soon. The Board of Directors voted to offer the Accounting Procedure free to members. Watch for availability on the website. If you want to buy the new MFI it is in the publication store. There will be free Lunch & Learn sessions on December 7, January 17, and January 31, led by the project team, where you can learn more about the publications. See page 30 for more details.

If you read the Project Status Report (page 40) or the Committee News (pages 36-38), you'll note that the Joint Interest and Revenue Committees are both looking for project team volunteers to update some COPAS publications. Publications, and their upkeep, is a primary responsibility of this organization. Remember what I've said many times, "no one else does what we do." I'd love to hear that you would volunteer for one of these project teams. It's truly the best way to understand a publication.

A new in-person course, Revenue Audit, will be offered for the first time on January 24, 2023 in the Houston area. The Winter Joint Interest and Audit Committee meeting will be held virtually on January 26, 2023. The Federal and Indian Royalty and BLM Compliance Workshop will be held in Tulsa on February 7 & 8, 2023. Registration for all these events can be found in the Events tab on the COPAS website.

We are at that point in the year where the CEPS Control Panel is reviewing tubular and equipment pricing surveys to adjust the Historical Multiplier in the Computerized Equipment Pricing System (CEPS). Thanks to Cody Deckard and his team for this work. The board recently approved new pricing tiers for CEPS to encourage more use of the product.

In 2017, COPAS began offering the ePublications product where all COPAS MFIs, AGs, and TRs were in one place. We provided this for a few years on a CD. In March 2020, right as the pandemic hit and sent people home to work, we launched the web version and automatic subscription of this product. We appreciate the many companies who have enrolled in this automatic subscription as it truly saves a lot of work in the office. However, we still have companies that think we are sending a CD and don't pay their invoice until they see that. Change is hard, we understand that. Missing out on valuable COPAS guidance is a bigger issue in my opinion. Invoice copies and explanation letters have again gone out to those companies missing out on the benefit. We greatly appreciate your help in clearing these items.

I recently mentioned the COPAS Education Foundation to some members and they were surprised that we have a foundation that supports our education efforts. In a nutshell, the Foundation was established to deliver quality, effective and relevant education to adult learners in the oil and gas industry. The Foundation Board of Directors provides grants to help keep our courses reviewed, refreshed, or created. The Foundation is a 501(c)(3) organization allowing for tax deductible contributions from individuals and companies. Several individuals have made contributions or send a monthly contribution with company match. Please contact me to learn more.

Thank you all for a terrific 2022. It's truly great that we are back meeting in person and evolving from the COVID pandemic. The important work of COPAS has continued thanks to your efforts. I look forward to another great year in 2023!

MEETING SCHEDULE

COPAS
Council of Petroleum Accountants Societies

DATES: April 25-27
HOST: COPAS Office

LOCATION:
Marriott Country Club Plaza
Kansas City, Missouri

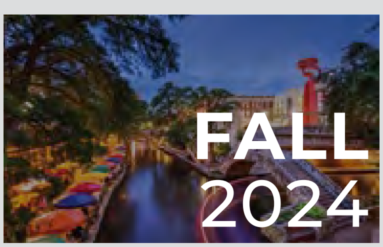
DATES: September 18-22
HOST: Colorado

LOCATION:
Cheyene Mountain Resort
Colorado Springs, Colorado

SPRING
2024

DATES: TBD
HOST: TBD

LOCATION:
TBD



DATES: TBD
HOST: San Antonio

LOCATION:
TBD

SPRING
2025

DATES: TBD
HOST: TBD

LOCATION:
TBD

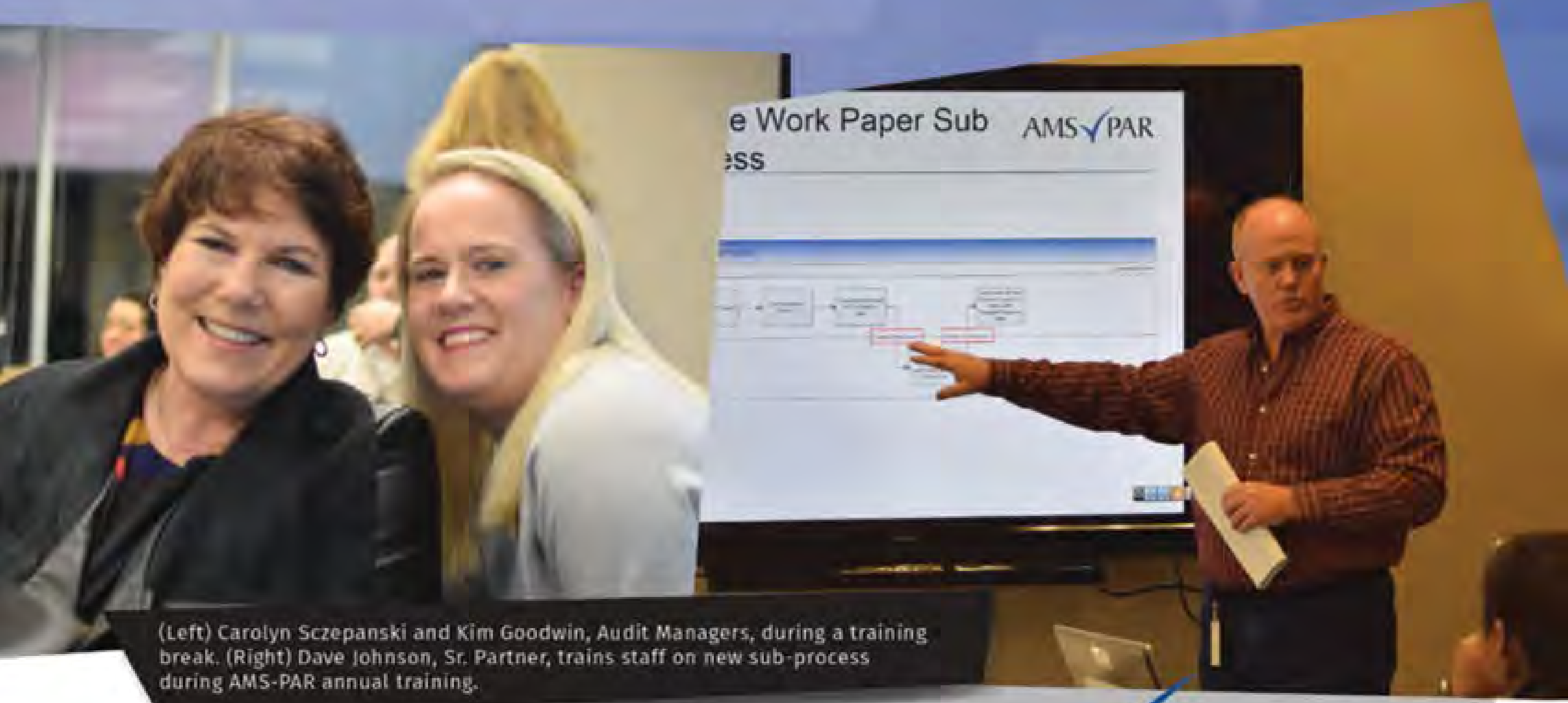
FALL
2025

DATES: TBD
HOST: TBD

LOCATION:
TBD

Dates beyond 2024 are available. Please contact the COPAS Office to volunteer.

JOINT VENTURE AUDIT



(Left) Carolyn Sczepanski and Kim Goodwin, Audit Managers, during a training break. (Right) Dave Johnson, Sr. Partner, trains staff on new sub-process during AMS-PAR annual training.

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Sales and Use Tax

An Overview for Oil and Gas Operators in Top Producing States

By Brent Watson, CPA – SALTA LLC

The difference between success or failure in oil and gas production ventures depends on the quality and management of producing assets, and controllable costs operating those assets. Sales and use taxes can be a significant factor in controllable costs associated with drilling and completion and, to a lesser extent, operating wells. Because laws are complex, and large outlays of sales tax can easily be incurred during drilling and completion, opportunities to both avoid exposure and more often, to reduce overpayments of tax, abound. This article provides a high-level overview of how these taxes affect producers in the top ten oil and gas producing states.

TEXAS

2021 Production: Oil: 49.5% - Gas 26.4%

Oil and gas producers must understand that sales and use tax laws in Texas are particularly complex. Specifically, the general manufacturing exemption applies to some but not all equipment at lease sites, Texas imposes taxes on a wide range of services, Texas' construction and contractor sales tax rules are uniquely intricate, and other special tax provisions are often applicable.

While Texas does not provide a general exemption for mining or drilling equipment, the manufacturing exemption provided in Tex. Tax Code Ann. § 151.318 is deemed to apply to equipment that makes or causes a chemical or physical change to the product. The exemption typically applies to scrubbers, separators, heater treaters, chilling units (for gas), amine units, dehydrators and similar equipment used at well sites, as well as much equipment used in in gas processing plants. Likewise, repairs and consumables used in these processes are exempt from tax. Historically, this has applied to gas treatment chemicals such as sweeteners and dessicants. The Comptroller recently denied exempt treatment of these chemicals, but we expect that denial to be reversed. Oil soluble chemicals likewise have been afforded exempt status until recent controversy from the Comptroller. That issue continues to be unresolved. A separate exemption applies to equipment used to prevent pollution, including the re-use of water in hydraulic fracturing.

Texas imposes tax on a wide range of services. By default, services are not taxable unless they are one of the 17 specified types of taxes. While the list of taxable services is too extensive to cover, it in-

***Brent Watson, CPA,** is the principal at SALTA LLC in Tulsa, Okla. Brent is an active member of the Oklahoma Society of Certified Public Accountants and of the Institute for Professionals in Taxation. He has 32 years of experience in sales and use taxes and concentrates in the manufacturing, oil and gas, multi-state contracting and retailing industries.*

cludes repairs to both tangible personal and real property. Notably, 34 Tex. Admin. Code § 324 provides in detail that services involved in drilling and completion, stimulation, and plugging and abandonment of wells are not taxable. In another recent controversy, the Comptroller has reversed settled treatment of water transfer services from being exempt services to being asserted to be rentals with supervisors. This issue is unresolved.

With respect to construction work, both the form of the contract and the type of construction performed impact the taxability of that work. Lump sum construction contracts for new construction are not taxable. In separated contracts for new construction, charges for materials are subject to tax and those for services are exempt. For repair work, both lump sum and separated contracts are taxable.

While charges for tools lost downhole are non-taxable reimbursements, charges to repair leased items is taxable.

Exemptions are provided for utilities used in extracting or transporting oil and gas, for services subject to the oilwell service tax, and for naturally occurring earth substances such as unprocessed sand, caliche and water.

NEW MEXICO

2021 Production: Oil: 15.3% - Gas 5.5%

New Mexico does not provide explicit exemption from sales and use tax for materials or equipment used for production of oil and gas. Unlike most states, New Mexico generally imposes sales tax on all services rendered unless an exemption (deduction) applies. Thus, charges for services that are not commonly subject to tax, such as transportation of gas or oil, are taxable.

However, the manufacturing exemption applies to oil refining or gas treatment operations. The exemption is claimed by issuance of exemption certificates, called non-taxable transaction certificates ("NTTCs") to vendors. Acceptance of these certificates allows the seller to deduct these sales in computing sales tax due. The exemption applies to materials incorporated into the final product, materials consumed in the manufacturing process, and effective January 1, 2022, equipment (including repair parts) used directly in manufacturing.

New Mexico allows for an exemption from the gross receipts tax for the lease of oil, natural gas, and mineral interests. Also, receipts from sales of products for which the severance was subject to the oil and gas severance tax are exempt from the gross receipts tax.

PENNSYLVANIA

2021 Production: Oil: 0.1% - Gas 20.2%

Pennsylvania provides an exemption from sales and use tax for tangible personal property and services purchased for use directly and predominantly in mining activities in 72 Pa. Cons. Stat § 7201(k)(8) & (o)(4). Mining activities include operations to remove natural resources from the earth or to refine natural resources removed from the earth. Factors considered in determining exemption include (i) physical proximity to the mining operation; (ii) temporal proximity to the mining operation; and (iii) the existence of an active causal relationship between the use of the property and the mined product.

Purchases of equipment are exempt if used more than 50% of the time in the following direct-use mining activities:

- General digging, fracking, and drilling equipment
- Equipment to actively monitor, light, refine, extract and handle waste
- Protective gear and supplies worn by mining personnel during production activities
- Pollution control devices "designed and used to control, abate, or prevent air, water or noise pollution," provided they are generated from and used directly in the mining process.

Lastly, the mining exemption applies to subcontractors performing production operations if purchases meet the mining activities exemption requirements.

NORTH DAKOTA

2021 Production: Oil: 10.9% - Gas 2.5%

No sales and use tax exemption is provided for materials or equipment used for production of oil and gas. Additionally, North Dakota's manufacturing exemption, which is provided in N. D. Cent. Code § 57-39.2-04.3.6.e, states that the manufacturing exemption excludes purchases made for mining, refining, or extracting oil and gas. Therefore, equipment and materials used at lease sites are taxable in North Dakota.

Notably, however, exemptions are provided for materials used to construct or expand systems used to (1) compress, gather, collect, store, transport, or inject carbon dioxide (carbon dioxide capture system) for use in the enhanced recovery of oil or natural gas, and to (2) compress, process, gather, collect, or refine gas recovered from an oil or gas well or used to expand or build a gas processing facility. These exemptions do not apply to materials used to repair or replace an existing system unless the replacement creates an expansion of the system. The owner of the facility to be expanded must receive certification from the Tax Commission to claim the exemption. If the certification is not received before purchases occur, tax must be paid, but a claim for refund can be filed. Owners of new or expanded systems may apply for refunds of sales tax paid by their contractors. Additionally, exemption is provided for carbon dioxide used for enhanced recovery of oil or natural gas.

North Dakota does not impose sales tax on sales of electricity or gas utilities, and generally does not tax services. Rentals with operators are considered to be a service and are not taxable.

OKLAHOMA

2021 Production: Oil: 4.2% - Gas 7.8%

Oklahoma does not provide an exemption from sales and use tax for materials or equipment used in the production of oil and gas. Additionally, Oklahoma's manufacturing exemption, provided by Okla. Stat. tit. 68, § 1352(15), states that extractive and field processes for oil and gas production are not deemed to be manufactur ing processes. Therefore, equipment and materials used at lease sites are taxable in Oklahoma. While equipment used at gas processing plants could be eligible for the manufacturing exemption, a special manufacturing sales tax exemption permit must be obtained in order to qualify.

Oklahoma does not provide an exemption for utilities used in production except in special circumstances involving enhanced recovery and water flood processes. Further, Oklahoma is one of the few states which does not allow an exemption for isolated sales including transfers of tangible personal property between leases having non-common ownership. Imposition of tax on transfers between these leases can be minimized by having a separate purchasing company own the materials until they are used at a field location. Likewise, tangible personal property included in sales of leases is generally taxable. Sellers are responsible to file a "Casual Sales Tax Return" to report such transactions. The related valuation of the tangible personal property included in the sales agreements can impact determination of taxable basis. Taxable equipment includes both surface and downhole equipment except for real property which generally includes cemented casing. Careful planning and consideration of this issue should be undertaken when leases are sold.

LOUISIANA

2021 Production: Oil: 1.0% - Gas 9.1%

Louisiana does not provide exemption from sales and use tax for materials or equipment used in production of oil and gas. Louisiana's manufacturing exemption applies only to industries within specific NAICS code sectors. Since exploration and production is not included in the list of qualifying NAICS codes, the manufacturing exemption does not apply. Therefore, equipment and materials used at lease sites are taxable.

Services are generally not taxable in Louisiana, but tax is imposed on the repair of movable (tangible) property. Louisiana classifies property in three categories: movable (tangible), immovable (real), and other constructions (property affixed to real property owned by another party). Louisiana Civil Code Article 475 states that "All things, corporeal or incorporeal, that the law does not consider as immovable, are movables." Under current law, constructing or repairing "other construction" are treated the same as work on immovable (real) property.

Vendors working on immovable property are classified as contractors, and as such are generally considered the consumers of the materials used in construction and are responsible for paying the related sales taxes. Further, the final lump sum charge from the contractor to the purchaser for construction would not be taxable.

Louisiana treats fabrication of tangible personal property as a sale and not a service. This includes instances when the owner furnishes the materials to be fabricated into tangible personal property. Welding services are often assessed tax on audits under the fabrication concept.

Louisiana provides an exemption for electricity, natural gas, and water utilities.

COLORADO

2021 Production: Oil: 4.3% - Gas 5.6%

Colorado does not provide a general exemption from sales and use tax for materials or equipment used for production of oil and gas. However, Colorado provides exemption for oil and gas production equipment if the wells are located in Colorado designated enterprise zones. To qualify for the exemption, the machinery must:

- Be used directly and predominantly to manufacture tangible personal property for sale or profit
- Be of a nature that would have qualified for the federal investment tax.
- Be tangible personal property with a useful life of one year or more (qualifying purchases of used equipment is limited to a maximum of $150,000 annually
- Be included on a purchase order or invoice totaling more than $500

Colorado does not impose sales and use tax on the sales or use of electricity or gas used in industrial uses including oil and gas exploration and production, gas processing, and refining. Colorado generally does not tax services.

Colorado does not recognize isolated sales exemptions on the sale of tangible personal property. Accordingly, sales of tangible personal business assets (i.e., pipeline used to carry the oil or gas, compressors used to move gas through a pipeline, etc.) are typically taxable.

Note that this article addresses only state-imposed sales/use tax. To properly assess the taxability or exemptions of operations in a home-rule jurisdiction, that local jurisdiction's impositions must be checked.

WEST VIRGINIA

2021 Production: Oil: 0.4% - Gas 7.3%

West Virginia imposes sales tax on sales of tangible personal property and most services. While most states tax only specified services, West Virginia applies tax by default to services unless an exemption applies. West Virginia exempts services during fracking and mining operations. The exemption applies to services, machinery, supplies and materials directly used or consumed in the production of natural resources (including fracking).

West Virginia treats processing of natural gas as manufacturing which qualifies for that exemption.

Unlike most states, West Virginia requires purchasers to initially pay tax to the vendor and then apply for a refund or credit from the state; or provide a direct pay permit number to vendors ensuring tax is not charged at the initial purchase. Oil and gas operators should regularly review purchase invoices and follow up with refund requests from the state if the company does not have a direct pay permit.

OHIO

2021 Production: Oil: 0.6% - Gas 6.7%

Ohio has a broad sale and use tax base but exempts services rendered to mining and oil and gas producers during mining and fracking operations. The state also exempts machinery, equipment and other tangible personal property used or consumed in mining activities. The exemption applies to items used directly in mining, including extraction of crude oil and natural gas. The exemption also applies to services directly related to exempt mining machinery and equipment.

Ohio's mining exemption applies to:

- Machinery, equipment, or other property used to transport the excavated substance from the mine to a processing plant
- Safety gear used for the physical protection of mining employees while they are in the process of mining/excavating or in the transportation of the substances to the processing plant.

Equipment must be directly used in the actual production process to be exempt. Producers must be aware of whether their activities are treated as pre- or post-production activities in Ohio. Examples of services that do not qualify for exemption include waste removal activities (considered post-production) and a blender used to mix fracturing material unless the material is pumped directly into the well (considered pre-production).

WYOMING

2021 Production: Oil: 2.4% - Gas 3.7%

No exemption from sales and use tax is provided for materials or equipment used for production of oil and gas. Wyoming's manufacturing exemption states that the manufacturing exemption only applies to the operations classified under NAICS codes of 31-33, which exclude extractive and field processes for oil and gas production. Therefore, equipment and materials used at lease sites and gas processing facilities are taxable.

Wyoming does not provide exemption for utilities used in production of oil and gas. Power used in processing gas is exempt pursuant to an exemption for "sales of power or fuel" to a person for direct consumption in "processing."

Also, Wyoming does not generally exempt isolated sales of tangible personal property. Therefore, sales of tangible business assets (such as excess pipe) are taxable. However, sales of interests in leases constitute the sale of an intangible, and not the sale of tangible personal property. Additionally, a sale of more than 80% of a business is excluded from the definition of a "sale" for sales tax purposes.

Wyoming Stat. Ann. § 39-15-103(a)(viii) specifically taxes "...the repair, alteration, or improvement of tangible personal property; and various services related to oil and gas exploration and production...." However, an exemption is provided for services that must be completed prior to the setting of production casing, including seismic and geologic services. The exemption also applies to the deepening of an existing well. Other services performed in constructing a well past the stage where the casing is set, or later to repair, overhaul, or stimulate a well, are taxable.

MINOR STATES WITH MAJOR IRREGULARITIES:

ARKANSAS

2021 Production: Oil: 0.1% - Gas 1.4%

Arkansas is included in our overview because in 2021 an exemption was changed that very beneficially impacts operators in the state. Because Arkansas treats oil and gas production as a form of manufacturing, when Arkansas enacted a full exemption for manufacturing equipment including repairs, this made many services to oil and gas wells exempt. It should be noted that Arkansas has not updated sales and use tax Rule GR-57 that pertains to oil and gas operations to reflect this change.

MISSISSIPPI

2021 Production: Oil: 0.4% - Gas 0.1%

Mississippi is included to highlight their unique tax scheme in which nearly all services provided within the oil field are taxable. This includes services not enumerated as taxable when performed outside of the oil field such as engineers, geologist, consultants and even grass cutting. The state also taxes components of the third-party Joint Interest Billing including the overhead and accounting charges by the operator.

IN THE NEWS

Brigham Minerals and **Sitio Royalties** have combined and are valued at $4.8 billion with 259,510 net royalty acres, net production of 32.8 MBOED, and 50.3 net line-of-sight wells.

EQT acquired **THQ Appalachia I** and **THQ-XcL Holdings I** for $5.2 billion adding 800 MMCFED to its current operations and 90,000 net acres.

Repsol SA sold 95,000 net acres in Alberta to **Teine Energy** for $304.65 million that includes heavy oil and gas producing assets and 1,120 miles of midstream infrastructure. Production from the field is 6,800 BOED.

US Energy Development acquired three Delaware Basin asset packages for $60 million that will include 17 new wells with various operators across three TX counties.

Kimbell Royalty Partners purchased interest from **Hatch Royalty** for $290 million consisting of 889 net royalty acres on 230,000 gross acres located in the Delaware and Midland basins. The assets average about 2,072 BOED with 2023 production to increase to 2,522 BOED. The asset adds 14.7 MMBOE proved reserves. Kimbell has 16 million gross acres with 90 active rigs on its properties.

Enerplus sold its remaining Canadian assets in Alberta and Saskatchewan to **Surge** Energy for $180 million that include Ante Creek and Medicine Hat operations as well as the West Five and West Six areas of Alberta. The assets include production of 3,000 BOED of waterflooded producing oil assets.

Liberty Lift Solutions acquired **Spooling Technology** servicing the Bakken in downhole chemical injection solutions, specializing in capillary tubing and cable spooling.

Marathon acquired **Ensign Natural Resources** for $3 billion that includes 130,000 net acres (99% operated, 97% working interest). The acreage is adjacent to Marathon's existing Eagle Ford position and spans Live Oak, Bee, Karnes and Dewitt, TX counties. Assets consist of 67,000 net BOED production and 600 undrilled locations.

Peregrine Energy Partners has acquired producing and non-producing oil and gas royalty interests in Carroll, Columbiana, and Jefferson counties in OH. The acquisition adds 520 net mineral acres to Peregrine's 360,000 gross Utica acres.

Verisk sold **Wood Mackenzie** to **Veritas Capital** for $3.1 billion. Wood Mackenzie provides essential data and insights for upstream producers and energy asset managers.

Land Run Minerals V acquired 55,000 net royalty acres and 1,715 wells located in Kingfisher, Canadian, and Blaine, OK counties from **Rumble Minerals, Fortis Sooner Trend Minerals, Sooner Trend Minerals, FMII STM,** and **Phenom Minerals**. The assets produce 4,500 BOED and there are five active rigs.

Commodity Spot Pricing Comparison

	Crude Oil WTI (Cushing) Per BBL				Henry Hub Natural Gas Spot Price Dollars per million Btu			
Month	2019	2020	2021	2022	2019	2020	2021	2022
January	51.38	57.52	52.00	83.22	3.11	2.02	2.71	4.38
February	54.95	50.54	59.04	91.64	2.69	1.91	5.35	4.69
March	58.15	29.21	62.33	108.50	2.95	1.79	2.62	4.90
April	63.86	16.55	61.72	101.78	2.65	1.74	2.66	6.59
May	60.83	28.56	65.17	109.55	2.64	1.75	2.91	8.14
June	54.66	38.31	71.38	114.84	2.40	1.63	3.26	7.70
July	57.35	40.71	72.49	101.62	2.37	1.77	3.84	7.28
August	54.81	42.34	67.73	93.67	2.22	2.30	4.07	8.80
September	56.95	39.63	71.65	84.26	2.56	1.92	5.16	7.88
October	53.96	39.40	81.48		2.33	2.39	5.51	
November	57.03	40.94	79.15		2.65	2.61	5.05	
December	59.88	47.02	71.71		2.22	2.59	3.76	
Average	56.98	39.23	67.99	98.79	2.57	2.04	3.91	6.71

ABOUT THE AUTHOR

Kody Impson

Kody joined Martindale Consultants in 2008 and has been an integral part of Martindale's management team, seeking new opportunities to fuel growth and develop a talented staff to better serve clients. Kody hold a bachelor's degree in finance and accounting and an MBA. He is also a Certified Fraud Examiner.

NextEra Energy acquired **Energy Power Partners Fund I** and **North American Sustainable Energy Fund** for $1.1 billion. NextEra plans to convert landfill gas-to-electric projects and assets to renewable natural gas and build a services company.

SLB acquired **Gyrodata,** which specializes in gyroscopic wellbore positioning and survey technology. The company has approximately 1,000 employees operating in over 50 countries.

Ørsted sold a portion of its U.S. onshore wind and solar farms to **Energy Capital Partners** for $410 million. Capacity of the portfolio totals 862 megawatts.

Exxon Mobil sold its Billings, MT oil refinery to **Par Pacific Holdings** for $310 million plus hydrocarbons and other inventory. The 63,000 BBLD refinery processes low-cost Western Canadian and regional Rocky Mountain crude oil grades. The sale also includes the Silvertip pipeline, interest in the Yellowstone pipeline, and product terminals. Storage capacity totals 4.1 million barrels.

Northern Oil and Gas acquired a 36.7% working interest in the Mascot Project located in Midland County, TX from **Petro D.C. Partners** for $330 million. The Mascot Project is operated by Permian Deep Rock Oil. Production from the acquired properties is 4,400 BOED and includes four all-depths contiguous drilling spacing units developed for long laterals, 12.1 net producing wells, 5.5 net wells-in-process, and approximately 17.3 net undeveloped locations.

BP acquired renewable natural gas (RNG) producer **Archaea Energy** for $4.1 billion. Archaea operates about 50 RNG and landfill gas-to-energy facilities across the U.S. The deal, coupled with BP's existing supply, will boost the company's biogas volumes to 70,000 BOED globally by 2030.

Continental Resources has been taken private by its founder, **Harold Hamm**, for $4.3 billion.

Diamondback acquired **FireBird Energy** for $1.6 billion that includes 450 vertical and horizontal wells and 75,000 gross acres in the Midland Basin in West Texas. The acreage is 98.5% operated with an average 92% working interest and is currently 84% HBP with 353 gross horizontal drilling locations. The assets add 22,000 BOED of production.

Northern Oil and Gas acquired northern Delaware Basin assets for $130 million that include 2,100 net acres, 5.3 net producing wells, 2.1 net wells-in-process, 17.2 net undeveloped locations, and production of 2,500 BOED.

MidOcean Energy acquired interests in Australian integrated LNG projects for $2.15 billion that includes **Tokyo Gas Co. Ltd.'s** interests in four Australian integrated LNG projects—Gorgon LNG, Ichthys LNG, Pluto LNG, and Queensland Curtis LNG in Australia's western and eastern seaboard.

DT Midstream acquired **National Grid's** interests in the Millennium Pipeline. The Millennium Pipeline is a 263-mile interstate pipeline that delivers Marcellus and Utica gas to utility and pow

RIG Counts

LOCATION	WEEK OF:							
	2/5/2021	4/30/2021	8/20/2021	10/29/2021	1/28/2022	4/29/2022	7/29/2022	10/28/2022
Gulf of Mexico	16	13	14	13	18	13	15	13
Canada	171	51	156	166	217	95	204	212
North America	563	491	659	710	827	793	971	980
Oil	299	342	405	444	495	552	605	610
Gas	92	96	97	100	115	144	157	156
Directional	18	23	30	32	36	30	38	43
Horizontal	354	398	454	483	553	643	697	703
Vertical	20	19	19	29	21	25	32	22
Major States								
Alaska	4	3	4	6	6	9	10	10
Arkansas	0	0	0	0	0	0	0	0
California	7	7	6	10	8	7	7	7
Colorado	8	10	11	12	12	15	19	22
Louisiana	47	49	49	47	57	58	65	60
New Mexico	61	70	80	87	94	97	110	106
North Dakota	12	15	22	23	27	35	36	36
Oklahoma	18	21	30	43	51	51	64	66
Pennsylvania	18	18	19	17	23	23	25	24
Texas	189	212	231	250	284	345	371	368
West Virginia	12	11	9	11	11	14	12	17
Wyoming	5	4	16	15	15	15	19	23

Source: Baker Hughes at www.bakerhughes.com er plant markets across New York State and New England.

SilverBow Resources acquired 5,200 net acres in Dewitt and Gonzales counties in South TX for $87 million. The asset includes net production of 1,100 BOED and creates a consolidated 13,000 net acre block in the Karnes trough with 100 drilling locations.

Northern Oil and Gas acquired northern Delaware Basin properties for $157.5 million that includes 2,800 acres, 9.6 net producing wells, 2.8 net AFEs, and wells-in-process in NM's Lea and Eddy counties and Loving County, TX.

Enbridge paid $320 million to acquire **Tri Global Energy**, the third largest onshore wind developer in the U.S. The assets are comprised of wind and solar projects that include 7 GW of renewable generation capacity and 3.9 GW of renewable generation projects previously sold to operators, which will generate development fees.

Kinder Morgan sold a 25.5% stake in the Elba Liquefaction LNG facility located on Elba Island in Chatham County, GA for $565 million. The Elba liquefaction facility includes 10 modular liquefaction units with capacity of 2.5 million tonnes per year of LNG. The facility is supported by a 20-year contract with Shell LNG, which is subscribed to 100% of the liquefaction capacity.

Momentum Midstream acquired **Midcoast Energy** that combines assets to service 2 BCFD for producers, utilities, end-users, and LNG exporters and includes 3,000 miles of gathering pipelines, 1.5 BCFD of treating capacity, 700 MMCFD of processing capacity, 200,000 HP of compression and 820 miles of transportation pipelines delivering gas to the Gulf Coast.

Talos Energy acquired **EnVen Energy** for $1.1 billion. Over 80% of the combined assets will be deepwater, with Talos operating more than 75% of the acreage it holds interests in. EnVen holds 78 MMBOE of 2P reserves and 420,000 gross acres in the Gulf of Mexico. The deal adds 24,000 BOED to the Talos' production stream.

Summit Midstream sold its Bison Gas gathering system in North Dakota for $40 million to **Steel Reef Infrastructure**. The Bison gas gathering system, located in Mountrail and Burke counties in northwestern ND gathers, compresses, and treats associated natural gas that exists in the crude oil stream produced from the Bakken and Three Forks shale formations.

SilverBow Resources acquired interest in the dry gas Dorado play through a series of transactions for $50 million consisting of 7,500 net-acres in Webb County, TX. Net recoverable resources are 650 BCF and current net production is 30 MMCFD.

Enverus acquired Madrid-based **RatedPower**, an automation, efficiency, and digitalization trailblazer in the solar market. RatedPower has assisted in 20,000 projects, contributing to the production of 43 gigawatts of power and helping mitigate 17 million tons of CO_2.

U.S. Energy Development acquired three separate asset packages totaling more than $60 million in the core of the Delaware Basin in the Permian that partners with operators in 17 new wells spanning a three-county area.

CIM Group, a Los Angeles-based real estate firm, acquired seven landfill-gas based renewable natural gas developments from **MAS Energy.** The assets, which span parts of the northeast U.S. and Vancouver, Canada, will produce 3.9 million MMBTU of RNG per annum. Federal and state incentives are also boosting investment including the federal Renewable Fuel Standard program.

Tamarack Valley Energy acquired **Deltastream Energy** for CA$1.425 billion. The assets add 184 net sections of core Clearwater acreage in Alberta with expected production of 23,000 BOED next year.

Crestwood Equity Partners sold its Marcellus assets to **Antero Midstream** for $205 million that includes a legacy gas system that was acquired by Crestwood from Antero Resources in 2012 for $376.8 million. The assets include 72 miles of dry gas gathering pipelines and nine compressor stations with 700 MMCFD of compression capacity and throughput of 200 MMCFD. The acquisition adds 425 undeveloped drilling locations and 120,000 gross dedicated acres from Antero Resources primarily in Harrison County, OH.

The Williams Cos. acquired **NorTex Midstream**, a fully contracted natural gas pipeline and storage asset in north TX, for $423 million that includes 80 miles of natural gas transmission pipelines and 36 BCF of natural gas storage in the Dallas-Fort Worth market. The assets provide service to about 4 GW of gas-fired power generation.

Exxon Mobil and **Shell** sold their California oil joint venture, **Aera Energy**, to German asset manager **IKAV** for $2 billion ending Exxon Mobil and Shell's 25-year-long partnership in California. Aera produces 95,000 BOED in the San Joaquin Valley.

Schlumberger, Aker Solutions, and **Subsea 7** merged their subsea oil and gas production and processing technology worth $700 million. Schlumberger will own 70%, Aker Solutions 20% and Subsea 7 10%. The combined business will have approximately 9,000 employees globally and generate an estimated synergy potential of more than $100 million per annum.

Brigham Minerals acquired 3,900 net royalty acres in the Mineral Basin in Martin and Midland counties in West TX from **Avant Natural Resources** for $132.5 million. The acquisition adds 253 gross wells spud on acreage over the last 12 months with 2023 production totaling between 750 and 950 BOED.

SAVE·THE·DATE

SPRING 2023
SAVE THE DATE

April 25, 2023 to April 27, 2023

Marriott Country Club Plaza
4445 Main Street
Kansas City, Missouri

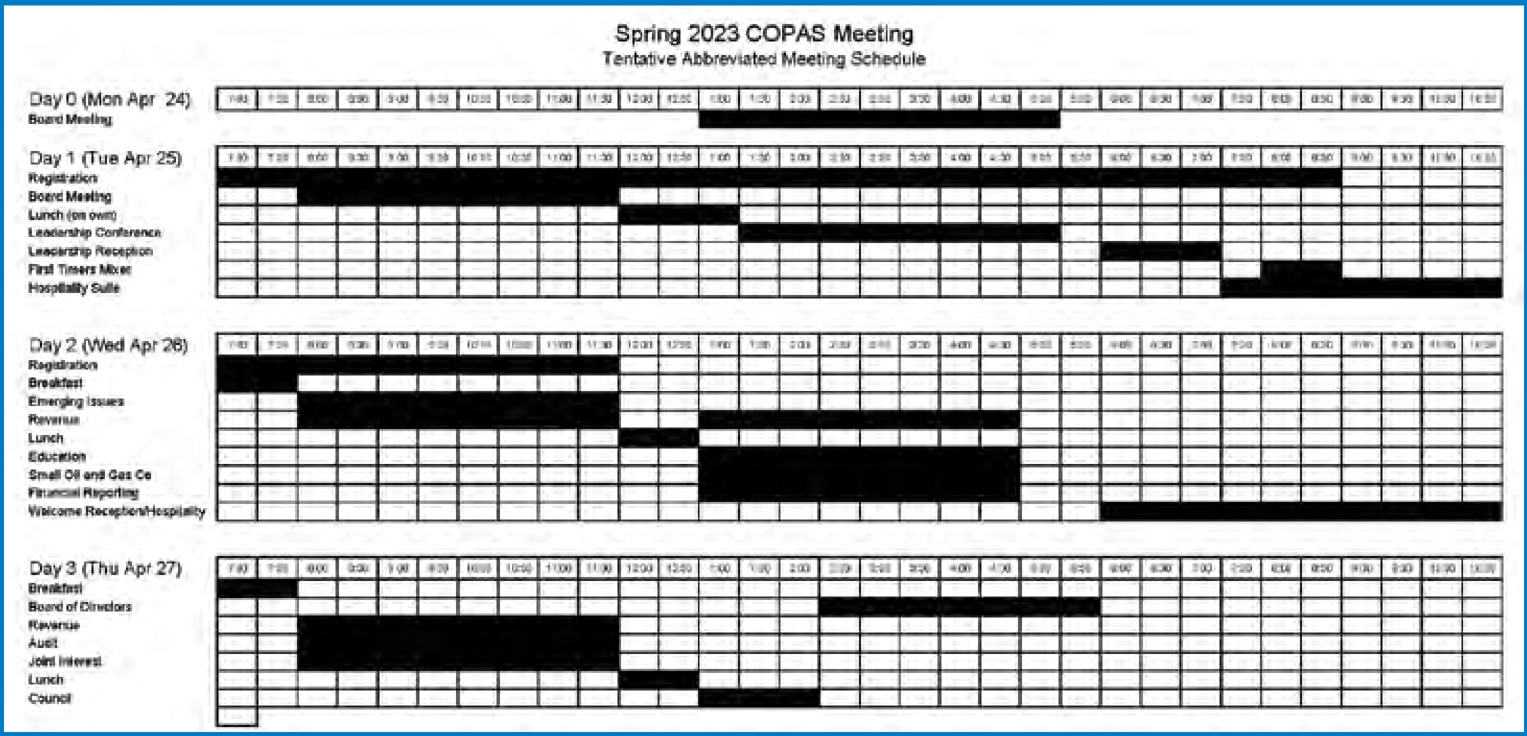
Hosted by COPAS

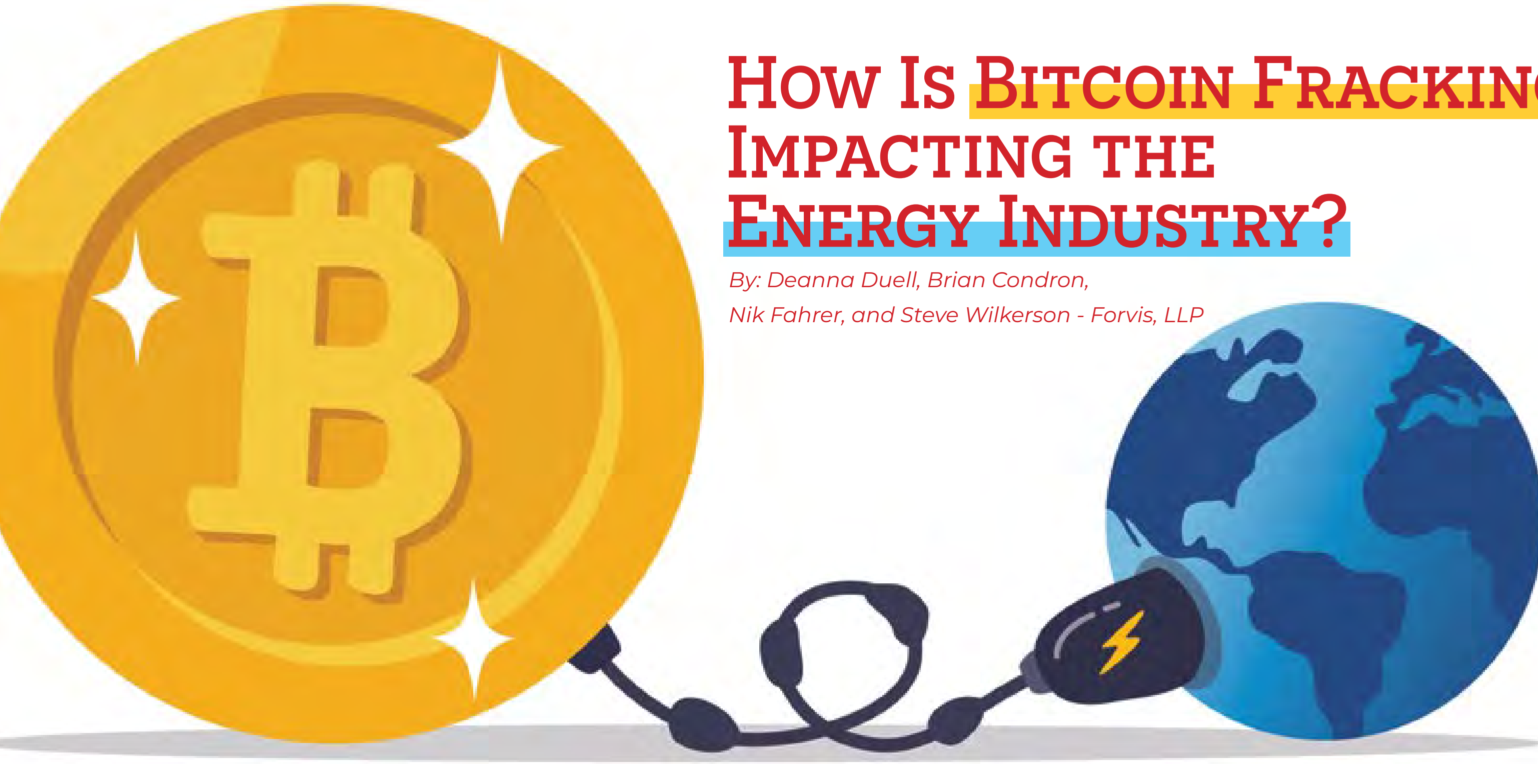
NEARBY ATTRACTIONS:

Fountains
Kemper Museum of Contemporary Art
Nelson-Atkins Museum of Art
Sea Life Kansas City
Shopping at Country Club Plaza
Legoland
Kansas City Barbeque!

Approximately 30 minutes from Kansas City International Airport.

This meeting will follow the abbreviated and compact meeting schedule format.





How Is Bitcoin Fracking Impacting the Energy Industry?

By: Deanna Duell, Brian Condron, Nik Fahrer, and Steve Wilkerson - Forvis, LLP

Over the last few years, a growing trend has emerged in the bitcoin mining industry called bitcoin fracking. Bitcoin mining has received criticism due to its significant energy consumption, with a single bitcoin transaction estimated to use the same amount of power a household consumes in over a month.[1] This article will examine some of the challenges facing bitcoin mining and how bitcoin fracking is a potential solution.

In addition to energy usage, another environmental problem is emissions from oil and gas extraction. Natural gas is produced as a byproduct of extracting oil. This natural gas could be vented, which is the direct release of gas to the atmosphere, or it could be flared, which is when oil and gas companies burn excess natural gas. Flaring and venting are often used when pipelines that could transport natural gas are not close to the well site. Flaring also is used in situations that pose a safety risk, which is commonly called safety flaring or emergency flaring.

Natural gas is primarily composed of methane, a potent greenhouse gas (GHG). Flaring to dispose of natural gas significantly reduces the amount of methane released. However, flaring itself is responsible for about 1% of annual global carbon emissions.[2] Beyond the environmental concerns, oil and gas companies also are losing money when flaring.

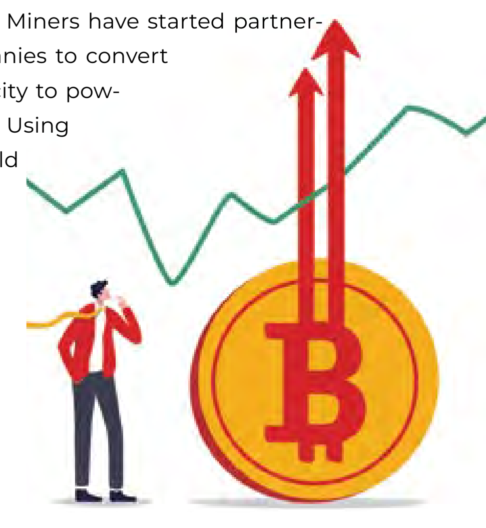
Impact to Emissions

Several technological developments have occurred in methane emissions monitoring from oil and gas wells. Natural gas is invisible and odorless; so, historically, leaks of natural gas and the amount of methane released were more difficult to identify and monitor. However, a variety of methane-tracking options are now available, including hand-held monitoring, on-location fixed sensors, vehicle monitoring, drone monitoring, aircraft monitoring, and satellite monitoring. Companies are partnering with organizations with a variety of these methane-tracking devices to help identify where leaks are occurring. Those companies can be alerted when leaks develop in their operations. The methane leaks can be addressed more quickly, helping improve the profitability of their operations.

Some methane-leak data identified through aircraft and satellite monitors is being made available to the public for free with the intent of pressuring oil and gas operators to reduce their methane emissions.[3]

Bitcoin Fracking

Bitcoin miners have identified bitcoin fracking as a potential solution to these problems. Miners have started partnering with oil and gas companies to convert the natural gas into electricity to power their mining equipment. Using the natural gas that would otherwise be vented reduces the emissions and energy usage and helps oil and gas companies monetize their unused gas wells.



Proof-of-Stake (PoS) vs. Proof-of-Work (PoW)

Blockchain technology was introduced in 2008 with the bitcoin blockchain. The bitcoin blockchain runs on a PoW consensus mechanism. PoW is the mining mechanism by which transactions are verified on the blockchain and through which new bitcoin is created. In PoW, to mine a block, miners deploy computing power to solve for a hash function. Once the hash function is solved, the other miners in the network all agree that it was solved. The mining difficulty in a PoW blockchain adjusts so that the more computing power that enters the market, the more difficult it is to solve the hash function; thus, more energy consumption is required to mine a block.

PoS is a newer consensus mechanism that aims to solve scalability issues that PoW faces. Ethereum, the second largest cryptocurrency by market capitalization, has switched to PoS from PoW. By switching to PoS, it is estimated that the energy consumption required by the Ethereum blockchain will decrease by about 99.5%.

In PoS, network participants lock up, or "stake," their Ethereum to validate transactions on the blockchain. The network selects a random validator—based on the amount of crypto and length of time the crypto has been staked— in an effort to reward the most invested participants. The network discourages participants from acting as bad actors by locking up their staked coins. If a participant acts maliciously, the network can take their locked coins.

Incentives to Even Out Demand in Texas

In Texas, a popular location for bitcoin miners, the state grid operator ERCOT works with bitcoin miners to ease the power grid pressure by asking industrial-scale miners to power down during peak energy hours. This peak shaving has been able to free up more than 1,000 megawatts for the power grid multiple times during the week.

This is in the best interest of the state for grid stability and ERCOT offers incentives for large electricity consumers, such as bitcoin miners, for not using power during periods of high demand. For example, Riot Blockchain reported $9.5 million in "power credits" for shutting down during periods of high demand during the month of July 2022.[4] ERCOT paying bitcoin miners has created profitable diversification strategies for miners.

Methane Fee & Other IRA Implications

Legislation also is expected to incentivize oil and gas operators to reduce their methane emissions. The Inflation Reduction Act (IRA) signed into law on August 16, 2022 by President Biden includes charges on methane emissions for oil and gas companies. This fee applies only to petroleum and natural gas facilities required to report GHG emissions to the U.S. EPA, which includes facilities emitting 25,000 metric tons of CO2 or more per year. The IRA methane emissions charge will start in calendar year 2024 with a cost of $900 per metric ton of methane. This fee increases in 2025 and 2026 to $1,200 and $1,500 respectively. The fee is set to remain at $1,500 in years beyond 2026.[5]

Impact to Royalties

Regulators are beginning to take notice of the bitcoin fracking activities in their areas. In Adams County's DJ Basin, located north/northeast of Denver, officials have issued cease and desist orders as regulatory and reporting frameworks have yet to be established for this emerging economic sector.6 Public study sessions are being held by the county to address this issue in the meantime.[7]

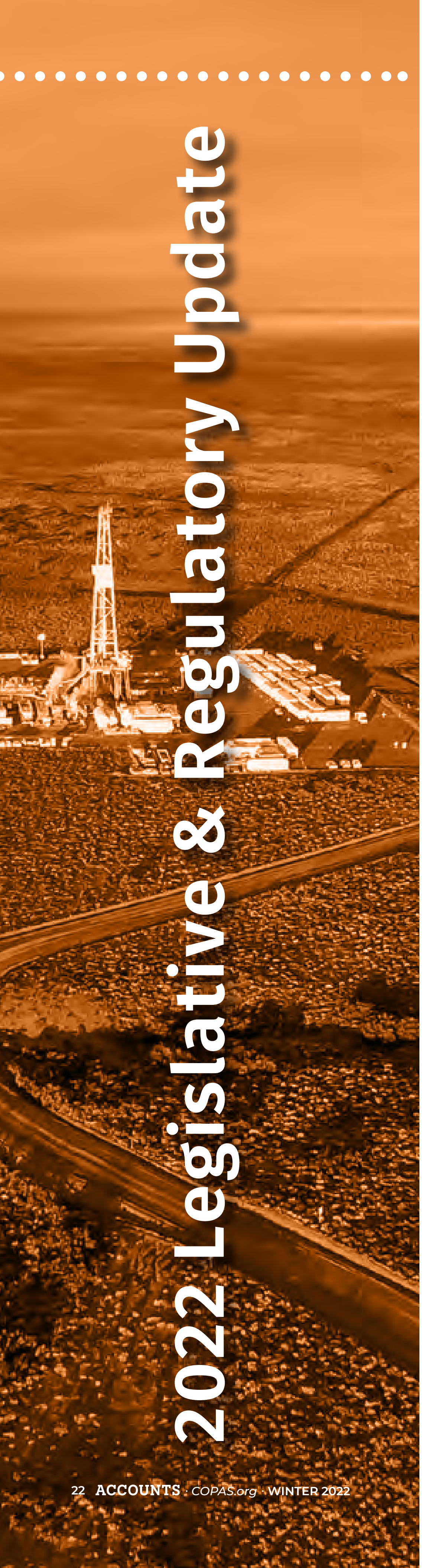
With value being a deciding factor, bitcoin miners are now leveraging the fuel minerals at the wellhead for operations. Higher demand and less reliable supply to the grid are causing electricity costs to continue to climb. Rolling blackouts are increasingly a frequent reality for the average electricity user. Since bitcoin fracking requires large amounts of electricity to power the supercomputers, it can place even more significant strain on the power grids. With the migration of bitcoin fracking to the well sites and the oil and gas operators' need to reduce methane emissions, the collaboration between the two industries is evolving into a win-win solution.

Royalty owners may be the next value chain beneficiary from bitcoin fracking operations, as the owned minerals benefit this evolving industrial player at the wellhead.

As regulators continue to wrap their arms around the regulatory and reporting framework of bitcoin fracking, expect royalty owners to follow suit. How this transpires may not be evident right now as the transparency and value of methane usage at the wellhead by bitcoin fracking evolves. One helpful avenue of gaining insights will be through COPAS royalty audits and litigation efforts. It is highly likely royalty owners will want a share of the bitcoin fracking value proposition. However, the likelihood of existing royalty agreements addressing this matter is slim to none since, at the time these agreements were executed, the bitcoin fracking industry wasn't even a foresight. For now, however, the value to the royalty owner may have to be settled in future contract negotiations or litigated in the courts.

If you have any questions or need assistance, please reach out to a professional at FORVIS, https://www.forvis.com/contact-us.

[1] Bitcoin Energy Consumption Index - Digiconomist
[2] https://energyeducation.ca/encyclopedia/Flaring
[3] PermianMAP (Methane Analysis Project) | Home; Methane, CO2 Detection Satellite Greenhouse Gas l Carbon Mapper
[4] Why bitcoin miners in Texas are getting paid not to mine bitcoin (theblock.co)
[5] H.R.5376 - 117th Congress (2021-2022): Inflation Reduction Act of 2022
[6] Colorado county shuts down crypto operations at oil and gas sites (denverpost.com)
[7] Commissioners' Public Study Sessions | Adams County Government (adcogov.org)



2022 Legislative & Regulatory Update

Hydraulic Fracturing Restrictions and Prohibitions

Hydraulic fracturing remains the subject of legislative scrutiny at both the state and federal level. In 2022, many bills carried over from the 2021 legislative sessions and new bills are being proposed, California (SB25 - failed, SB467 - enacted), Florida (SB208 has failed), Massachusetts (S518, S519, H927, H921, and S605), Michigan (HB4169 and HB4518), New Jersey (A656, S1517, A1087), New York (A1332, S4480, A1404, S2914, A4027, S4099, A4918, and A6899 all failed sine die), and North Carolina (HB635) are all considering bills to either prohibit, further regulate, or further study hydraulic fracturing. Pennsylvania (HB353, HB838) proposes to require fluid tracers in hydraulic fracturing fluids and to require additional disclosures on the chemical content of fracturing fluids. The United States Congress is also considering a couple of contradicting bills. **US HR6168**, Future Generations Protection Act, would eliminate hydraulic fracturing and ban oil and natural gas exports while **S3459** would prohibit a federal agency from promulgating any rule or guidance that bans hydraulic fracturing in the United States.

ALASKA

The 32nd Alaska Legislature reconvened January 18 and concluded on May 18. **HB349** removes a requirement that the Alaska Oil and Gas Conservation Commission hold a public hearing for well spacing exemptions, but it preserves the ability for the Commission to do so if necessary. HB349 passed the legislature and was signed into law by the Governor.

CALIFORNIA

California is considering how to manage oil and gas resources on State lands. Two bills have been put forward to review these leases. **SB953** requires the State Land Commission to terminate all remaining leases on tidelands and submerged lands owned by the State it failed sine die. AB2257 develops a cost study to measure the fiscal impact of a voluntary buy-out of any lease interests remaining as of January 1, 2023. **AB2257** has been enacted.

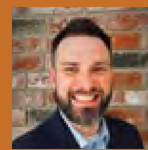
COLORADO

Colorado opened it legislative session January 12 and ended it on May 11. **HB22-1361** passed and is to provide oversight of oil and gas operations. By January 1, 2023, the oil and gas conservation commission (commission) is to promulgate rules to require an oil and gas operator to conduct meter certification and calibration on an annual basis and submit an annual report to the commission that describes the results of that meter certification and calibration. This is a new requirement for the operator as seen in 34-60-106(B). By February 1, 2025, the state auditor is to select a random sample of operators (random sample) and to provide that sample to the commission, the executive director of the department of revenue (executive director), and the division of administration in the department of public health and environment (division). By April 15, 2025, the commission will submit monthly production reports, quarterly conservation levies, annual calibration reports, mechanical integrity tests, and emission data for 2023 to the auditor. Also, by April 15, 2025, the executive director of revenue will submit severance tax monthly withholding statements, and annual severance tax reports filed for 2023 to the auditor. By May 1, 2025, the state auditor is to commence a performance audit based on the information submitted by the commission, the executive director of revenue, and the division. By March 1, 2026, the state auditor will prepare a report and recommendations based on the performance audit, which the state auditor will present to the legislative audit committee. **SB22-198** has passed and is known as the Orphaned Wells Mitigation Enterprise. It creates the orphaned wells mitigation enterprise in the department of natural resources for the purpose of plugging, reclaiming, and remediating orphaned wells. On or before August 1, 2022; on or before April 30, 2023; and on or before April 30 of each year

Get Plugged In

If you are interested in receiving free legislative updates as they occur, please e-mail Jeremy Norton at JeremyNorton@copas.org or Nate Wolf at NateWolf@copas.org Specify whether you want to receive updates on state severance taxes and/or state/federal royalties and volumetric reporting. Please note that these Bills only represent what has been filed or proposed at the time of this article. Certain Bills may not progress while others may get vetoed, amended, and/or passed. Montana, North Dakota, and Texas are three oil and gas producing states that do not hold regular legislative sessions in the even years. Most state legislatures have completed their sessions with a few that will remain in session until December 31, 2022.

EMAIL



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thereafter, each operator will pay a mitigation fee to the enterprise for each well that has been spud but not yet plugged and abandoned. The fee is $125 or $225 based on production. **HB22-1391** has passed and changes the Ad Valorem credit. For a taxable year beginning on or after January 1, 2025, for each well that is not exempt from state severance tax there is allowed a credit against the tax computed in an amount calculated by the formula C = 0.7656 x GI x ML, where: (i) C is the amount of the credit; (ii) GI is the gross income attributable to the well for the current taxable year; and (iii) ML is the total of all mill levies, fixed not later than December 22 of the preceding calendar year by all local governments for property at the well's location.

NEW MEXICO

In May 2021, the New Mexico Energy, Minerals and Natural Resources Department (EMNRD) published its final Waste Rule. This rule required the filing of new forms including the C-115B. Operators began capturing necessary information for reporting the last quarter of 2021 and submitted the first and second quarterly reports in February 2022 and May 2022, respectively. These reports will be used to set baseline gas capture rates. The first monthly report of the C-115B was due on June 15. With the release of these rules, the Oil Conservation Division (OCD) has been supplying FAQ updates to its website (https://www.emnrd.nm.gov/ocd/methane-waste-rule/) to help address questions regarding reporting on the C-115B and the C-115. The rules also required that NMOCD publish the information from the C-115B, and it can be found here (https://wwwapps.emnrd.nm.gov/OCD/OCDPermitting/Data/Wells.aspx#) by selecting "Natural Gas Waste Reports" under the "Operator Data" drop down.

NEW YORK

After closure of the legislative session, **S9491** was submitted for the next legislative session. This bill would implement an oil windfall profit tax of 50% on value that exceeds the average price of Brent crude oil over the period from 1/1/2015 through 12/31/2019.

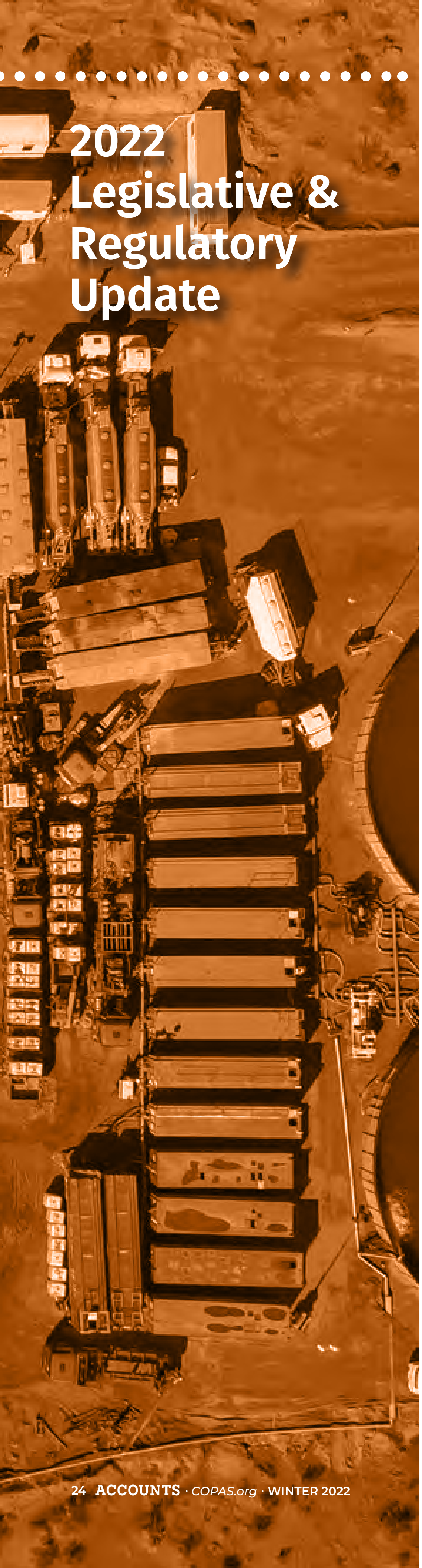
OKLAHOMA

Oklahoma opened its legislative session on February 7 and ended on May 27. **HB3568** has passed and was effective July 1. For secondary and tertiary recovery projects approved or having an initial project start date on or after July 1, 2022, all production which results from such secondary and tertiary recovery projects will be exempt from the gross production tax not to exceed five years from the initial project start date or for a period ending upon the termination of the secondary and tertiary recovery process, whichever occurs first.

Production of oil, gas, or oil and gas from wells drilled but not completed as of July 1, 2021, which are completed with the use of recycled water on or after July 1, 2022, will be exempt from the gross production tax levied from the date of first sales for a period of twenty-four months. The exemption will be proportional to the recycled water used to the total amount of water used to complete the well.

On or after July 1, 2022, for all oil and gas production exempt from gross production taxes pursuant to secondary and tertiary recovery projects, and the use of recycled water during a given fiscal year, a refund of gross production taxes will be issued to the well operator or a designee for such exempted gross production taxes paid during such period, subject to the following provisions:

- A refund cannot be claimed until after the end of the fiscal year. A fiscal year begins on July 1 of one calendar year and ends on June 30 of the subsequent calendar year.
- No claims for refunds can be filed more than eighteen months after the first day of the fiscal year in which the refund is first available.
- The total amount of refunds authorized cannot exceed $15,000,000.00 for the secondary and tertiary recovery projects exemption, and $10,000,000.00 for the use of recycled water exemption for any fiscal year. If the amount of claims for refunds exceeds these limits, the Tax Commis



2022 Legislative & Regulatory Update

- sion will determine the percentage of the refund which establishes the proportionate share of the refund which may be claimed by any taxpayer so that the maximum amounts authorized are not exceeded; and
- On or after July 1, 2022, all persons will only be entitled to either the secondary and tertiary recovery projects exemption or for the use of recycled water exemption for each oil, gas, or oil and gas well drilled or recompleted. However, any person who qualifies for the use of recycled water exemption will not be prohibited from qualification for the secondary and tertiary recovery projects exemption if the use of recycled water exemption granted has expired.

For calendar year 2022 and subsequent calendar years, "economically at-risk oil or gas lease" means any oil or gas lease with one or more producing wells with an average production volume per well of 10 barrels of oil or 60 MCF or less of natural gas per day operated at a net loss or at a net profit which is less than the total gross production tax remitted for such lease during the previous calendar year, **and** any oil lease operating while the gross value of the production of oil is less than $50.00/bbl. on an average monthly basis, or gas lease operating while the gross value of the production of gas is less than $3.50/MCF on an average monthly basis. If the gross production tax rate levied was 7%, then the exemption is equal to 6/7 of the gross production tax. If the gross production tax rate levied was 5%, then the exemption is equal to 4/5 of the gross production tax. Please note that for oil and natural gas produced from qualifying leases in calendar year 2022 and subsequent calendar years, the total amount of refunds for each calendar year cannot exceed $10,000,000.00 for all products combined. If the amount of claims exceeds the limits, the Tax Commission will determine the percentage of the refund which establishes the proportionate share of the refund which may be claimed by any taxpayer so that the maximum amount authorized is not exceeded.

PENNSYLVANIA

Pennsylvania began its legislative session on January 4 and is scheduled to end November 30. **HB1144** and **SB534** reintroduce the Conventional Oil and Gas Well Act. This is an act relating to conventional wells and the development of oil, gas, and coal. It imposes powers and duties on the Department of Environmental Protections and attempts to permit the optimal development of oil and gas resources consistent with the property rights of owners, to protect the safety of personnel and facilities employed in the exploration, development, storage of natural gas or oil or the mining of coal and to protect the safety and property rights of persons residing in areas where exploration, development, storage, or production occurs. **SB806** was referred to the Environmental Resources and Energy committee on June 25. This bill calls for changes to the payment information provided to interest owners for proceeds from production (check stub). **HB1144** also proposes a 200 feet setback from a building or water well and **SB650** increases setbacks from schools and hospitals to 5,000 feet. None of these bills passed in the 2021 legislative session, but Pennsylvania allowed them to be carried over to 2022. **HB2644** was proposed and passed this session. It has become law without the Governor's signature. This bill amends Title 58 to allocate federal funds for plugging abandon wells. It also establishes an additional bonding requirement for wells that not conventional at $2,500 per well not to exceed $100,000.

WYOMING

Wyoming's legislative session ran from February 14 through March 11. **SF38** has passed. The monthly payment of ad valorem tax on gross product of mineral production for a given production month will be reported by the 25th of the third month following the production month.

Each county will invoice each producer on or before the 10th day of the month following the report date. Payment will be due and payable to the department on or before the 25th day of the third month following the production month.

If the taxpayer's liability for severance tax is annual so will be the ad valorem. The taxpayer will report to the department on or before February 25 following the production year. The department will invoice the taxpayer on the 10th day following the reporting date. The payment will be due on March 25 following the production year.

Deferred payments of 8% start December 1, 2023. Each county will track payments and will invoice the taxpayer no later than October 1, 2023.

If a taxpayer is subject to deferred payments and divests assets in a certain county, all deferred payments will become due by the 25th of third month after divestment.

A taxpayer may voluntarily remit to the counties the remaining balance of deferred taxes without penalty.

HB89 passed. It orders that a well be plugged or to prohibit drilling or otherwise regulate production if an owner or producer has unpaid taxes that are more than 120 days delinquent under W.S. 39-13-113 (monthly Ad Valorem payments). The commission will remove any regulation when the unpaid ad valorem taxes are paid.

ONRR

ONRR recently provided an update on new edits that were added to its reporting system and a reminder regarding NGL sales types. When reporting an adjustment, you must enter a matching reversal line at the lease, agreement, sales date, transaction code and production level. If you do not enter a matching reversal line, you will receive a message alerting you, and the line will reject. This is now fatal edit 9777.

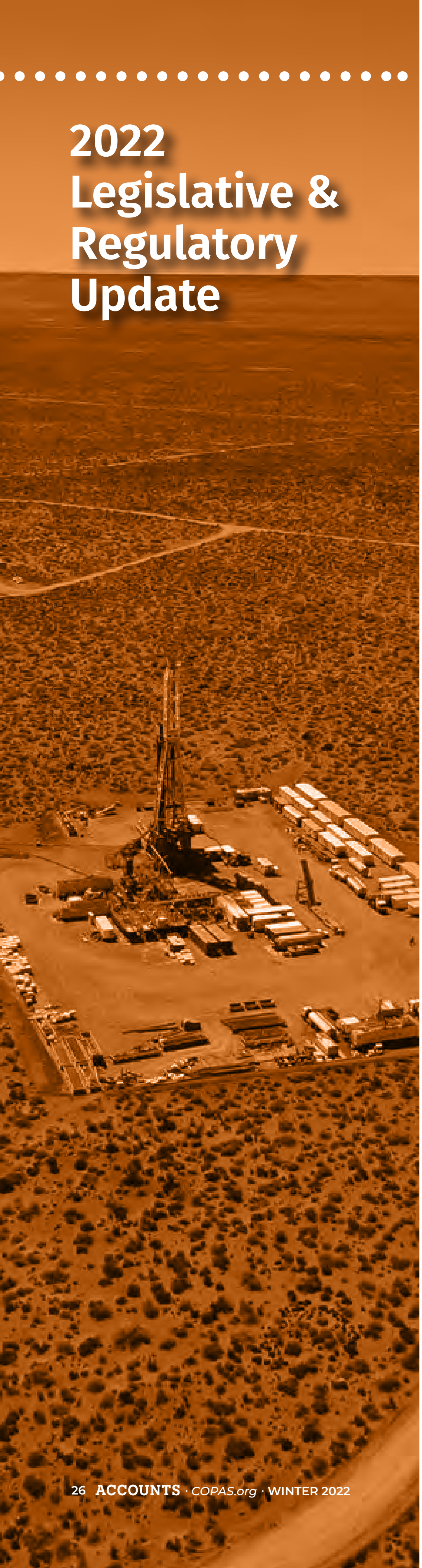
When reporting an adjustment line on a ONRR-2014 or CMP-2014 (with positive or negative lines), you must enter an Adjustment Reason Code (ARC) which includes the rebook line. This is now fatal edit 9778.

New ARC 50 has been created for Data Mining reviews. The ARC must be used for entries resulting from a Data Mining review and any exception to reporting this ARC must be approved by ONRR. ARC 50 will be available for use October 9, 2022. Please have all systems upgraded to use this new ARC no later than January 1, 2023.

When reporting royalties for your natural gas liquids (NGLs), Product Code 07, you should report the sales type code that reflects your NGLs' sales contract(s) or royalty valuation method (e.g., arm's-length (ARMS), non-arm's length (NARM), or an index-based method prescribed in ONRR's regulations (OINX). You should only use the POOL sales type code when reporting royalties for NGLs that you aggregate from multiple properties and sell or exchange under multiple contracts.

UNITED STATES CONGRESS

The following bills are all under consideration in the 117th United States Congress which is in session from 2021 through 2022. **S624** and **HR4219**, the Fair Returns for Public Lands Act of 2021, proposes to amend the Mineral Leasing Act to increase certain royalty rates, rentals, and minimum bid requirements. **HR1505** will amend the Minerals Leasing Act for surface-disturbing activities and reclamation costs. **HR1612** and **S683** amend the Internal Revenue Service Code of 1986 to clarify those products from tar sands are crude oil. **HR1329**, the Surface Transportation Investment Act of 2021, amends the Internal Revenue Service Code of 1986 to 'repeal loopholes for [major integrated] oil companies', including the foreign tax credit, deductions for intangible drilling and development costs, percentage depletion allowances for oil and gas wells and tax deductions for tertiary injection expenses. **HR2184** proposes to Amend the Internal Revenue Service Code of 1986 to repeal fossil fuel subsidies for oil companies. **HR575** proposes additional regulation of border crossing facilities used for the import or export of oil and natural gas. **HR1819** and **S707** require that a percentage of exports be transported on United States flagged vessels. **S1011** and **HR2705** amend the Natural Gas Act to provide for expanded natural gas exports. **HR1600** proposes to reduce methane emissions due to flaring from oil and natural gas drilling and production activities. **S2801** proposes to establish a durable framework for achieving long-term reductions in methane emissions. **S1326** prohibits the Environmental Protection Agency from issuing greenhouse gas emission rules until such time as China, India, and Russia adhere to the same Paris Agreement emission reduction targets as the United States. **S645** proposes that the Secretary of the Treasury levy an $1,800 per ton fee on oil and gas facility methane emissions. **HR1492**, the Methane Waste Prevention Act of 2021, proposes the creation of new federal waste prevention rules to reduce methane emissions to ninety percent of 2012 levels by the year 2030. This rule would also reinstate the Waste Prevention, Production Subject to Royalties and Resource Conservation rule (the 2016 Final Rule) published on November 18, 2016 (see 81 FR 83008). **HR2132** requires the regulation of oil and gas waste under the Solid Waste Disposal Act. **HR4334** empowers States to manage the development of oil and gas on available Federal land and to distribute OCS revenue to certain costal States. **HR5619** is the counter to **S645** and, it prohibits the EPA from imposing a fee on certain facilities for methane emissions. **S2962** proposes to amend the Mineral Leasing Act to remove the Secretary's authority to issue noncompetitive federal leases. **HR6086** directs the Secretary of the In



2022 Legislative & Regulatory Update

terior to compensate States for the lost revenue or any year during which Federal oil and gas leasing does not occur or otherwise results in lost revenue to that State. **S3167**, the Fossil Free Finance Act, requires banks to assess any nonbank financial company's share of emissions that the bank is financing and provide specific plans to discontinue new or expanded fossil fuel projects. **S3214**, the SMART Energy Act, promotes domestic energy production by requiring the Secretary to immediately resume oil and gas leasing. **HR6297** limits the President's ability to drawdown the Strategic Petroleum Reserve. **HR6298**, the Make Energy Affordable Act, proposes to require the executive branch to report to Congress on information related to higher energy prices and their impacts on the overall economy. It also requires Federal agencies to report on the actions they are taking to address rising energy prices. **S3353** calls for the Biden Administration to reverse course on certain policies related to domestic oil and gas development such as the Keystone XL Pipeline, Paris Climate Agreement, and immediately resume oil and gas lease sales on Federal lands.

With the increase in commodity prices, we are seeing "windfall profits" tax proposals (HR7099; HR7103; HR7061; S3802; and S4768). Numerous proposals look back in time to establish a baseline amount of profit and any amount above that threshold is taxed at an extremely high rate of 50%. Another trend focuses on legislation that is meant to increase domestic production. There are proposed bills that would force the Department of the Interior to hold quarterly oil and gas lease sales as required (HR6927; S3762; HR7285; HR7292; HR7034; HR7306; and HR7397) and there are proposals to expedite approvals for natural gas exports (S3661; HR6944; and HR7115). We are continuing to monitor legislation as it develops.

Since our last update, HR5376 has passed and been signed by the President on August 16, 2022. This bill was originally called the "Build Back Better Act". Through negotiations and amendments over the course time, it was renamed the "Inflation Reduction Act" (IRA). There are many provisions in this bill that will impact the oil and gas industry. The provisions impacting Federal leasing are only applicable to prospective leases and include increases to minimum royalty rates, both onshore and offshore, increases to minimum bids, increases to annual rentals, elimination of noncompetitive leasing, royalties on all extracted methane, reinstatement of certain offshore oil and gas leases, and new fees for an expression of interest in federal land. There was also a provision included that requires the Department of Interior to hold onshore and offshore oil and gas lease sales in order to issue wind and solar leases and rights-of-way. Since this act was recently passed, we have not yet observed the impacts each of these individual changes will have. Stay tuned for future updates!

PASO TULSA

FEDERAL & INDIAN ROYALTY and BLM Compliance Workshop

February 7 – 8, 2023
Renaissance Hotel
Tulsa, Oklahoma

Details/Registration

Registration

Please register online here:

https://www.copas.org/events/federal-indian-royalty-compliance-workshop/

Early Bird COPAS Membership Fee prior to 11/30/2022:	$500
COPAS Member Registration Fee after 12/1/2022:	$550
Early Bird Non-Member Registration Fee prior to 11/30/2022:	$550
Non-Member Registration Fee after 12/1/2022:	$600

Registration is limited

For cancellations and refunds, or to obtain our complaint policy, please contact PASO at info@paso-tulsa.org.

Accommodations

A special room rate of $125 per night is available at the Renaissance Tulsa Hotel if booked before 01/06/2023.

Reservations can be made by calling 1-800-264-0165 with code PAA for regular attendees. Or use Link Below:

Hotel Reservations for Industry Participants (Use Code PAA)

Reduced room rates are limited

Pictured above as a prominent part of our PASO logo is local Tulsa landmark, "THE GOLDEN DRILLER" It is inscribed with a plaque which reads "A Symbol of THE INTERNATIONAL PETROLEUM EXPOSITION. Dedicated to the men of the Petroleum Industry who by their vision and daring have created from God's abundance a better life for mankind. Presented by Mid-Continent Supply Co. – A Ken Davis Industry May 12, 1966"

BECOME AN ACCREDITED PETROLEUM ACCOUNTANT®

ABOUT THE CREDENTIAL

The APA® certification is a unique credential among other accounting certifications. While the Petroleum Accountant needs the basic concepts and understanding of all accounting matters, the petroleum industry operates under unique guidelines and principles. In preparing for and earning the APA® credential, the accountant will be exposed to all facets of the petroleum industry and achieve or exceed the knowledge required for competent practice as a petroleum accountant.

The APA® certified professional is equipped with knowledge and understanding of the industry and petroleum accounting sufficient to excel in job performance and provide a heightened level of accuracy and ethics in the performance of tasks. The APA® designation should be a required element in employee selection, promotion, and retention in the petroleum industry.


Tom Wierman, APA®

ELIGIBILITY

To be eligible for the credential, a candidate must possess a four-year degree with 12 hours of Accounting, plus one year of petroleum accounting experience, OR have five years of petroleum accounting experience.

Eligibility will be verified upon receipt of the exam registration.

GENERAL TEST INFORMATION

The APA® exam is a single exam consisting of 175 questions. The exam is offered in the odd calendar months, except January. Registration is required no later than 45 days prior to the exam window and is available on the COPAS website.

Exams are administered by Scantron using their extensive testing center and online proctoring network. You decide what day of the month to take the exam during the selected exam month, subject to testing facility and proctor availability. International testing options are available for a slightly higher fee.

For more information, contact Vanessa Galindo, APA® Administrator, at (303) 300-1131 or Vanessa.Galindo@copas.org.

TESTING DATES

MONTH	REGISTRATION
March 2023	December 1, 2022 – January 16, 2023
May 2023	February 1, 2023 – March 15, 2023
July 2023	April 3, 2023 – May 15, 2023
Sept 2023	June 1, 2023 – July 17, 2023
November 2023	August 1, 2023 – September 15, 2023

NEW APA®s

Cameron Hoyer, APA®
Tom Wierman, APA®
Paula Britton, APA®
Lori Land, APA®

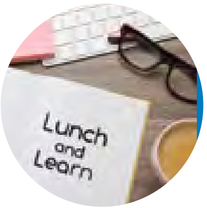
YOU could be next!

Paula Britton, APA®
Lori Land, APA®

VIRTUAL LUNCH & LEARN

COPAS 2022 Model Form Accounting Procedure

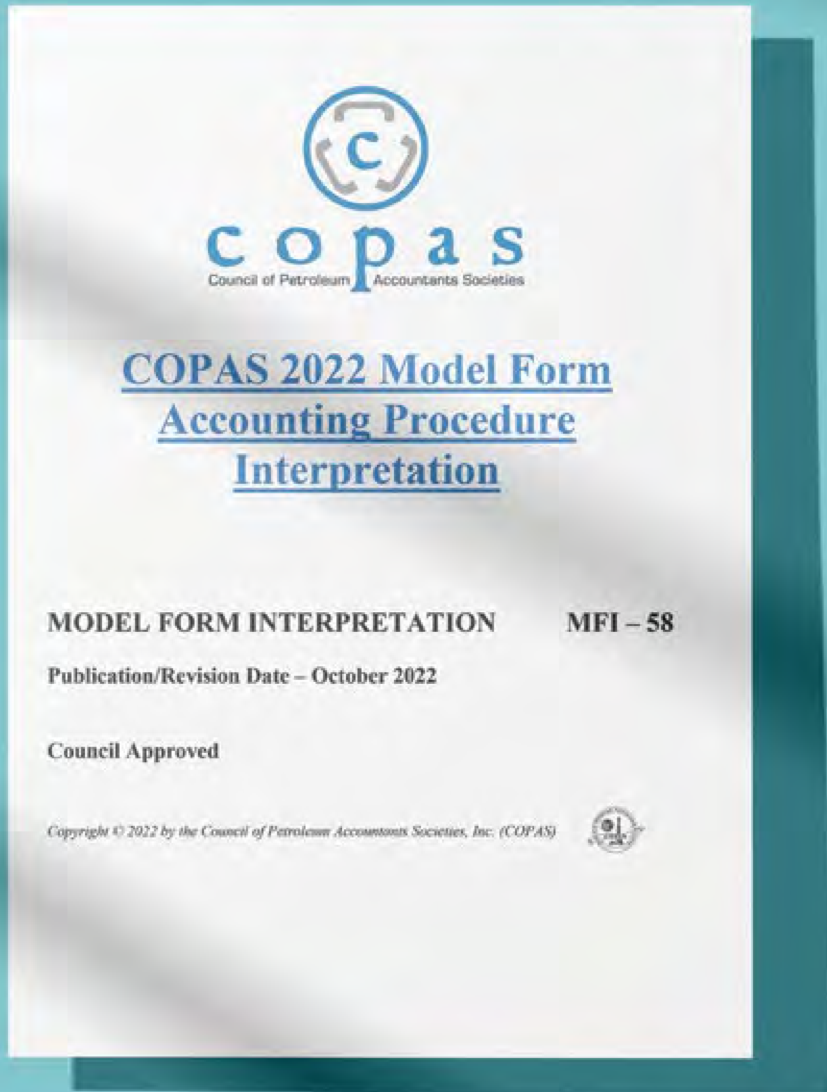
Wednesday, December 7, 2022 – Noon to 1 p.m. Central
Members of the project team will provide an overview of the newly approved COPAS 2022 Model Form Accounting Procedure.



Tuesday, January 17, 2023 – Noon to 1 p.m. Central
COPAS 2022 Model Form Accounting Procedure: A Deeper Dive, Part I. The project team will provide insight into items Directly Chargeable.

Tuesday, January 31, 2023 – Noon to 1 p.m. Central
COPAS 2022 Model Form Accounting Procedure: A Deeper Dive, Part II. The project team will conclude the Lunch & Learn series with a review the Overhead provisions and other important items.

All sessions are virtual. Meeting links sent to registrants a week prior to the session. Attend any or all sessions. Free for COPAS members; $25 for non-members. These sessions qualify for CPE.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Council of Petroleum Accountants Societies

COPAS 2022 Model Form Accounting Procedure Interpretation

MODEL FORM INTERPRETATION MFI – 58

Publication/Revision Date – October 2022

Council Approved

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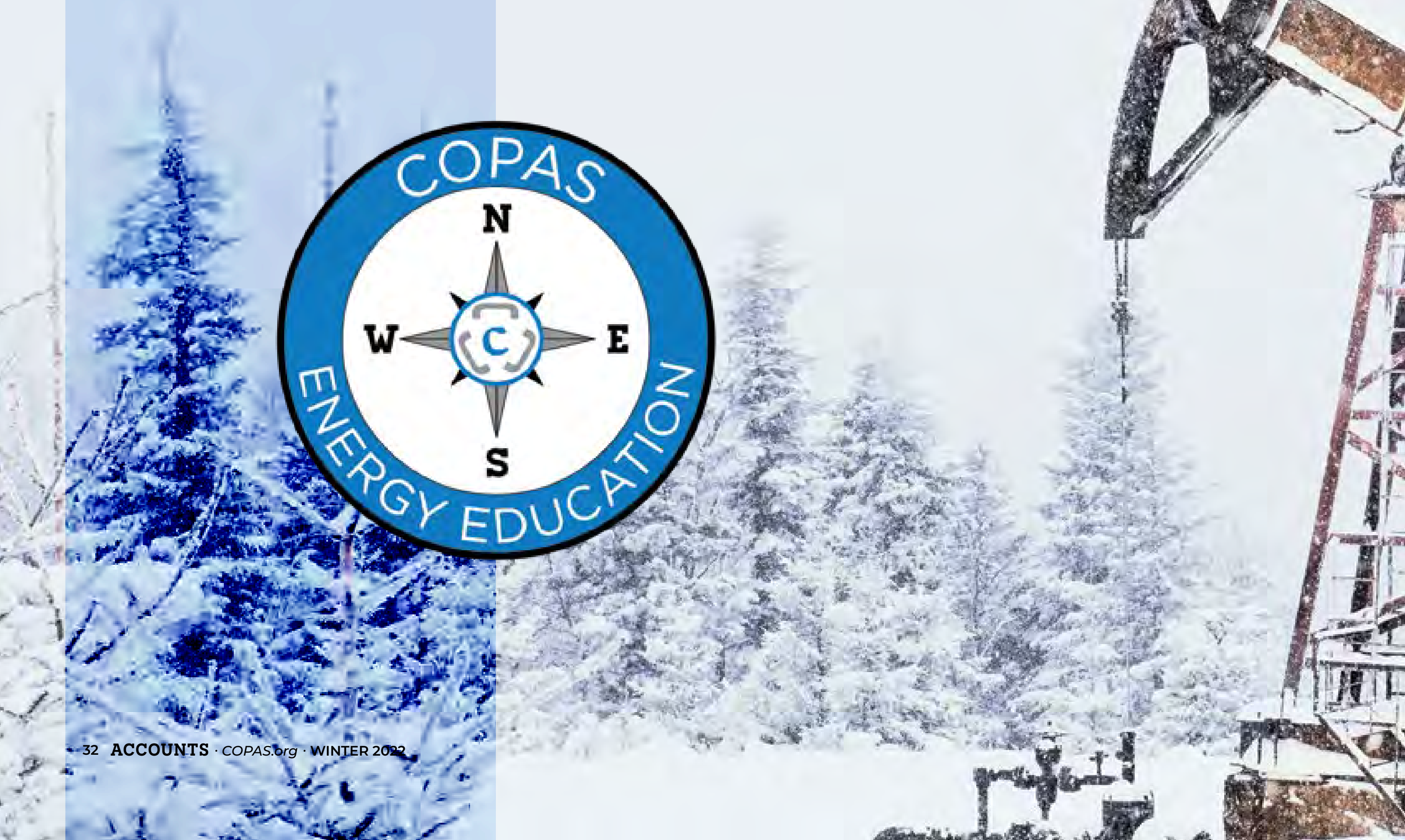
2023 Webinar Schedule

PRINCIPLES OF REVENUE ACCOUNTING: **10 AM CENTRAL TIME**

I: Industry History and Value Chain	1.5 CPE	Mon Jan9
II: Oilfield Operations and Production Accounting	2 CPE	Mon Feb 13
III: Oil Lease Sales Accounting	2 CPE	Mon Mar 13
IV: Oil Off-lease Sales Accounting	2 CPE	Mon Apr 10
V: Gas Operations Production Accounting	1.5 CPE	Mon May 15
VI: Gas On-Lease and Off Lease Sales Accounting	2.5 CPE	Mon Jun 12
VII: Gas Plant Accounting I - Introduction to Processed Gas	1.5 CPE	Mon Jul 10
VIII: Gas Plant Accounting II - Principles of Gas Plant Accounting	1.5 CPE	Mon Aug 14
IX: Producer and Pipeline Imbalances	1.5 CPE	Mon Sep 11
X: Production and Severance Taxes	1 CPE	Mon Oct 9
XI: Private and State Federal Royalties	1 CPE	Mon Nov 13
XII: Check Stub Processing	1 CPE	Mon Dec 4



COPAS ENERGY EDUCATION

PRINCIPLES OF JOINT INTEREST ACCOUNTING: **NOON CENTRAL TIME**

I: Overview of Joint Ventures	1.5 CPE	Wed Jan 11
II: Agreements	1 CPE	Tues Feb 14
III: Historical Perspective on COPAS Accounting Procedure	1 CPE	Wed Mar 15
IV: Dissecting a COPAS Accounting Procedure I	1.5 CPE	Wed Apr 12
V: Dissecting a COPAS Accounting Procedure II	1.5 CPE	Wed May 17
VI: Direct vs Indirect Costs	1.5 CPE	Wed Jun 14
VII: Overhead	1.5 CPE	Wed Jul 12
VIII: Materials	1.5 CPE	Wed Aug 16
IX: Special Joint Venture Adjustments	1 CPE	Wed Sep 13
X: Allocations	1 CPE	Wed Oct 11
XI: Joint Interest Billings	1 CPE	Wed Nov 15
XII: Accounting for Joint Venture Costs		

KNOWING YOUR COPAS DOCUMENTS: **9AM CENTRAL TIME**

I: Directly Chargeable or Covered by Overhead?	1.5 CPE	Thu Jan 19
II: Make Sure you Read the JOA and the Accounting Procedure	1.5 CPE	Thu Feb 16
III: The Auditor's Toolkit	1.5 CPE	Thu Mar 16
IV: An Overhead Primer	1.5 CPE	Thu Apr 13
V: Revenue Audit Protocols and Practice	1.5 CPE	Thu May 18
VI: How Do I Allocate That?	1.5 CPE	Thu Jun 15
VII: COPAS 2005 and its Embedded Interpretations	1.5 CPE	Thu Jul 13
VIII: Expense Audit Protocols and Practice	1.5 CPE	Thu Aug 17
IX: Building Joint Account Payroll Charges	1.5 CPE	Thu Sep 14
X: Building Overhead Charges to the Joint Account	1.5 CPE	Thu Oct 12
XI: Help me Process These Invoices	1.5 CPE	Thu Nov 16
XII: COPAS Economic Factors - Behind the Numbers	1.5 CPE	Thu Dec 7

Register at COPAS.org under Education.
COPAS members receive 20% off all webinars
(discount does not apply to virtual or in-person classes).

2023

In-Person Class Schedule

COPAS ENERGY EDUCATION

REVENUE AUDIT – **JANUARY 24, 2023 | 8 A.M. TO 5 P.M.**

Occidental Petroleum
1201 Lake Robbins Drive, The Woodlands, Texas

Inaugural Offering
1 day classroom – taught by experienced industry professionals

This course will answer two important questions:

- What is a revenue audit and what knowledge and methods do you need to perform a revenue audit?
- What are the phases of a revenue audit and what are the roles and responsibilities of each party during those phases?

Learn techniques from knowledgeable industry professionals

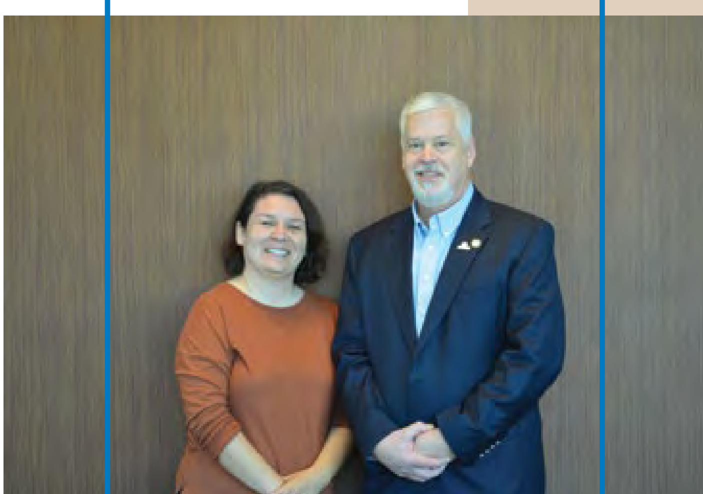
- Understand the components of a revenue transaction and proper methods of determining each component
- Understand the exposures to incorrect payment posed by each revenue transaction component
- Understand the roles and key responsibilities of each party during the phases of an audit
- Understand the methods and processes used to conduct and audit and produce a report containing audit results

Enrollment capped at 50 attendees.
$350 through December 16. $400 after December 16.
8 hours of CPE | Lunch provided

Register at COPAS.org under Education

2023 COPAS Leadership

COPAS Board of Directors (left to right):
Kevin Launchbaugh, Rebecca Paris, Kirk Foreman, Dalin Error, Melissa Gruenewald, Tom Batsche, Kim Peyton, Craig Buck, and Nancy Brown.



COPAS Office Staff:
Vanessa Galindo and Tom Wierman.

2023 Officers (left to right):
Kevin Launchbaugh, Treasurer, Rebecca Paris, Secretary, Kim Peyton, Vice President, Craig Buck, President.

COMMITTEE NEWS

AUDIT STANDING COMMITTEE
Matt Pilkington, Chair

The Audit Standing Committee met October 20 for the Fall Meeting at The Westin Irving Convention Center at Las Colinas. It was refreshing to see familiar faces, many of whom also attended the Spring Meeting in Galveston. It was also nice to see many first timers at the meeting.

Kim Goodwin, San Antonio Society, was approved as Audit Committee Secretary, effective January 1, 2023. Congratulations and welcome, Kim!! Tanya Harris will be concluding her service to the committee at the end of the year. A big thanks to Tanya. She has been a great help on the committee and her efforts are very much appreciated.

Congratulations to the MF-8, *2022 Model Form Accounting Procedure* drafting team! The Accounting Procedure and associated Model Form Interpretation unanimously passed at the General Council Meeting. Both the Audit and Joint Interest committees played an integral role in crafting the document by providing guidance to the drafting team, who worked hard for many years and deserve enormous credit. Next steps for the 2022 Accounting Procedure will be educating the industry for adoption into future agreements. Watch for Lunch & Learn sessions in the coming months.

The Audit and Joint Interest committees held a joint session where the main focus was on the current document in the publication process: MFI-40, *24-Month Adjustment Period for Joint Account Adjustments*. Amy Whitley gave a great presentation on the Draft 2 updates, recently distributed by the drafting team. The committee had several lively in-depth discussions on potential implications of adjustment scenarios and provided guidance to the drafting team. Expect Draft 3 prior to the Winter Meeting in January, with a goal of a Spring 2023 committee vote.

A virtual Winter Meeting has been set for Thursday, January 26, 2023 beginning at 9:30 a.m. Central. The primary agenda item will be MFI-40 but other items will be included. CPE will give given. Registration is open on the COPAS website.

We also discussed various publications as part of the publication review initiative. The result of that discussion was the committee would be interested in education on specific documents or concepts that might not be touched on at every meeting. We have several new COPAS members and a lot of knowledge in our membership. If you, or your local society, have ideas for specific documents or concepts you would like to learn more about, please reach out to us.

As always, send your audit questions, issues, and thoughts our way; utilize the Audit Committee as a resource. We will be looking forward to the virtual Winter Meeting and an in-person Spring 2023 Meeting.

FINANCIAL REPORTING STANDING COMMITTEE
Ken Nollsch, Chair

The Financial Reporting and Small Oil and Gas Committees held a combined meeting on October 20. There were thirty-two members in attendance including seven first time attendees.

The meeting began with general introductions and a get to know you hour. Kirk Foreman provided an update from the COPAS Board of Directors. Rob Opitz, a partner with Forvis, led a CPE session on the Inflation *Reduction Act and Enhancing American Retirement Now Act – What do you need to know*. For a session on the intricacies of the new tax law, those in attendance found it very interesting. Justin Helm, a consultant from Opportune, who spent the previous year at the FASB, lead a session on *FASB Update and Current Project Development*. Again, while quite technical, the members found this session enjoyable and informative. Kudos to Justin, who just entered the consulting world, for delivering his first conference presentation.

Thank you to the Dallas society for hosting a wonderful Fall Meeting. It is great to be able to meet in person again and the energy was outstanding. Thank you to Howard Hong, the Small Oil and Gas Committee chair, for his effort in helping to organize our meeting.

The Financial Reporting Committee has enjoyed meeting with the Small Oil and Gas Committee at the COPAS meetings and will do so again at the COPAS Spring meeting in Kansas City.

JOINT INTEREST STANDING COMMITTEE
Patricia Ellington, Chair

COPAS just completed the 2022 Fall Meeting in Irving, Texas, hosted by the Dallas society. Meetings began Tuesday, October 18, with the Leadership Conference. This meeting is one I try to attend as I learn something every time. The meeting is top of my recommendation list to all members.

The Joint Interest and Audit Committees combining meeting was held Thursday morning with Matt Pilkington welcoming everyone, reading of the Antitrust statement, and attendee introductions. Amy Whitley led a discussion on MFI – 40, *24-Month Adjustment*

Period for Joint Account Adjustments document. A collaborative two-hour discussion of what items may be or may not be exceptions to the 24-month adjustment period took place which supplied guidance to the drafting team for their third draft.

Matt Pilkington and Jeff Wright provided an overview of Model Form Interpretation 36 – *Audit Rights of Non-Participating and Non-Consenting Parties*. This document is on the Audit Committee's docket to form a drafting committee to review and update. We then discussed the Model Form Interpretation 37 - *Incentive Compensation Costs*. The Joint Interest Committee has started assembling volunteers for this drafting team. We expect this team to start in the first quarter of 2023.

We re-examined the suggestion of combing three Model Form Interpretations. These Model Form Interpretations (MFI) include MFI 41 – *Electronic Invoice Documentation Requirements*, MFI 42 – *Procurement Card Convenience Check Documentation Requirements*, and MFI 43 – *Joint Interest Expenditures Documentation Requirements.*

As we discussed more publications, members requested more education on some of the publications and liked the idea of incorporating that education into our meetings. Look for publication education in our upcoming meeting agendas. We request the societies discuss the publications and provide a list of documents they would like to see presented.

The Joint Interest committee then met separately from the Audit committee for our committee business. Thirteen of the twenty-five societies were present, with thirty-five people in attendance. The Spring and Summer meeting minutes were approved with a majority vote. The recommended 2023 Employee Benefits Limitation of 35% was a roll call vote with twelve societies approving and one society abstaining.

Tom Batsche reminded everyone to send their comments on MFI-40 to the drafting team. Added discussion arose if COPAS had a document clarifying when equipment or materials are considered to be company owned. Members requested COPAS consider a presentation on materials and water operations at a future COPAS meeting.

The JI Committee is always looking for volunteers to serve on the committee or help with document rewrite teams. Anyone interested can contact their local society Joint Interest chair, President, the COPAS Office, or they can contact me at patricia.ellington@laredopetro.com.

The COPAS Winter 2023 meeting will be held virtually on January 26, 2023. The Spring 2023 meeting will be in Kansas City, Missouri, hosted by the COPAS office April 25 – 27. Plan to attend and enjoy all COPAS has to offer.

REVENUE STANDING COMMITTEE
Jeremy Norton, Chair

The COPAS Revenue Standing Committee and the Subcommittees held meetings on Wednesday and Thursday, October 19 and 20, respectively. On Wednesday, Rebecca Paris provided the COPAS Board of Directors updates. The Committee then began our CPE presentations with topics ranging from the impacts carbon capture to detailed legislative updates. Over the two-day period, we had eight different presentations offering nine hours of CPE. Both days were well attended with thirty-three in attendance on Wednesday and thirty-nine on Thursday from thirteen different societies. We also had two first time attendees from Argentina.

Wednesday morning Rebecca provided us a Board of Directors update from the last few months and requested volunteers to work on the AG-6, *Oil Accounting Manual* and AG-15, *Gas Accounting Manual* updates that need to be made. We are taking volunteers and you do not need to be an expert in these areas. This is a great opportunity to work on a COPAS document and gain an understanding of revenue accounting in oil and gas. If you are interested in helping, please contact me at JeremyNorton@copas.org.

The Office of Natural Resources Revenue (ONRR) was able to send team representatives to address our committee. They discussed the IT Modernization Project as well as updates from the various audit related departments. Many good questions were raised during the presentation. Nate Wolf, State Regulatory Affairs Subcommittee Chair, stepped us through pending and enacted legislation at the state level that could impact oil and gas production and severance taxes. He also gave an informative overview on carbon capture and hydrogen related legislation that he has seen over the last year. Trey Thee, a former Committee Chair, concluded the day with a presentation on the market outlook and market factors we should be watching as we move forward.

Thursday was a full day where we offered six (6) hours of CPE and conducted COPAS business as well. We began the day with a presentation on carbon capture and how it could be the next boom for oil and gas companies. Dwayne Purvis provided a presentation on carbon capture and gave us some perspective on how the oil and gas business is perfectly positioned to take advantage of the current efforts to capture and sequester carbon. Kunal Patel with the Federal Reserve Bank of Dallas provided an overview of the oil and gas markets today as well as what the energy transition might look like from an economic perspective. Jeremy Norton gave an update on royalty related legislation and its associated status. Robert Toudouze was approved as Committee Vice Chairperson effective January 1, 2023. We also had a lively discussion of issues that different participants are seeing on the revenue front.

Dorothy Haraminac provided a detailed presentation about considerations we should make before allowing crypto mining on our leases. We learned there are many considerations to be made in this process, and it's important to discuss them and think about it from all angles. We concluded the day with a presentation from Karr Ingham from the Texas Alliance of Energy Producers covering the economic impacts of the Inflation Reduction Act of 2022 on our industry. His presentation provided a great overview of the act and current environment that resulted in its passage.

Thank you to COPAS of Dallas for organizing and hosting our Fall Meeting in Irving. We learned a great deal and had some fun along the way! Also, thank you to the Board of Directors, and Tom and Vanessa in the COPAS Office, for coordinating our CPE, setting up projectors, and all that you do for us in COPAS.

APA® BOARD OF EXAMINERS
Mike May, Chair

The Board of Examiners (BOE) met virtually on October 12. Tom Wierman joined the meeting to discuss the status of the APA® review course. It's exciting to see its release is imminent! A lot of time and testing went into developing the course. Thank you to everyone who participated.

The discussion of the APA® program during the Leadership Meeting at the COPAS Meeting in Irving indicates that certification interest is on the rise. The value of the APA® certification is gaining momentum throughout the industry. Comments by attendees noted the importance the certification has in legal settings, and more companies are interviewing and hiring candidates with an APA®

The BOE encourages all COPAS members to take advantage of the review course and earn their APA® certification. Preparing for the exam is now much more focused and efficient. For the November exam window, nine individuals are registered to take the exam.

Conversation Starters

By Mike Cougevan

Editor's note: A decade ago Mike Cougevan provided a fun feature in ACCOUNTS dealing with trivia. Most of us are back regularly traveling again so it might be fun to revisit Mike's installment that was part of his journey through "Planes, Trains, and Automobiles" (one of the greatest movies ever and required viewing for all road-weary auditors who can attest to the accuracy of the movie!) with some interesting information about AIRPORT CODES. Maybe it prepares us for an appearance on *Jeopardy!* as well. Enjoy!

Codes for many cities makes complete sense - DFW, ATL, SLC, BOS, OKC, and MIA are easy, but, why oh why are so many seemingly pulled out of thin air – think ORD, MSY, ORF, EWR, MCI, SPS, CVG, MDT, and GTR. Read on!

Some creative codes are because for many years airport codes could not begin with "K," "N," "Q," "W," or "Z." Why? Because the Federal Communications Commission set aside the "W" and "K" codes for radio stations east and west of the Mississippi, respectively; the Navy reserved "N"; "Q" was designated for international telecommunications, and "Z" was reserved for special uses. So, some cities got creative, such as:

W**ilm**ington, NC is ILM
W**ic**hi**t**a, KS is ICT
K**ey** **W**est, FL is EYW
N**orf**olk, VA, ignored the 'N' to get ORF
N**ew**a**r**k, NJ, is EWR
Washington National is DCA for **D**istrict of **C**olumbia **A**irport

Other cities got creative codes for a variety of great stories:

- **K**ansas **C**ity, **M**issouri was initially MKC because of the no-K rule above. But, more recently the new KC airport chose MCI because during the early design phase the name was going to be **M**id-**C**ontinent **I**nternational. Shortly before it opened, Kansas City officials decided to change the airport name to Kansas City International Airport so people would know what city it was in, but it was too late to change the code!
- The newer Dulles airport just outside D.C. was DIA (for **D**ulles **I**nternational **A**irport), but the DIA and DCA (se e above) were easy to confuse, so IAD was chosen.
- On the historic sand dune in Kitty Hawk where the first flight occurred, the U.S. National Park Service maintains a tiny airstrip called FFA—**F**irst **F**light **A**irport.
- Chicago's O'Hare International is ORD. Once upon a time, before the editor/publisher of the Chicago Tribune suggested a name change as tribute to U.S. Navy pilot Lt. Cmdr. Edward "Butch" O'Hare, it was an airstrip northwest of Chicago with a quaint, peaceful name—**Or**char**d** Field.
- New Orleans is MSY from the former **M**oisant **S**tock **Y**ards. In the 1980s, New Orleans wanted to change its code to JAZ for tourism purposes, but the FAA rejected the request.
- One of the rules is "the first and second letters or second and third letters of an identifier may not be duplicated with less than 200 nautical miles separation," so, because Houston already had HOU (Hobby), the new airport had to be IAH (**I**ntercontinental **A**irport **H**ouston). Similarly, Louisville already had a LOU airport, so the new airport is SDF (**S**tan**d**iford **F**ield).
- Our Canadian friends have all but monopolized codes starting with a "Y": YYC (Calgary), YUL (Montreal), and YYZ (Toronto).
- Geography cracks the codes for CVG, MDT, and GTR. Cincinnati's airport is in northern Kentucky (look at a map if you don't believe me), so Cincinnati's code comes from the town of Covington - CVG. Harrisburg International is physically located in **M**i**d**dle**t**own, PA so is MDT. And, any Mississippi State Bulldogs fan (but are there any besides Oscar Hartman?) can tell you that Columbus, Starkville, and West Point form the Golden Triangle of Mississippi, with airline service at the **G**olden **T**riangle **R**egional Airport (GTR).
- Knoxville (TYS) doesn't have a single letter in common with its code, but historians know the **Tys**on family donated the land in honor of their son killed in World War I.
- The current Orlando International Airport (MCO) is on the land that used to be **M**c**Co**y Air Force Base.
- The Wichita Falls airport shares runways with Sheppard Air Force Base so is SPS.
- Adding an "X" to existing weather station codes works great for **L**os **A**ngeles (LAX), **P**ortlan**d** (PDX), and **Ph**oenix (PHX).
- New York's JFK is also one of the very few that changed call letters. The **J**ohn **F**. **K**ennedy airport's former code also came from the name of the field - IDL for Idlewild airport (itself named for the Idlewild golf course whose land became JFK).
- Another that changed call letters is the Denver International Airport (DEN). It was originally DVX when the runways opened for testing, but inherited the DEN code when Denver's Stapleton airport closed down.

COPAS PROJECT STATUS REPORT

COPAS MODEL FORMS

COMMITTEE	PROJECT	STATUS	COMMENTS BY	ANTICIPATED COUNCIL VOTE
Joint Interest	No projects to report			

COPAS MODEL FORMS – MODIFICATIONS AND INTERPRETATIONS

COMMITTEE	PROJECT	STATUS	COMMENTS BY	ANTICIPATED COUNCIL VOTE
Joint Interest	MFI-40, *24-Month Adjustment Period for Joint Account Adjustments*	Team accepting comments on Draft 2. Draft 3 expected in December 2022. Voting draft expected April 2023.	Draft 2 by November 24	Fall 2023
Joint Interest	MFI – 57, AD-1, *Remote Technology Centers (2022), incorporating the 2022 Model Form Accounting Procedure into this MFI.*	Project team kick-off November 2022	TBD	TBD
Joint Interest	**MFI-36,** *Audit Rights of Non-Participating and Non-Consenting Parties and MFI-37, Incentive Compensation Costs*	Recruiting project team members to update these publications	TBD	TBD

COPAS ACCOUNTING GUIDELINES

COMMITTEE	PROJECT	STATUS	COMMENTS BY	ANTICIPATED COUNCIL VOTE
Revenue	**AG-6, *Oil Accounting Manual and AG-15, Gas Accounting Manual***	Recruiting project team members to update these publications.	TBD	TBD

COPAS TRAINING & REFERENCE

COMMITTEE	PROJECT	STATUS	COMMENTS BY	ANTICIPATED APPROVAL
Board of Directors	APA® Study Guide	Expected release date is December 2022		December 2022

SAVE·THE·DATE

FALL 2023
SAVE THE DATE

The Taste of Colorado

September 19, 2023 to September 23, 2023

Cheyenne Mountain Resort

Colorado Springs, Colorado

Room rate: $199/night plus tax

Meeting registration: $375 members; $300 spouses/guests

Hosted by the Colorado Society

SPECIAL EVENT:

Charity Golf Tournament Monday, September 18, 2023, benefitting Ronald McDonald House of Southern Colorado. More details to be announced at the Fall 2022 meeting.

COPAS **History**

Ever wonder about the early day history of COPAS?

You can download a free publication that recaps the leadership by year, special award winners, and the big decisions made by the Board of Directors and the Council.

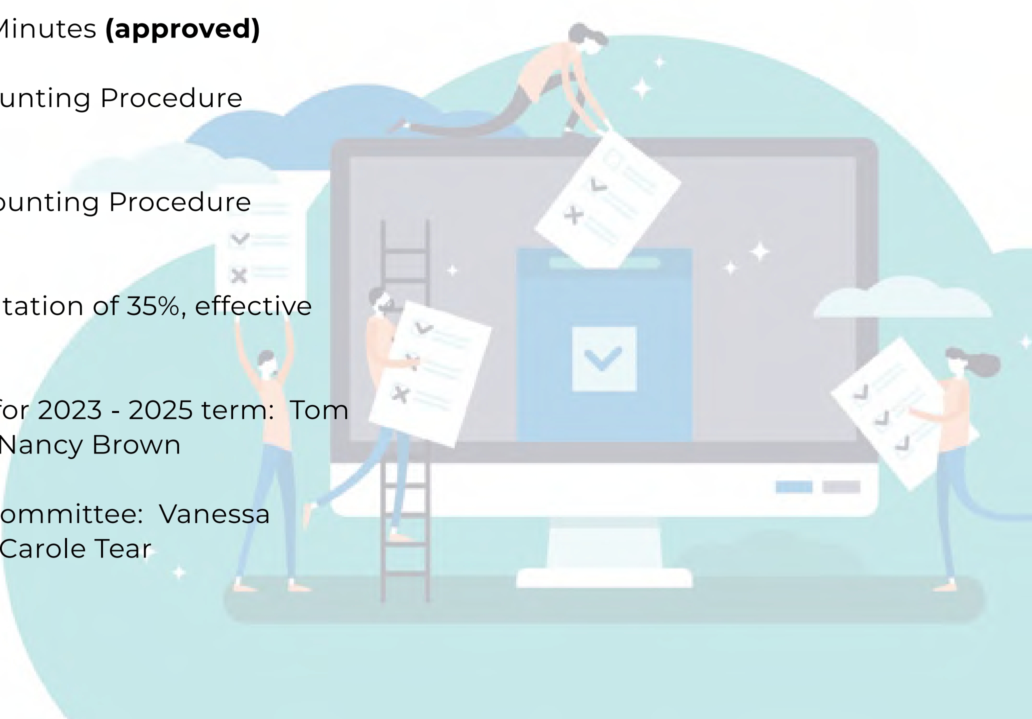
TR-12, *History of COPAS*

https://bit.ly/3zXB4B2

Voting **Results**

FALL 2022

- Spring 2022 Council Meeting Minutes **(approved)**
- MF-XX, 202X Model Form Accounting Procedure **(approved)**
- MFI-XX, 202X Model Form Accounting Procedure Interpretation **(approved)**
- Employee Benefits Upper Limitation of 35%, effective January 1, 2023 **(approved)**
- Election of Board of Directors for 2023 - 2025 term: Tom Batsche, Kevin Launchbaugh, Nancy Brown
- Election of 2023 Nominating Committee: Vanessa Green, Tammy Miller-Davison, Carole Tear



Ring of Honor

Mike Cougevan

Salomon Tristan

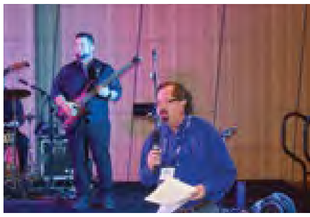
EAGLE AWARD

Jeff Wright

Wade Hopper


Jeff Wright
APA®
Host
Kim Peyton
copas
IRVING
TOP SECRET

Fall 2022 Meeting



Dalin, you provided rock solid leadership and dependability as president of COPAS during a difficult time with a significant COPAS membership decrease. Your commitment to COPAS and willingness to devote personal time has helped ensure the continuance of our organization.
Kevin Launchbaugh

Dalin, I really appreciate everything you have done for the Board this year. You have been an exemplary mentor to me and great resource whenever I had questions on how to best to handle Vice President duties. Your genteel manner and ability to place others at ease is a true gift and is something I hope to emulate going forward. I am glad you will still be on the Board next year and available to continue to provide you sage wisdom on COPAS and other matters.
Craig Buck

THANK YOU
Dalin Error

Dalin: I am one of the lucky ones that was there when you launched your oil & gas career, and have enjoyed my closeup view as you steered COPAS during a year of renewal and recommitment. You were the perfect choice for leading us back to the in-person environment while reminding us that the challenges of the last few years are still real. Your tireless service to the organization is appreciated much more than words can describe. I am glad we have you on the BOD for one more year!
Tom Batsche

Thank you, Dalin, for your leadership, your patience, your kindness, and your inclusiveness. Under your tenure we began meeting in person again; what a treat! You navigated us through the sometimes choppy seas and didn't shrink from straight talk both in our Board sessions, and to the General Council. For as long as I've been in COPAS I have known yours as a friendly face, never hesitating to lend a hand or give advice when asked. Your presidency was, thankfully, more of the same. I look forward to your continued participation in 2023 as our Past President and wish you a happy and warm holiday season.
Rebecca Paris

Dalin, Thank you for your leadership and guidance over the past year. It has been an honor to serve alongside you on the board, and it is a great privilege to get to serve with you as a leader in COPAS. You are a thoughtful leader who values the insights of others. You are a leader who takes deliberate action to advance the organization to keep us moving forward. You are inclusive of both people and ideas which has created an environment where the board can debate and discuss topics and issues openly. I am so grateful to be part of an organization which you have led effectively over the last year. COPAS is better because of you. May your influence and leadership continue with this great organization!

Melissa Gruenewald

About 10 years ago a new guy appeared on the COPAS scene. His name was Dalin Error. I thought "Wow, that is a prefect name for an auditor"! I learned quickly that this new kid on the block knew what he was talking about. He was very knowledgeable about the oil and gas industry, and he spoke so eloquently. Over the years, I have gotten to know Dalin. I discovered that not only does he know the business, but he also has a great sense of humor, is humble, is a fantastic leader, writes so beautifully, and is always willing to help anyone in need. Dalin, I truly appreciate you as a person and a leader of COPAS. I have so enjoyed serving with you on the board of directors. Thank you for your service. And thank you for showing me what a true leader is.

Kirk Foreman

*It has been an honor and a pleasure serving with you on the COPAS BOD in your presidential year.
During your term, COPAS continued to slowly grow again after experiencing the challenging years of COVID. Although we are not seeing membership of pre-pandemic times, we are gaining momentum.*

Your theme of "Everything Old is New Again" was quite apropos. Retaining seasoned members (I refuse to refer to them as "old" albeit some are more well- seasoned than others) while gaining new members is a positive sign. Continuing the excellent COPAS education platform while adding new opportunities for learning was well received.

*So, in the words of Peter Allen, as you exit stage left:
And don't throw the past away
You might need it some other rainy day
Dreams can come true again
When everything old is new again*

I am still hoping this will apply to disco – it could happen. Thanks again for your leadership.

Carolyn Sczepanski

Dalin thank you so much for your calm leadership during this past year which I hope you are happy with the outcome. While you may not see all your goals met this past year was a good year. You have been a guide and leader to keep us on task, but you always made a point to allow us all to have our voice or time to speak. We all don't always agree, but we spend the time to discuss and listen so that we can compromise for the good of the group and stand as a united team. Thank you for the guidance as we moved from 100% virtual back into our in person fall and spring meetings which were a great success this year. I have enjoyed our time working together and I hope we continue to do well with your seed that you planted for the new concept on leadership meeting online because the first one great and I hope the grow each time.

Much Love,
Kim Peyton

Winter 2022 COPAS

Society News

Today's updates MEMBERS

COPAS OF ANCHORAGE

Erin Ruebelmann, President

After not meeting in person since February 2020 due to the pandemic, the Anchorage COPAS Society resumed in-person meetings. During the September meeting the requirements to stay in compliance with COPAS Bylaws were reviewed and recruiting ideas for new members were discussed. New board members were elected and proposed updates to the local society Bylaws were reviewed.

At the November meeting the updated Bylaws were approved, changing the meeting requirements from monthly to quarterly meetings with a Spring Education Day. The November meeting included a presentation "Audits and Fraud" given by Darren McCaslin, which discussed vendor audits and potential fraudulent activity. The Anchorage COPAS Society looks forward to continuing to meet in person in the future.

COPAS of COLORADO

Ian Dams, President

The COPAS of Colorado Board of Directors is excited for the coming year. We plan to return to many of the in-person events that we held during pre-COVID times. We began the year with a happy hour/networking event that was held on October 4. We held a general membership meeting on November 30 hosted by our New Professionals Committee. The Holiday Luncheon will be December 14. Our committees have also started to plan both in-person and virtual meetings, aiming to return to a monthly or bi-monthly meeting cadence.

We welcomed two new members to the Board this year, Sean Keller and Stephanie Schwindt. Sean is a Manager at Moss Adams, LLP in their assurance practice and brings more than ten years of experience in proving assurance and accounting services to public and private companies within the oil and gas industry. Stephanie is a Reporting Accountant with Ovintiv and brings over seven years of experience from roles she has held within revenue accounting, compliance accounting, and ONRR accounting. Welcome Sean and Stephanie!

We extend a thank you to our two retiring Board members from last year, Danyelle McClellan and Kara Van Horn. Thank you for your many years of service to COPAS of Colorado and we appreciate all the time and effort you provide to our society.

Thank you to all our members and we look forward to an exciting year!

PETROLEUM ACCOUNTANTS SOCIETY OF CORPUS CHRISTI

Lucie Harris, President

Corpus Christi met in late August for a "Remember ME" Happy Hour to gather interest and membership back into the organization. Our first regular monthly meeting was held in September with discussion on how to increase membership. Our second Meeting in October had double the attendance and five new members. We are excited and motivated to be back in the swing of in-person meetings and have conversations about oil & gas issues.

We have changed our meetings to lunchtime rather than after work and are meeting in a location where most members can walk to the meeting venue. Our Vice President Gabriela Geiser has several future programs lined up offering CPE during the lunch hour. Corpus Christi plans to meet each month except December with CPE or a project at each meeting. We are looking forward to learning, lunching, and sharing 'COPAS' conversation.

COPAS of DALLAS

Taaha Hassan, President

COPAS of Dallas is off to a great start this year. We are again meeting in person for lunch at Brookhaven College. We currently have 110 members and are growing.

COPAS of Dallas just completed hosting a terrific COPAS Meeting at the Westin hotel in Las Colinas. Almost two hundred attended the event. It was great seeing so many faces again.

Two Dallas members were honored at the event for exceptional service. Salomon Tristan received the COPAS Ring of Honor and Jeff Wright received the Eagle Award. Congratulations to both!

COPAS of Dallas added two additional educational speakers at lunch on Wednesday and Thursday. The instructors were Dallas members Jeff Wright and Salomon Tristan. The great meetings, food, tours to the Bush Library and Perot Museum, plus an exceptional band at the Thursday night function, resulted in a wonderful event.

Many thanks to our planning committee that consisted of: Jeff Wright (chair), Nancy Ashby, Jenifer Brooks, Misty Cooper, Teresa Garza, Wendy Gober, Howard Hong, Carolyn Sczepanski, Karen Stanek, and Adam Wright.

Nancy Ashby and Carolyn Sczepanski, Reporters

PETROLEUM ACCOUNTANTS SOCIETY OF HOUSTON

Mark Gibennus, President

Under the leadership of our Past President, Karla Zawodny, the Petroleum Accountants Society of Houston is very proud of the successful COPAS conference that was held in Galveston, Texas in April. We extend our gratitude to Karla for her tireless efforts and thank her for her unwavering leadership. We have been looking forward to our new fiscal year and we are well on our way. The society held its first meeting for the fiscal year in September at The Whitehall Hotel. The membership committee led by Michelle Carruso is hard at work, evidenced by our great increase in membership as well as our record attendance for the first in person meeting this year.

From an education perspective, we have been honored to host such great speakers as:

Angela Boardman, our Revenue Committee chair who comes to us from Hess Corporation. She is the Director and global process owner of Revenue who presented an overview of revenue. She is responsible for global production, US onshore and offshore lease accounting, international revenue accounting, domestic and international marketing companies, gas plant accounting, royalty compliance and midstream. She has over 30 years' experience in the energy sector in both public practice and industry.

Deanna Newcomb joined Cheniere Energy in May 2017 as Chief Compliance and Ethics Officer and Vice President Internal Audit. She gave the Society an in-depth presentation on ethics. She has over 30 years of experience in the commodities industry with an emphasis in energy and energy related industries. Deanna is currently leading Cheniere through the next phase of their DEI (Diversey, Equity, & Inclusion) journey.

Amy Whitley, an auditor for Hilcorp, a former society Board member, and a current member of the MFI-40 project team, presented the most current version of the 24-Month Adjustment Period for Joint Account Adjustments document.

Roger Gann, President and CEO of Martindale Consultants, Inc. gave a gas balancing presentation. Roger has overseen hundreds of contract compliance audits covering both onshore and offshore. Roger has held several positions in COPAS both at the COPAS and society level.

Our society leadership this year is:
Mark Gibennus, President
Lisa Collins, Vice President
Ruth Strange, Treasurer
Kathy Johnston, Assistant Treasurer
Jennifer Holt-McKellar, Secretary
Mark Robertson, Director – Picture Roster
Michelle Caruso, Director – Membership
Fay Lascelle, Director – Hotel Liaison
Karla Zawodny, Past President

COPAS OF NEW ORLEANS

Scott Barrios, President

COPAS of New Orleans presented at the November Small Society Oil & Gas meeting and attended the 43rd Tulane University Business Forum on October 14. The keynote speaker was Jose E Cil – CEO, Restaurant Brands International Inc.

We continue to solicit members and are looking forward to a busy and productive year.
Greg Gonzales, Reporter

COPAS – OKC

Royce Porter, President

The Oklahoma City society regrouped following the summer break and began having in-person meetings once again. Our membership drive was successful, and we had several new members join our society.

Our September society meeting featured Isabel Weeden, Kirk Landon, and Erin Brown from Research Tax Consultants. They discussed the complexities involved in dealing with severance tax assessments. If you have any questions concerning severance taxes, you can contact them at researchtaxconsultants.com. Thanks to RTC for making the trip from Waco, Texas to present to our members.

Our October Society meeting featured Heather Whiteside, Vice President – Energy Lending, from BancFirst. She discussed how banks value oil and gas properties when considering financing. The presentation included a review of valuation metrics used in the banking industry as well as a discussion focused on analyzing the credit worthiness of potential customers. Thanks to Heather for taking the time to speak to our membership.

Finally, the 2022 Fall COPAS meeting was held in Dallas from October 17 – 21. Twenty-three members of the Oklahoma City society attended. During the meeting, the new Accounting Procedure and MFI were unanimously approved by the societies. In addition, it was announced that the Spring 2023 COPAS Meeting will be held in Kansas City from April 25 – 27, 2023. You can get more information on the COPAS.org website.

PETROLEUM ACCOUNTANTS SOCIETY OF OKLAHOMA-TULSA

Vanessa Green, President

The Petroleum Accountants Society of Oklahoma (PASO)-Tulsa has been extremely active so far this year. At the November meeting, the PASO members brought cash donations for the Salvation Army Boys and Girls Club Red Shield which benefits low-income families in North Tulsa. We had a very successful event and were delighted to continue the society's tradition of holiday giving. Our speaker at the meeting was Mike Cougevan, Vice President of Martindale Consultants. Mike presented a version of "Knowing Your COPAS Documents" education series that was tailored for PASO.

At the January PASO luncheon, Curtis Griffin of Stinnett-associates presented on Cyber Security.

On February 7 and 8, 2023, PASO will hold a two-day Federal & Indian and BLM Compliance Workshop at the Renaissance Hotel in Tulsa, OK. We missed the 2021 conference because of COVID and are excited to be bringing it back. We will cover topics including royalty valuation issues, audit updates and coordination practices, get some training on complex OGOR reporting and BLM's MLRS system, receive an update on court cases that impact royalty valuation and reporting, as well as many others. Registration is limited, so sign up early to ensure you have a spot. Register online at: https://bit.ly/3hnaivl.

Our meetings are typically held on the 3rd Tuesday of the month September through May. Additional information can be found by visiting our website at paso-tulsa.org.

PETROLEUM ACCOUNTANTS SOCIETY of the PERMIAN BASIN

Matthew Hayward, President

The Petroleum Accountants Society of the Permian Basin (PASPB) began the fiscal year with a luncheon on September 27. Richard Scherer, a Reserves Manager at Endeavor Energy Resources, gave a presentation on "Why Midland Texas is the Center of the Universe, from an Oilman's Perspective." Over ninety members attend the meeting and played a scavenger hunt game with new members interacting with our returning members.

In October, PASPB hosted the second annual "Headshot Happy Hour" event with the TXCPAs of Midland on October 20 at the Texas Sun Winery. There were fifty attendees between PASPB and TXCPA members getting to know each other over wine and charcuterie boards in between having their professional headshots taken.

PASPB hosted its first Education Day on October 25 with forty-five attendees. The speakers for the Education Day involved: Dwayne Purvis with his presentation on "A New Economic Yardstick for Today's Late-Life Production: Holdback;" Dr. Zane Zeng and his presentation on "The Impact of Permian Basin Oil Production on U.S. Economy;" and Jesus Vega on "Cybersecurity-Lessons Learned." Following the Education Day, we transitioned into the regular luncheon which had eighty members attend for Mike Swihart's presentation on Artificial Lift.

The board and committee chairs have been meeting every month to help coordinate a successful year for its members. The membership count is currently at 140 members and continues to climb with the help of our board and committee chairs.

ROCKY MOUNTAIN PETROLEUM ACCOUNTANTS SOCIETY

Jon Dahlin, President

The Rocky Mountain Petroleum Accountants Society (RMPAS) had its final meeting for the 2021-2022 year on Wednesday, September 21 at Dominion Energy in Salt Lake City. The speaker was Susan Spiers from the Utah Association of Certified Public Accountants (UACPA). The topic was Utah Laws and Rules Update, covering updates for the last two years to Utah's CPA licensure program, as well as topics the Utah legislature is keeping an eye on that would affect licensure in the state of Utah.

Our society leadership this year is:
President, Jon Dahlin, Big West Oil
Vice President, Jennifer Casady, Utah State Tax Commission
Treasurer, John Wilkey, Dominion Energy
Secretary, Katie Meyere, Big West Oil
Director, Debbie Carr, Dominion Energy
Director, Carter Cassidy, Utah State Tax Commission
Director, Craig McBeth, SOGC
Director, Andrea Fuentes, SOGC
Director, Natalee Lance, International Petroleum

PETROLEUM ACCOUNTANTS SOCIETY OF SAN ANTONIO

Kirk Foreman, President

The Petroleum Accountants Society of San Antonio (PASSA) began their 2022–2023 year September 20 with speaker Steve Bailey, VP of Compliance Advisory Services for Safire Oil and Gas Consulting. Steve's presentation focused on ONRR valuation and reporting requirements, state level royalty reporting, being prepared for audits by federal and state agencies, and aligning cross functional teams to support corporate compliance.

PASSA's second meeting was held November 15 at the Petroleum Club. The speaker was Dwayne Purvis. Dwayne is a registered professional engineer. Dwayne's presentation was titled "A New Economic Yardstick for Today's Late-Life Production." Dwayne discussed the economics behind low producing wells and the financial liabilities in delaying plugging low producing wells.

Our board members for the 2022-2023 COPAS year are:

President, Kirk Foreman, Audit/Accounting Consultant
Vice President, Dan Hodgson, Revenew International, LLC
Secretary, Bianca Fields, Stakeholder Midstream
Treasurer, Dawn Rouquette, Accounting Consultant

For additional information about PASSA, please see our website, www.COPASSA.net.

ADVERTISING index

SAVE the DATES

NEXT ACCOUNTS DEADLINE

FEB 1ST, 2023

PLEASE SEND ALL REPORTS AND ADVERTISING TO

EDITOR@COPAS.ORG


When you think of Joint Ventures in Energy think JVSA
From upstream to downstream and oil field services, exploration/production and all the way to alternative energy, the team at Joint Venture Strategic Advisors has been serving the energy industry since 1986.
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