

COUNCIL OF PETROLEUM ACCOUNTANTS SOCIETIES

# ACCOUNTS

FALL 2018



## FALL FEATURE

**THE AUDIT INDUSTRY:**

**THE ONSET OF THE DIGITAL REVOLUTION**



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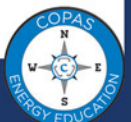
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# ACCOUNTS

FALL 2018

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# FEATURED IN THIS ISSUE

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## THE AUDIT INDUSTRY: THE ONSET OF THE DIGITAL REVOLUTION

The audit industry has remained virtually unchanged for the past few decades, undisturbed while technological innovation has had a disruptive effect across different industries. During this time, audit has remained a constraint on companies' financial and other resources.

This may be about to change. We believe we are on the verge of a massive transformation of the audit function, powered by advances in automation enabling cost reductions in the auditing process while ensuring the transparency and reliability needed to meet regulatory requirements on controls.

As this wave of digital transformation rolls in, we expect organizations to adapt to this disruption by increasingly leveraging digital controls, automated processes and new approaches to what we call the "intelligent audit". These approaches incorporate new technologies including blockchain (to provide for an open and equitable 'universal' journal), robotic process automation or RPA (to automate manual and/or labor- intensive processes), smart contracts, analytics (to harness the power of data to generate insights and support data-driven decisions), artificial intelligence, and machine learning (to embed intelligence in process automation).

**(SEE PAGE 14 FOR MORE)**

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## BOARD OF DIRECTORS NOMINEES

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CRAIG BUCK

COPAS - OKLAHOMA CITY



DALIN ERROR

PETROLEUM ACCOUNTANTS  
SOCIETY OF HOUSTON



KIM PEYTON

PETROLEUM ACCOUNTANTS  
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- Production allocation
- Post closing



# PRESIDENT'S MESSAGE



Fall is here and it's time for football to kick off, the final stretch to the World Series, back to school, and a new year for most of our societies. Few societies meet over the summer but most of us kick off our new year in the Fall. I must say; however, we had many COPAS volunteers working hard over the summer as we have two drafting teams with new publications under development. Speaking of the summer, if you missed the summer combined Audit and Joint Interest committee meeting held at the DoubleTree in Denver, you missed an information packed event, as well as five hours of CPE. We had three presentations from very informative industry speakers. We received updates on the two drafting projects and covered five Emerging Issues case studies.

The first draft of the publication "MFI-XX, Remote Technology Operations Centers" was issued at the summer meeting. Please take the time to [review](#) it as a society and/or an individual contributor and give the drafting team your comments/feedback. As part of the COPAS drafting process, the team will take all comments and address every issue raised. Be part of the process and become knowledgeable about your COPAS documents. We at COPAS take our responsibility to develop industry accounting guidance very seriously.

The next full week of COPAS meetings and other activities will be held at the Fall Conference in Corpus Christi, Texas, the week of September 17. In addition to our regular committee and subcommittee meetings, there will be a COPAS Energy Education class offering entitled "Understanding the Landman" Wednesday afternoon. There are a couple of tours offered on Thursday afternoon as well. It should be a great meeting as I know the Corpus Christi society has put in a lot of work to get ready for it. Please visit the COPAS website for committee agendas, registration information, and other details on the events scheduled for the week.

Vice President Wade Hopper is planning an excellent Leadership Conference for Tuesday afternoon September 18. Any member can attend the Leadership Conference and they are always informative. If you are in a leadership position we suggest strongly that you attend, but if you just want to learn more about COPAS and build a stronger network of accounting colleagues this is a great way to do it.

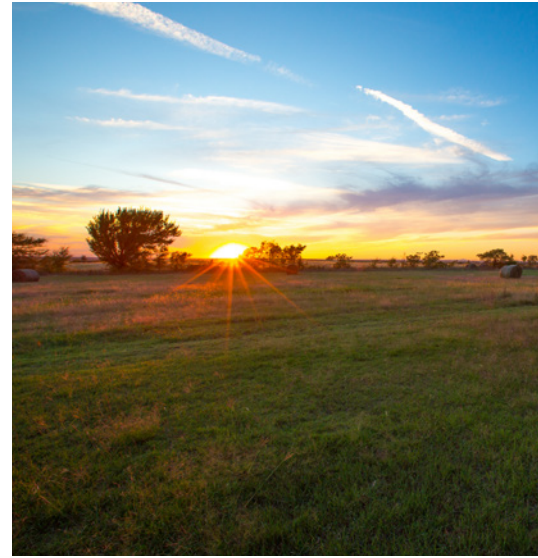
At the Fall Council meeting on Friday September 21, the following voting items will be presented:

- Spring 2018 Council Meeting Minutes (majority)
- Employee Benefits Upper Limitation of 35%, effective January 1, 2019 (majority)
- Election of (3) Board of Directors for 2019 - 2021 term (Top 3)
- Election of 2019 Nominating Committee (majority)

You can view the 60 Council Meeting notice, with the attachments, [here](#).

In addition to the voting items various board members will cover goals and objectives, finances, and other membership activity.

As stated in the 60-day notice, we will be electing a nominating committee for which I will be chair. That committee is tasked with finding qualified candidates from our COPAS membership for the three positions that are open each year. It is important to find good board candidates supported by their local societies who will further the vision of COPAS. If you are interested in serving on the





# PRESIDENT'S MESSAGE

nominating committee next year, please contact me at [president@copas.org](mailto:president@copas.org) or speak to me prior to the September 21 Council meeting.

I mentioned that we were presenting one of COPAS Energy Education classes at the Fall meeting. COPAS Energy Education has been one of our true success stories this year. We have had much more participation in our class offerings in 2018. CEE has provided open enrollment classroom classes throughout the year in major centers of the industry including Houston, Dallas, and Fort Worth in Texas; Denver Colorado; and Oklahoma City, Oklahoma. We also provided classes and customized education days for our COPAS societies and private companies. Where we've seen the biggest impact this year has been with the offering of webinars. These are

much less expensive options and as they require no travel. Click on the links that follow to find more information about the five series that CEE now offers. Webinars are offered in Revenue, Gas Balancing, Joint Interest, Joint Interest Audit, and Operations. Find more [information](#) about webinars on our website.

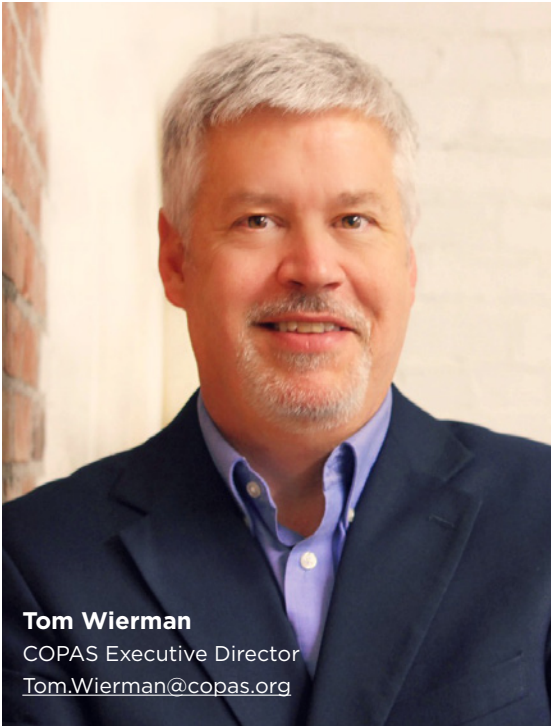
There are so many developments and efforts working throughout COPAS, they are too numerous to list here. Please stay plugged in to COPAS by going to the COPAS Website, ACCOUNTS, and reading the weekly blast emails from the National Office.

**Be sure to pack your beach wear and I look forward to seeing you in September in Corpus Christi for the Fall Meeting!**





# HOME OFFICE MESSAGE



**Tom Wierman**  
COPAS Executive Director  
[Tom.Wierman@copas.org](mailto:Tom.Wierman@copas.org)

## FROM THE HOME OFFICE

Did you attend the Summer Meeting in Denver? It was a great meeting. We had three awesome guest speakers, and very engaging dialogue and discussion on the publications being developed. The Emerging Issues discussion was also really well done. The first draft of the Remote Technology publication was reviewed and discussed at this meeting. The draft has been posted to the COPAS website for review and comment. More information, and a link to the document, can be found on page 49. Photos from the Summer meeting are found on page 60.

The Project Status report (Page 12) notes that a draft of the 20XX Accounting Procedure is expected in Q4. Putting this document together, along with accompanying MFI, is a big job. They have a very dedicated team working on it. You may want to mark the date on your calendar for the Winter Committee meeting in Houston (Thursday, January 24, 2019) as I'm sure this will be a discussion item.

Labor Day just passed by, so we know the calendar is barreling towards the end of the year. I am looking forward to some cooler temperatures as I know many of you are. It's been a hot summer in the central part of the country. We went from winter to summer, bypassing spring. I hope we get to enjoy some beautiful fall days however.

Many societies resume their meeting schedule in September. If you need help with ideas for recruiting and retention, please reach out to the COPAS office. Sometimes we hear about things that work for some societies and we are happy to share those.

Speaking of September, the Corpus Christi Society is eagerly awaiting our arrival later this month. They have been hard at work planning and preparing for the Fall Meeting. There will be a lot to accomplish in the committee meetings, but the society has balanced out the work with a lot of fun in the evenings. Don't forget the beachwear for the Welcome Reception at Fajitaville! A big thank you to Jane Russell and her entire team for hosting us.

There are a few voting items on the Fall Meeting agenda. The agenda, voting items, and supporting documents were emailed to all society presidents in mid-July. The information was also posted on the Fall Meeting registration page. The proposed Employee Benefits Limitation percentage is 35%, the same as the 2018 rate. Once that rate is approved by Council, it will be added to the Economic Factors page on the COPAS website. The more detailed nomination form for each candidate is included in the website post. Photos and basic information for each board of director candidate can be found on page 4. The Council will also elect three people to serve on the Nominating Committee. If you are interested, please let your Council Representative know you can be nominated from the floor.

Information for the Spring and Fall 2019 Meetings appear later in this issue. Take a moment to review that information and make your hotel reservations. The Spring Meeting in Memphis has limited rooms at the Peabody. If you think you will attend that, click on the room reservation link embedded in the Save-the-Date material and reserve now. The room reservation link for the Fall 2019 meeting is embedded in the promotional material.

Oklahoma City stepped up and took the hosting duties for Spring 2020. We expect to hear from the society at the Council meeting as to what location they have chosen. I think it's going to be an exciting one, so be on hand to hear where that meeting will be. The Permian Basin society is also planning their 2020 (Fall) meeting, so maybe they will be able to share that with us in Corpus Christi as well.

I will take a minute to thank Deanna Duell for serving as COPAS Secretary the first part of 2018. Deanna recently



# HOME OFFICE MESSAGE

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changed jobs and has had to step down from the Secretary position due to her work responsibilities. Melissa Gruenewald was elected by the board of directors to complete the balance of the 2018 term. Thanks to both of you for your service.

COPAS Energy Education has been going strong this year. As Doug Smith states in his president's column, we've offered a huge number of webinars this year. We've given webinars in Revenue, Gas Balancing, Joint Interest, Operations, and Joint Venture Audit. The feedback has been great and the encouragement to offer more is being heard. The series will be repeated in 2019 if you missed them during 2018. We will be looking at more intermediate and advanced offerings in the coming year as well. If the chips all fall right, there may be another topic or product line to make available. Review the COPAS Energy Education pages (30 and 31) for more information.

Congratulations to the six new APA's that were awarded since the last issue of ACCOUNTS. Their names appear on page 26.

Lastly, I'd call your attention to the charity event that will be part of the Spring 2019 meeting in Memphis. St. Jude Children's Research Hospital is not far from the Peabody Hotel. The host society has set a goal of raising \$10,000 for St. Jude. As you may know, children treated at St. Jude never receive a bill. We have an awesome opportunity to leave a mark on the community even after we leave Memphis. To incentivize attendees to help fund raise, the society has implemented a contest to be the honorary Duck Master for Thursday, April 25. (If you don't know about the famous Peabody Duck's, you should Google it.) I've decided I'll put my neck out there and offer to take a pie in the face if you help me raise money on my personal fundraising page. Whether I'm honorary Duck Master or not, the challenge is still on. See the details of this opportunity on page 49. A little fun, while helping a great cause. I think some of you will be standing in line to take your shot! I think that's a challenge!



# MEETING SCHEDULE

EVENT	DATES	HOST	LOCATION
<b>2018</b>			
Fall	September 17-21	Corpus Christi	<b>Omni Hotel</b> Corpus Christi, TX
<b>2019</b>			
Spring	April 22-26	Mississippi	<b>Peabody Hotel</b> Memphis, TN
Fall	September 16-20	Tulsa	<b>Creek Nation River Spirit Casino and Convention Center</b>
<b>2020</b>			
Spring	April	Oklahoma City	TBD
Fall	TBD	Permian Basin	TBD
<b>2021</b>			
Spring	April	Houston	TBD
Fall	TBD	Dallas	TBD



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## **Calendar**

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Dallas

May 16-17, 2019

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PricewaterhouseCoopers LLP (PwC) experts and Editor-in-Chief Dennis Jennings, retired PwC energy partner and Director Emeritus of PDI's energy programs, are hard at work on the anticipated 8<sup>th</sup> edition.

The revised edition will address new requirements and provide guidance on emerging issues.

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# PROJECT STATUS REPORT

## COPAS MODEL FORMS

COMMITTEE	PROJECT	STATUS	COMMENTS BY	ANTICIPATED COUNCIL VOTE
	Accounting Procedure	Team working on initial draft of the model form. Goal is to issue draft in Q4.	n.a.	

## COPAS MODEL FORMS MODIFICATIONS AND INTERPRETATIONS

COMMITTEE	PROJECT	STATUS	COMMENTS BY	ANTICIPATED COUNCIL VOTE
Joint Interest	Real Time Operations Centers	Draft 1 distributed to Committees for review & comment.	November 9	
Joint Interest	MFI to accompany new model form Accounting Procedure	Team has commenced work on the model form. Work will commence on MFI later when the model form terms are more certain.	n.a.	

## COPAS ACCOUNTING GUIDELINES

COMMITTEE	PROJECT	STATUS	COMMENTS BY	ANTICIPATED COUNCIL VOTE
	No projects to report at this time.			

## COPAS TRAINING & REFERENCE

COMMITTEE	PROJECT	STATUS	COMMENTS BY	ANTICIPATED COUNCIL VOTE
	No projects to report at this time.			

# REGISTRATION FEDERAL & INDIAN ROYALTY COMPLIANCE WORKSHOP

RENAISSANCE HOTEL & CONVENTION CENTER, TULSA, OK



FEBRUARY 12 - 14, 2019  
REGISTRATION DEADLINE JANUARY 18, 2019



Attendee: \_\_\_\_\_

Company: \_\_\_\_\_ Title: \_\_\_\_\_

Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Email\*: \_\_\_\_\_

*\*Need email in order to send confirmation & final agenda.*

Office Phone: \_\_\_\_\_

COPAS Member: ☐ Yes ☐ No COPAS Society: \_\_\_\_\_ CPE Desired: ☐ Yes ☐ No

*Please copy registration form for additional enrollments.*

## Amount Paid (There is no option to register for 1 day at a reduced rate)

### COPAS MEMBERS COST - PLEASE REFERENCE COPAS SOCIETY ABOVE

\_\_\_\_\_ Early Bird - COPAS Member Registration Fee Prior to 11/30/2018: \$450.00  
\_\_\_\_\_ COPAS Member Registration After 11/30/2018: \$500.00

### NON-MEMBERS COST

\_\_\_\_\_ Early Bird\*\* - Non-Member Registration Fee Prior to 11/30/2018: \$500.00  
\_\_\_\_\_ Non-Member Registration After 11/30/2018: \$550.00

### TOTAL PAID (SHOULD EQUAL CHECK AMOUNT)

\*\* Early Bird must be postmarked by 11/30/2018.

Refund must be requested before January 18, 2019

To be considered registered, we must have received the check and registration form and you must receive confirmation.

Check payable to PASO-Tulsa is enclosed in the amount of \$ \_\_\_\_\_ (Credit Cards Not Accepted.)

### PLEASE MAIL CHECK AND INDIVIDUAL REGISTRATION FORM FOR EACH PARTICIPANT TO:

PASO-Tulsa Education Committee  
PO Box 2502  
Tulsa, OK 74104

(PLEASE NOTE CHANGE OF ADDRESS)

QUESTIONS: [Education@Paso-Tulsa.org](mailto:Education@Paso-Tulsa.org). Please allow 72 hours for response.

## ACCOMMODATIONS

A Special room rate of \$120 per night is available at the Renaissance Tulsa Hotel if booked before 1-14-2019. Reservations can be made by using the links in the email or by calling 1-800-264-0165 with code PAA for regular attendees or PAG for government.

Please register as soon as possible so we can plan for seating, refreshments & handouts. Limited seating available.

\*\*\* You will receive e-mail confirmation of your registration within two weeks of receipt \*\*\*





# THE AUDIT INDUSTRY: THE ONSET OF THE DIGITAL REVOLUTION

WRITTEN BY **MONIL RUPAREL**

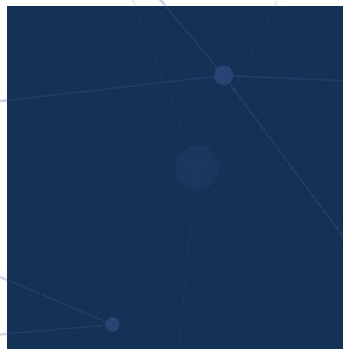
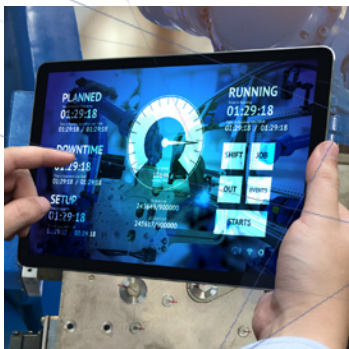
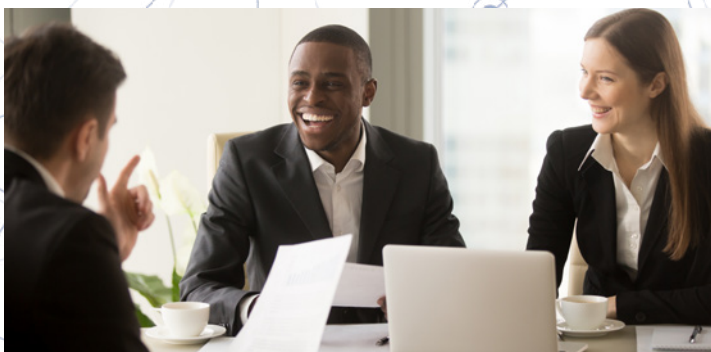
The audit industry has remained virtually unchanged for the past few decades, undisturbed while technological innovation has had a disruptive effect across different industries. During this time, audit has remained a constraint on companies' financial and other resources.

This may be about to change. We believe we are on the verge of a massive transformation of the audit function, powered by advances in automation enabling cost reductions in the auditing process while ensuring the transparency and reliability needed to meet regulatory requirements on controls.

As this wave of digital transformation rolls in, we expect organizations to adapt to this disruption by increasingly leveraging digital controls,

automated processes and new approaches to what we call the "intelligent audit". These approaches incorporate new technologies including blockchain (to provide for an open and equitable 'universal' journal), robotic process automation or RPA (to automate manual and/or labor-intensive processes), smart contracts, analytics (to harness the power of data to generate insights and support data-driven decisions), artificial intelligence, and machine learning (to embed intelligence in process automation).

We anticipate that this digital transformation will affect multiple participants in the audit ecosystem and may also shift some existing business models. Organizations, for example, will need to strengthen their internal audit teams with analytics, data science capabilities and process



automation capabilities. Audit firms may have to enhance their traditional service menus with digital and technology interventions. The market could also see new entrants and/or disruptors enter the audit industry such as technology companies, regulators, and third-party start-ups.

In an extreme scenario audit services may become complementary parts of bundled advisory-audit offerings. The need for audit may also be diminished if blockchain-driven new-age transactions eliminate the need to reconcile differences and discrepancies.

No matter where this disruption leads, it is here to stay. We believe that, among these new technologies, audit analytics and digital controls will have a deep and immediate impact. We will examine four dimensions of this impact as follows:

1. Why and how will analytics change audit?
2. Why is now the best time for change?
3. What will be the impact on internal and external audit functions?
4. Who might be the market disruptors and/or new entrants in the audit industry?

## Why and how will analytics change audit?

With the widespread use of enterprise resource planning (ERP) software and the production of huge amounts of data, the ability to organize and sift through this data to identify outliers, deviations and other anomalies has become critical to both internal and external audit teams.

Analytics is, essentially, the scientific process of discovering and communicating meaningful patterns from data. The audit of historical records remains important, but well-designed algorithms can also help propel predictive models that provide powerful and actionable insights in areas of early detection, targeted monitoring and better controls.

## KEY VALUE DRIVERS OF ANALYTICS INCLUDE:

- **Greater assurance through continuous audit** — Leveraging analytics coupled with RPA-driven audit testing can enable organizations to move from sampling-based audit to continuous and comprehensive audit of the entire data population on an ongoing basis. These continuous auditing and monitoring capabilities strengthen risk assessments and provide insights to activate targeted controls early on.
- **Data-drive insights and predictive models to inform better decisions** — Carefully designed analytics benchmarks employing strong analytics engines and predictive models, coupled with powerful visualization tools, enable effective tracking of leading fraud and operational risk indicators to drive informed, data-driven decisions.
- **Reduced cost of identification and implementing targeted controls** — The introduction of big data analytics, AI and RPA gives auditors the power to sift through large quantities of data in a scientific manner at relatively low cost, providing capabilities which were undreamed of just a decade ago.

## Why is now the best time for change?

Over the last decade, the rapid evolution of multiple digital technologies has completely reshaped what organizations can and cannot do in the audit arena, while other factors have helped accelerate change.

## THESE INCLUDE:

1. **Big Data** — With the advent of ERP systems, traditional manual ledgers have become obsolete. However, over the last two decades the ever-expanding data warehouses had questionable use as processing the entire data set was either not possible or extremely





Over the last decade, the rapid evolution of multiple digital technologies has completely reshaped what organizations can and cannot do in the audit arena, while other factors have helped accelerate change.

1. expensive. Now, however, advances in in-memory processing, cloud computing, cybersecurity and other technologies have unlocked numerous possibilities while driving down costs.
2. **Evolved market scenarios** — While auditing has traditionally been run on sampling of data sets to extrapolate the results, the significant cost of false negatives, their impact on brand reputation, and increased scrutiny from the regulators have increased the demand for tighter auditing. Many organizations are investing resources to this effect.
3. **The band-wagon effect** — The growing popularity of digitization means that more and more firms are becoming aware of the advantages of analytics in auditing and are testing some of these ideas. Companies are finding that the opportunity cost of resistance or delayed adoption could far outweigh the potential benefits of adoption.
4. **Pressure from regulatory authorities** — The stringent security measures built into new digital tools, along with the multiple advantages offered by analytics, have prompted regulatory bodies to recognize and encourage new approaches to auditing. The importance of analytics has been recognized by The American Institute of Certified Public Accountants (AICPA) which, after a detailed study on the enablement of continuous audit through data analytics, noted that the future audit will encompass an audit module as well as a monitoring and control layer.
5. **The changing workforce** — The next-gen workforce is technology-savvy and understands the need for upskilling. A workforce with a combination of accounting skills and analytical know-how will be in high demand, which will also help accelerate change management and the adoption of new technologies.

## What will be the impact on internal and external auditor functions?

**TO UNDERSTAND THE IMMINENT DISRUPTION OF THE AUDIT FUNCTION, IT IS BETTER TO LOOK SEPARATELY AT THE IMPACT ON INTERNAL AUDIT TEAMS AND EXTERNAL AUDIT FIRMS:**

### (a) Internal Audit

Internal audit teams will have to augment their team composition, changing from being mostly CPAs and auditors to a blend of CPAs, data analytics experts, data scientists and process automation specialists to

deliver the right blend of skills for the audit of the future. This could present an excellent opportunity to upskill and/or train individuals in these new skills, or move them to other, more value-added tasks. The new skills will equip internal audit teams to provide insights into leading indicators and become an advisory arm to the key leaders in their organization.

### (b) External Audit

External auditing firms will have to transform their service offerings to stay relevant in the market. Some may decide to embrace digital and add it to their bundle of offerings, while others may decide to offer audit free-of-charge as part of a bundle with their advisory offerings. Some may also explore a pay-per-use model, or seek payment for discrepancies identified, but change in the business model seems inevitable.

As we see in the final section, these evolving dynamics may also present an opportunity for some new entrants in the market.

## Who will be the disruptors and how will they enter and/or succeed?

**THE DISRUPTION TO THE COMPETITIVE LANDSCAPE MAY COME FROM SOME OF FOLLOWING ECOSYSTEM PARTICIPANTS:**

### (a) Technology/digital firms

Technology firms could leverage their analytics talent pool and build or partner with other players to gather functional audit capabilities to enter this market. Their playbooks could include pay-per-use solutions and technology enablement for the journey to the cloud, the implementation of RPA in audit, the use of AI and machine learning and many other areas.

### (b) Research Agencies

With the wide array of available data, research agencies will have more opportunities to develop deeper insights into the trends in the audit industry. This business information will also support their ability to identify and update industry best practices.

### (c) Regulatory Authorities

The financial regulators may not directly participate, but they will play a guiding role in how the adoption of these technologies unfolds. Their policies and scrutiny and reporting standards could play a catalytic role in driving the industry towards an analytics-enabled audit culture.



#### (d) Data Security Services

As more and more classified data is stored in on online media, it will become imperative for the organizations to have strong data security solutions in place. There will be more data security service providers who use techniques like encryption, data masking and authentication controlling to secure restricted information from illicit cyber-attacks.

#### (e) Universities/Training Institutions

The changed landscape will also push the upskilling industry to re-design its course structure and approach to learning. The focus will be to provide learning programs with a mix of audit and technological skills to give the workforce the skills it needs in the new audit environment.

## Summary

Audit is on the brink of unprecedented change due to the rapid evolution of technologies such as automation, analytics, blockchain and big data. In this audit revolution, companies who move quickly to adapt to this foreseeable future will be better positioned to unlock all the trapped value that is sitting in both the internal and external sectors of the current auditing process. This is likely to affect both internal and external auditors' skill needs and expectations.

Audit standards, controls and policies may also undergo changes as digital process automation enables comprehensive assessments, analytics improve fraud detection techniques and predictive models provide more comprehensive views of leading indicators. Multiple factors are in play, but the change to a dynamic environment presents opportunities for those able to leverage the power of new technologies.



#### About the Author: **Monil Ruparel**, **Senior Manager, Accenture Consulting**

Monil Ruparel is a Senior Manager at Accenture's Capability Network consulting practice. He focuses on digital transformation projects for Accenture's Oil and Gas and Utilities clients, leveraging technologies such as advanced analytics, robotic process automation and artificial intelligence. During his career, he has worked with global IOCs, NOCs, power and water utility companies.

Monil earned a bachelor's degree in Electrical Engineering from Mumbai University (India) and a Post-Graduate Programme in Management (Finance, Strategy) from Indian School of Business, a partner school with Wharton School and Kellogg School of Management. Monil joined Accenture in India in 2011 and moved to North America in 2015, and now lives in Houston, Texas.



# INDUSTRY NEWS

## A COLLECTION OF PUBLISHED NEWS ARTICLES

Kosmos Energy will acquire Deep Gulf Energy for a \$1.225 billion, comprised of \$925mm in cash and \$300mm in Kosmos common shares. Kosmos operates almost exclusively in Africa and South America

In mid-July, U.S. crude oil production hit 11mmbopd for the first time in the nation's history, as the ongoing shale production boom continues. This puts the U.S. as the second largest producer of crude oil, just behind Russia, which was producing 11.2 million bpd in early July. The U.S. has added 1mmbopd in production since November 2017

BHP agreed to sales of its entire interests in the Eagle Ford, Haynesville, Permian, and Fayetteville areas for a combined \$10.8 billion. BP will acquire 100% of Petrohawk Energy, the BHP subsidiary which holds the Eagle Ford, Haynesville and Permian assets, for \$10.5 billion. Part of the deal includes 83,000 net Permian acres with 3,400 gross drilling locations; 194,000 net Eagle Ford acres with 1,400 gross drilling locations; and 194,000 net Haynesville acres with 720 gross drilling locations. BP will pay half the purchase price (\$5.25 billion) in cash at closing, the other half paid in cash in six installments over six months. After closing, BP plans to divest \$5 to \$6 billion of assets, mainly from its upstream segment, and use the proceeds to buy back \$5 to \$6 billion of shares over time

In the other part of the BHP sale, Merit Energy Company will acquire 100% of BHP's 268,000 net Fayetteville acres for \$300mm

Whiting Petroleum decided not to sell its Colorado properties, as buyers didn't offer enough. Whiting put its Denver-Julesburg Basin wells and undeveloped assets on the market earlier in 2018 to narrow its focus to the Williston Basin in N. Dakota. Whiting recently closed on a \$130mm acquisition of 54,833 acres in the area, which fits with its existing Hidden Bench and Eastern Missouri Break holdings. Of Whiting's \$750mm 2018 capital budget, \$600mm is targeting the Williston Basin, where it projects 123 new wells coming into production

The unemployment rate in Midland, TX was 2.4% in June

The Panama Canal Authority will ramp up the movement of massive liquefied natural gas tankers through the waterway in October, as U.S. exports of the fuel are set to expand. Under the new rules, ships can traverse the canal at night, and two at a time can be on Gatun Lake, the man-made waterway at the canal's north end. The changes will let two tankers move through the canal in different directions at the same time. Using the canal greatly cuts the time to ship to Asia, where China is now the world's largest natural gas importer. LNG tankers now pay \$500,000 to \$525,000 to use the canal, but the authority is seeing an increasing number of bigger container ships that pay more than \$1 million. An advantage of the changed rules is that they allow more ships in the "million dollar club" to move quickly through the canal, letting shippers boost the volumes they carry without taking up added slots

The Williams Companies and its Williams Partners affiliate struck two \$1 billion pipeline deals that expand the company into the booming

Denver-Julesburg Basin. Williams Partners and private equity firm KKR & Co. struck a \$1.17 billion deal to buy Discovery DJ Services' natural gas processing and natural gas and oil gathering pipelines in the southern part of D-J Basin, including a 60mmcf gas processing plant and a 200mmcf plant that is expected to be in service by the end of 2018

Indian refiners' interest in U.S. crude is welcome news to shale producers looking for buyers outside of China, with India on track to import record volumes in August. India has booked a total of 9.94 million barrels of crude (319,000 bopd) to arrive from the U.S. in August. That is triple the 3,69mm bbls India imported from the U.S. in July. The

## COMMODITY SPOT PRICING COMPARISON

CRUDE OIL WTI (CUSHING) PER BBL					HENRY HUB NATURAL GAS SPOT PRICE DOLLARS PER MILLION BTU			
MONTH	2015	2016	2017	2018	2015	2016	2017	2018
January	47.22	31.68	52.50	63.70	2.99	2.28	3.30	3.87
February	50.58	30.32	53.47	62.23	2.87	1.99	2.85	2.67
March	47.82	37.55	49.33	62.72	2.83	1.73	2.88	2.69
April	54.45	40.75	51.06	66.25	2.61	1.92	3.10	2.80
May	59.26	46.71	48.48	69.98	2.85	1.92	3.15	2.80
June	59.82	48.76	45.18	67.87	2.78	2.59	2.97	2.97
July	50.90	44.65	46.63		2.84	2.82	2.98	
August	42.87	44.72	48.04		2.77	2.82	2.90	
September	45.48	45.18	49.82		2.66	2.99	2.98	
October	46.22	49.78	51.58		2.34	2.98	2.88	
November	42.44	45.66	56.64		2.09	2.55	3.01	
December	37.21	54.97	57.88		1.93	3.59	2.81	
YTD Average	48.69	43.14	50.88	65.46	2.63	2.52	2.98	2.97

Information obtained from the U.S. Department of Energy, EIA Website [eia.doe.gov](http://eia.doe.gov). These prices should not be utilized as an indication of market pricing, but are provided for comparison purposes only.

# INDUSTRY NEWS

August total alone will be above the 9.65 million barrels imported over all the first seven months of 2018, showing the scale of acceleration in India's imports of U.S. crude

Encino Acquisition Partners will acquire all of Chesapeake Energy's Utica Shale oil and gas assets in Ohio for \$2 billion, including 933,000 net acres of leasehold and 920 producing and non-producing wells. Chesapeake will use the proceeds to pay off debts, which was \$9.83 billion in early 2018

Bonanza Creek Energy is selling its U.S. midcontinent assets for \$117mm to focus on opportunities with greater long-term potential. The package includes 11,000 net acres targeting the Cotton Valley formation in Arkansas

Targa Resources is teaming with multiple partners to build a 600-mile natural gas pipeline system from the Permian Basin to the Corpus Christi and Houston regions. Targa aims to build the Whistler Pipeline project from the Permian in partnership with Florida's NextEra Energy, Ohio's MPLX and private equity investors. MPLX is the pipeline arm of Marathon Petroleum

ConocoPhillips will sell its interests in the Barnett shale play to Lime Rock Resources for \$230mm. The 114,000 net acres are located primarily in the TX counties of Montague, Wise, Denton, and Cooke

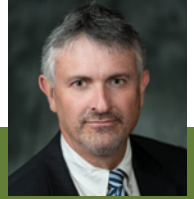
QEP is selling its Utah producing properties, including 230,000 net acres, in the Uinta Basin for \$155mm to Middle Fork Energy Partners to concentrate its efforts in the Permian Basin

Concho Resources will begin drilling several development projects on the acreage it acquired from RSP Permian Inc. Concho is the largest unconventional shale producer in the Permian Basin, with 640,000 net acres. Concho is running 32 horizontal rigs, including 16 rigs in the No. Delaware Basin, 6 rigs in the So. Delaware Basin, 9 rigs in the Midland Basin, and one in the New Mexico Shelf

Phillips 66 said the new \$2 billion Gray Oak Pipeline system pipeline from W. Texas to the Gulf Coast will be operational at the end of 2019 and have a capacity of 800,000

## MIKE COUGEVAN

Mike has worked for Martindale Consultants since 1994 and is a member of the Colorado society.



bopd from the Permian and Eagle Ford to Corpus Christi and the area around Sweeny and Freeport

Texas is on track to shatter its nearly 50-year-old record for oil production, but it's doing so with far fewer employees and rigs at work than before the 2014 collapse. The midyear Texas Petro Index report shows the state will produce more than 1.5 billion barrels of crude oil in 2018, easily beating the 1972 record of 1.26 billion barrels. Texas is churning out 4.3 million barrels of oil a day (June), a daily record that accounts for 40% of the nation's record-high 11mmbopd

With natural gas pipelines in the Permian Basin reaching 98% of capacity, Texas is weighing whether to keep intact or loosen strict state regulations that limit flaring. Now the limit for individual wells is 45 days. After that, without a rare-granted exemption, the gas must be piped away or the well must be shut-in. Multiple gas pipelines criss-cross the Permian, with total capacity of 8.1bcfd. But as the price of

## RIG COUNTS

LOCATION	WEEK OF:						
	2.3.17	4.28.17	8.4.17	10.10.17	2.9.18	5.11.18	7.27.18
Gulf of Mexico	21	17	16	18	16	20	15
Canada	343	85	217	203	325	79	223
North America	1072	955	1171	1110	1300	1124	1271
Oil	583	697	765	738	791	844	861
Gas	145	171	189	169	184	199	186
Directional	66	63	74	74	73	72	64
Horizontal	596	730	807	776	832	918	922
Vertical	67	77	73	57	70	55	62
<b>Major State Variances</b>							
Alaska	10	6	6	6	5	8	6
Arkansas	1	1	1	0	0	1	1
California	6	9	13	14	14	15	15
Colorado	26	29	37	37	33	30	32
Louisiana	52	58	67	58	61	62	52
New Mexico	46	55	60	69	88	89	104
North Dakota	36	44	53	47	49	56	57
Oklahoma	102	127	132	123	118	138	137
Pennsylvania	33	34	34	31	37	39	39
Texas	355	437	466	442	479	523	524
West Virginia	8	12	14	12	19	17	17
Wyoming	20	20	26	22	30	26	28

Source: Baker Hughes at [www.bakerhughes.com](http://www.bakerhughes.com)



# INDUSTRY NEWS

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crude has risen, so has production, growing 25% in the last year. The gas associated with that boom has filled up all but 2% of pipeline capacity as of the end of April. There's relief on the way in 2019 and 2020, with as much as 10.5bcfd of gas pipelines proposed or being built

The Permian, Marcellus, and Utica shale plays will supply 55% of the North American gas market by 2030

Baytex Energy agreed to buy western Canadian oil producer Raging River Exploration for C\$1.6 billion (\$1.2 billion) that includes 260,000 acres in the emerging East Duvernay Shale basin

A Cox Oil affiliate that owns and operates in the GOM will buy Energy XXI Gulf Coast for \$322mm. Cox operates more than 200 producing wells over 25 fields. There have been several major changes for Energy XXI in recent years, including its acquisition of EPL Oil & Gas for \$2.3 billion in 2014 and a Chapter 11 bankruptcy in December 2016

The vast pipe networks that haul crude from the Permian Basin are almost completely full thanks to a production boom that rivals Saudi Arabia's Ghawar field in massiveness. Explorers who've been drilling feverishly are now slamming on the brakes to let pipeline owners catch up. The number of Permian wells that were drilled but left unfinished surged to 3,203 in June, a 90% increase from a year earlier and the highest since the Energy Department began tracking them in 2013. Postponing fracking, the final stage of drilling, reduces the supply a company needs to ship to markets

Diamondback Energy will pay \$1.2 billion for Permian Basin-focused Ajax Resources in a cash (\$900mm) and stock (\$300mm) deal. Ajax was created to acquire the Permian acreage and operations of W&T Offshore

The frac sand mines near Monahans, TX will mine and ship 22 million tons of sand in



2018 to shale drillers in the Permian Basin, equal to 25% of total U.S. supply. Within a few years, it could be over 50 million tons. The 2018 value will be almost \$2 billion. NW Wisconsin emerged as the epicenter of the sand market when fracking took off a decade ago. Large, rugged, and round as marbles, the granules found there are ideally shaped to prop open crevices in shale so that the oil can seep out freely. The W. Texas sand isn't nearly as big or as sturdy and it's oddly shaped - more like a jelly bean than a marble, but cost considerably less

Plains All American Pipeline said two W. Texas crude pipeline projects would begin partial operations slightly ahead of their original schedules as bottlenecks in the region depress prices to the weakest level in four years. The Sunrise expansion project is expected to go into partial service in the fourth quarter of 2018 while the Cactus II line will begin partial service in the third quarter of 2019. The Sunrise extension will add 500,000bopd of capacity

from Midland to Colorado City and Wichita Falls, TX and provide connections to the oil-storage hub in Cushing, OK. Full service on the 670,000bopd Cactus II line from the Permian Basin to Corpus Christi is targeted for April 2020. By late 2018, a portion of the line from Wink to McCamey, TX, will begin partial service

ConocoPhillips and BP will trade stakes in some assets in two deals. In one, BP will buy a COP subsidiary which will hold 16.5% in the BP-operated Clair Field offshore Scotland; COP will retain a 7.5% interest. Meanwhile, COP will acquire BP's 39.2% interest in the Greater Kuparuk Area in Alaska and BP's 38% interest in the Kuparuk Transportation Co.

Cimarex Energy will sell some properties in Ward County, TX to Callon Petroleum for \$570mm in cash, including 18,925 net Wolfcamp acres. The sale adds to Callon's Spur operating area in the Delaware basin

Kinder Morgan said the government of Canada will buy its Trans Mountain Pipeline system and expansion project for \$3.46 billion. The Canadian government agreed to fund the resumption of the expansion project's planning and construction work. In April, Kinder Morgan halted most work on the \$5.87 billion Trans Mountain Pipeline expansion project because opposition from the British Columbia government brought too much uncertainty. Kinder Morgan and its subsidiary had spent \$865.9mm on the project

Nine years after it proposed a 43,000-acre natural gas project in the Uinta Basin of Utah, EOG Resources is hitting the pause button, citing changes in the gas market and drilling technology and the drop in prices since in the region since the project was announced. EOG asked the agency to stop work on the proposed Greater Chapita Wells Natural Gas Infill Project in northeastern Utah because EOG is withdrawing its current plan. EOG had initially proposed the plan in 2009 calling for drilling up to 2,808 gas wells



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Council of Petroleum Accountants Societies



# SAVE THE DATE

2019 SPRING MEETING: APRIL 23-26, 2019

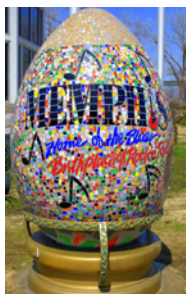
## WALKING IN MEMPHIS

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### CONFERENCE REGISTRATION RATE

\$375 per attendee | \$450 after March 22, 2019 | \$275 spouse / guest

Meals included in registration rate



### AGENDA

#### MONDAY

Board of Directors

#### TUESDAY

COPAS Energy Education Session

Leadership Conference

Leadership Dinner

Hospitality Suite

#### WEDNESDAY

First Timer's/General Breakfast

Opening Session

Emerging Issues

Subcommittee

Financial Reporting Committee

Lunch - Blues City Cafe

Excursions

Rooftop Party

#### THURSDAY

General Breakfast

Board of Directors

Audit Committee

Duck Walk

Lunch - Rendezvous

Education Committee

Revenue Committee

Excursions/Small Oil & Gas Committee

Dinner - Itta Bena

#### FRIDAY

General Breakfast

Council Meeting





## GROUP ROOM RATE RATE:

\$209 Plus Taxes/Fees (Rate available 3 days before and after room block)

Rate guaranteed until room block is filled or April 1st

Group code for booking: 190422COPA

## PEABODY HOTEL MEMPHIS

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### ABOUT THE HOTEL & LOCATION

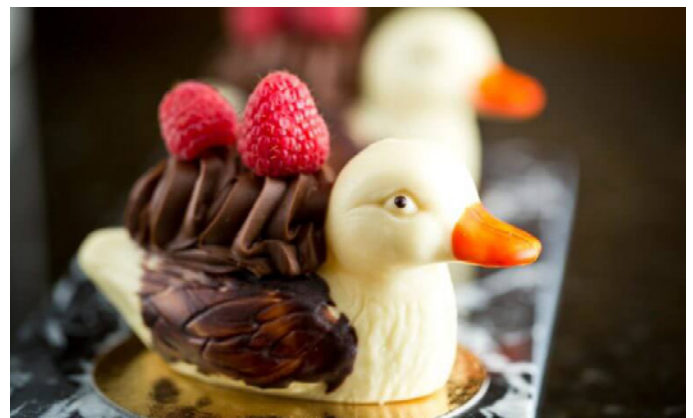
#### JOIN US AT THE SOUTH'S GRAND HOTEL

The Peabody is a luxurious, Mobil Four Star and AAA Four Diamond hotel that sits proudly as one of the jewels of Memphis. The Peabody offers 464 completely renovated guest rooms, including 15 suites. Its statuesque beauty captures its significance as a historic landmark. Apart from its architectural unique aesthetic, the guests rooms and suites include all the features you expect in the modern hotels. Be a part of history from unparalleled view of the Mississippi River every day. Situated in historic Memphis, the hotel is a few blocks from a myriad of attractions, such as historic Beale Street, B.B. King's Blues Club, and BackBeat Tours. You can explore the "Home of the Blues" with ease and convenience.

“

*The Mississippi Delta begins in the lobby of The Peabody Hotel and ends on Catfish Row in Vicksburg. The Peabody is the Paris Ritz, the Cairo Shepard's, and the London Savoy of this section. If you stand near its fountain in the middle of the lobby, where ducks waddle and turtles drowse, ultimately you will see everybody who is anybody in the Delta...*

- DAVID COHN,  
AUTHOR- HISTORIAN 1935





# EXCURSIONS AND ATTRACTIONS WHILE VISITING MEMPHIS

(Planned excursions will follow)

BEALE STREET

GRACELAND

NATIONAL CIVIL RIGHTS

MUSEUM- LORRAINE MOTEL

MEMPHIS ROCK N SOUL

SMITHSONIAN MUSEUM

BLUES HALL OF FAME

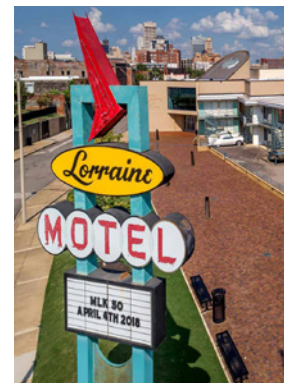
SUN STUDIO

STAX RECORDS

GIBSON GUITAR FACTORY

B.B. KING'S BLUES CLUB

BASS PRO SHOPS AT THE PYRAMID







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A young man devoid of direction sought guidance from the patron St. Jude Thaddeus. His prayer was that a path be revealed to him and his life would follow course. That young man was Danny Thomas. Soon after he felt St. Jude revealed his life's true mission, he set about fulfilling it. Thomas' earnest prayer grew into what is now one of the largest children's' cancer research centers. With its mission to advance cures and means of prevention for pediatric catastrophic diseases through research and treatment, St. Jude has kept consistent with the vision of it's founder Danny Thomas. No child is denied treatment based on race, religion or a family's ability to pay. It is this steadfast dedication that has inspired PASM-COPAS to set a goal to raise \$10,000 to help advance St. Jude's efforts. To whoever is able to raise the most funds will serve as our Thursday Duckmaster! To donate or create a fundraising team, please click our donation link <http://fundraising.stjude.org/COPAS2019>



***"No child should die in the dawn  
of life."***

- DANNY THOMAS, FOUNDER







# BECOME AN APA<sup>®</sup>

## GENERAL TEST INFORMATION

The exam is a single exam of 175 questions, and is offered in the odd calendar months, except January. Registration is required no later than 45 days prior to the exam windows. Please see the exam registration information below.

Tests are administered through Castle Worldwide using their extensive testing center network. International testing

options are available for a slightly higher fee. [A practice exam is available for \\$75.](#)

Contact Vanessa in the COPAS office for additional information. 303.300.1131, M-F 8 a.m. to 5 p.m. Mountain or email at [Vanessa.Galindo@copas.org](mailto:Vanessa.Galindo@copas.org). Learn more about the program.

### TESTING DATES

MONTH	REGISTRATION OPENS	REGISTRATION CLOSES
November 2018	August 1, 2018	September 17, 2018
March, 2019	December 3, 2018	January 15, 2019
May, 2019	February 1, 2019	March 15, 2019
July, 2019	April 1, 2019	May 17, 2019
September, 2019	June 3, 2019	July 19, 2019
November, 2019	August 1, 2019	September 13, 2019

## CONGRATULATIONS TO THE NEWEST, APA<sup>®</sup>'s:

Jacque Bateman, APA<sup>®</sup>

Derick Etoe Sone, APA<sup>®</sup>

Scott Jones, APA<sup>®</sup>

Erin Stough, APA<sup>®</sup>

Janae Todd, APA<sup>®</sup>

Jingnan Zheng, APA<sup>®</sup>

# ABOUT THE NEW CREDENTIAL



Developed and administered by the Council of Petroleum Accountants Societies, Inc. (COPAS)

The APA® is a unique credential among other accounting credentials. While the petroleum accountant needs to understand basic accounting concepts, and possess an understanding of all accounting matters, the petroleum industry operates under unique guidelines and principles.

The APA® professional is not only equipped with knowledge and understanding of the industry, but with expertise to excel in job performance. The APA® designation should provide the credential holder greater opportunities for employment, promotion and retention.

To be eligible for the credential, a candidate must possess a 4-year degree with 12 hours of Accounting plus one year of petroleum accounting experience OR have 5 years of petroleum accounting experience.

## STUDY MATERIALS ADDITION

AG-17, *Refining and Marketing Exchange Accounting* is now part of the recommended study materials. If you have previously purchased the study material bundles, please contact Vanessa Galindo to obtain that publication.

## IMPORTANT INFORMATION!

### ANNUAL APA® RENEWAL

The annual renewal process for APA®s has begun. Renewal forms and invoices were sent in January. Late charges on unpaid balances are being accrued. If you have not reported your CPE and paid your annual assessment, please contact the office for assistance. Continuing Professional Education (CPE) hours are to be reported to Vanessa Galindo ([APAAdministrator@copas.org](mailto:APAAdministrator@copas.org)) or directly to [Vanessa.Galindo@copas.org](mailto:Vanessa.Galindo@copas.org).

The new requirement is now 30 CPE hours over a two-year period, with a minimum of five (5) CPE hours earned in any one year to maintain current APA® certification.

### REVIEW COURSE COMING

While the exact details, format, and cost are not yet known, the COPAS Board of Directors has committed to developing an APA® Review Course during 2018.

The Practice Exam will remain available to you, but we look forward to helping candidates manage the study material workload and access additional sample test questions for each of the exam domains.

Stay tuned for this exciting development!





COPAS  
SEPT 16 - 20, 2019



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**TENTATIVE AGENDA**

**MONDAY**

Board Meeting

**TUESDAY**

COPAS Energy Education offering

Leadership Conference

Leadership Dinner at Jimmy Buffett's Margaritaville

**WEDNESDAY**

Committee Meetings

Golf Tournament & Tours

Welcome Reception at Main Event

**THURSDAY**

Committee Meetings

Roarin' Reception & Casino Night at Hotel

**FRIDAY**

General Council Meeting

**ROOM RATE**

Standard Room \$109/night

Signature Suite \$134/night

**A GUARANTEED  
RING-A-DING-DING  
YOU WON'T SOON FORGET**



# ARE YOU A SUBJECT MATTER EXPERT?

You may be reluctant to think of yourself this way. I have often heard instructors comment to me “I don’t know that I’m a subject matter expert, but I have a deep working knowledge of this job and I wish the education courses available would include...” or “I have been doing this a long time and I’ve seen so many cases that our career field could benefit from, but how do we pass on this knowledge?” Expert is a lofty word that often makes people cringe. It may be an unfortunate designator with which content developers, course reviewers, and instructors are tagged in the education arena, because it makes many very knowledgeable and experienced people shy away from contributing to their field in a deeply meaningful and valuable way.

BUT - A Subject Matter Expert (SME) is someone who knows the information that everyone needs to know. Some have years of experience and are in leadership and management roles and looking out to the future wondering how the education gap will be filled for their people – “How can I get them see?” they are often thinking. Others are the people doing the nitty gritty work, day in day out, building experience, but working daily with the problems that need to be communicated.

Education needs multiple perspectives to overcome the natural biases of single experience, which can be projected into education programs. The contribution of experienced and knowledgeable active worker “experts,” articulating which skills and behaviors are beneficial to the career field, is invaluable to an education program. You are the people who know which sub-skills and competencies are vital to success, which scenarios and cases serve as key teaching examples, and which areas are underserved and missing from the development of your co-workers and subordinates.

The knowledge of SMEs is ever more crucial. Our businesses are growing in an information- overload economy and areas of specialization are becoming numerous and insular. We are very fortunate as an organization to have so many passionate and experienced members who have come together to develop the documentation and guidelines for doing accounting in the petroleum industry right! The energy and commitment evident at COPAS meetings, and the dynamic discussion that our members have working to resolve methods to deal with emerging issues and complex problems in the field are inspiring.



## THIS IS OUR CALL TO YOU FROM COPAS ENERGY EDUCATION!

IF YOU WOULD LIKE TO BE PART OF THE COPAS ENERGY EDUCATION DEVELOPMENT AND DELIVERY TEAMS, OR IF YOU SIMPLY HAVE IDEAS ABOUT COURSES OR OBJECTIVES THAT CEE SHOULD PROVIDE WE WOULD LIKE TO HEAR FROM YOU. PLEASE CONTACT ANGIE KNIPE AT [ANGIE.KNIPE@COPAS.ORG](mailto:ANGIE.KNIPE@COPAS.ORG) OR CALL ON 303-300-1139

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If you have taken courses and wished for certain content, known that there was a way to make the content more relevant to the current workforce, or had ideas about examples and case studies that would have been useful; if you have ideas that you wish you could pass on, or content you want your workers to know, then you are what the program needs.

Remember, as an SME, you are not expected to know everything, you are not expected to do all the writing, or to produce the end learning products. Your knowledge, however, will facilitate that process. You will be able to identify the goals and work backwards to suggest the best process of explaining how to reach the goals. YOU ARE INDISPENSABLE TO THE EDUCATION PROCESS. Your ideas and direction are valuable, and

### CURRENT WEBINAR SERIES SCHEDULE

#### PRINCIPLES OF JOINT INTEREST ACCOUNTING SERIES

PROGRAM LEVEL: BASIC

by Phil Fischer and Jeff Wright

- Special JV Adjustments (1 credit)
- Allocations (1 credit)
- Joint Interest Billing & Accounting for JV Costs (2.5 credits)

Tues October 9 12 PM CT  
Tues November 13 12 PM CT  
Tues December 11 12 PM CT

#### GAS BALANCING SERIES

PROGRAM LEVEL: INTERMEDIATE

PREREQS: SOME REV EXPERIENCE

by Salomon Tristan

- Settlement & Imbalance Reporting (1 credit)

Wed October 17 10 AM CT

#### PRINCIPLES OF REVENUE ACCOUNTING SERIES

PROGRAM LEVEL: BASIC

By Salomon Tristan

- Checkstub Processing (1credit)
- Relationships (1credit)
- Variance Analysis Analytics (1 credit)

Thursday October 18 10 AM CT  
Thursday November 15 10 AM CT  
Thursday December 15 10 AM CT

#### INTRO TO OIL AND GAS EXPLORATION, PRODUCTION, AND UPSTREAM OPS

PROGRAM LEVEL: BASIC

by Phil Fischer

- Horizontal Drilling, Fracturing and Completing & Producing the Well (1.5)

Tue October 9 2:00 PM (CT)

#### JOINT INTEREST AUDIT SERIES

PROGRAM LEVEL: INTERMEDIATE

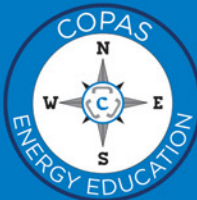
PREREQS: SOME JI EXPERIENCE

by Dalin Error

- Auditing Tools and Tips of the Trade (1 hr)
- Practical Side of Reconciliations

Tue October 16 10:00 AM (CT)  
Wed November 14 10:00 AM (CT)

ADVANCE PREPARATION: NONE      COST: VARIES      FIELDS OF STUDY: ACCOUNTING, AUDITING, AND SPECIALIZED KNOWLEDGE  
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# LEGISLATIVE & REGULATIVE UPDATE



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## ALASKA

The Alaska Legislature gavelled in on January 16 and adjourned sine die on May 12. Although several oil and gas tax bills were considered, only **HB331** passed. HB 331 authorizes the sale of bonds to pay the holders of outstanding tax credit certificates. While Governor Walker signed **HB331** into law, bond sales are unlikely to occur until the pending lawsuit that challenges the constitutionality of **HB331** is resolved.

### BLM

As part of President Trump's goal to reduce the burden of federal regulations that hinder economic growth and energy development the Bureau of Land Management has revoked or suspended several proposed rules announced over the last two years. These rules commonly referred to as Orders 3,4,5, and 9 were originally scheduled to be in effect in January 2017. The recent changes are described in more detail below. BLM is considering reopening the rules in 43 CFR 3173-3175 in August 2018 for industry comments. Targeted changes identified by industry and acknowledged by the BLM will be made after the comment period.

Onshore Order 3 (Site Security) (Codified as CFR 3170) would strengthen

minimum standards to ensure that oil and gas produced from Federal and Indian (except the Osage Tribe) onshore leases are properly and securely handled to prevent theft and loss and to enable accurate measurement and production accountability. Potential changes to Order 3 could address: (1) establishing a new nationwide process for designating official points for royalty measurement, known as **facility measurement points (FMP)**; (2) new standards for commingling approvals that could result in producers having to move the royalty measurement point to upstream points when a CDP has never been approved by the BLM as a commingling point; (3) the proper use of seals; (4) procedures for meter by-passes; (5) reporting incidents of unauthorized removal or mishandling of production; (6) filing site facility diagrams; and (7) guidelines for off-lease measurement. Early in 2017, the BLM sent notice they are not able to accept electronic applications for FMP numbers, and they extended the due dates of the applications by 4 months. The BLM now anticipates that their FMP registration system will be in place in January 2019.

Onshore Order 4 (Oil Measurement) (Codified as CFR 3174) provides: (1) enhanced requirements for oil sales by tank gauging; (2) rules regarding vapor tight tanks; (3) Lease Automatic Custody Transfer components and requirements; (4) allowing the use of Coriolis measurement systems which measure and output flow, temperature, density and viscosity.

Onshore Order 5 (Gas Measurement) (Codified as CFR 3175) provides: (1) enhanced requirements for electronic gas meters; (2) enhanced inspection requirements for gas meters; (3) improved standards for gas sampling and thermal content determinations; (4) improved testing and review standards for the Department's Gas and Oil Measurement Team (an interagency panel of measurement experts); and (5) overall performance goals for gas measurement meters based on the volume of gas measured. Measurement equipment at all FMPs installed after January 27, 2017 must meet 3174 and 3175 standards immediately, with exceptions for the requirement to use BLM-approved equipment and to enter gas analysis data into the Gas Analysis Reporting and Verification System (GARVS).

Onshore Order 9 (Waste Prevention Rule aka Venting & Flaring): (Codified as CFR 3179)

On November 18, 2016, the Bureau of Land Management (BLM) published in the Federal Register a final rule entitled, "Waste Prevention, Production Subject to Royalties, and Resource Conservation" ("2016 final rule"). The 2016 final rule replaced the BLM's existing policy, NTL-4A, which governed venting and flaring from BLM-administered leases for more than 35 years. On December 7, 2017, the BLM announced it would suspend or delay certain requirements of this rule until January 17, 2019. On February 22, Judge William Orrick of the U.S. Northern District of California Court issued a preliminary injunction against the BLM's

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suspension, which in effect means that the 2016 rule is still in effect. On April 4, U.S. District Judge Scott W. Skavdahl in the US District Court for the District of Wyoming stayed the compliance deadlines of the Venting and Flaring rule while and until the new proposed rule (see information below) becomes finalized.

On February 12, the BLM revised the 2016 final rule finding that the rule imposed excessive costs on industry and saying that a regulatory framework similar to NTL-4A can be applied in a manner that limits waste without unnecessarily burdening production. The new rule is expected to become final in August 2018. The BLM's February 2018 proposal will rescind the following requirements of the 2016 final rule:

- Waste Minimization Plans;
- Well drilling requirements;
- Well completion and related operations requirements;
- Pneumatic controllers equipment requirements;
- Pneumatic diaphragm pumps equipment requirements;
- Storage vessels equipment requirements; and
- LDAR (Leak Detection and Repair) requirements.

In addition, under this proposal, the following requirements in the 2016 final rule would be modified and/or replaced with requirements that are similar to those that were in NTL-4A:

- Gas capture requirements would be revised to conform with policy similar to that found in NTL-4A;
- Downhole well maintenance and liquids unloading requirements; and
- Measuring and reporting volumes of gas vented and flared.

The remaining requirements in the 2016 final rule would either be retained, modified only slightly, or removed, but the impact of the removal would be small relative to the items listed previously. **The BLM is not proposing to revise the royalty provisions (§ 3103.3-1) or the royalty-free use provisions (subpart 3178) that were part of the 2016 final rule.** Be aware that these new royalty provisions could require producers pay royalties on avoidably lost gas volumes from outside operated properties where the producer takes their gas in-kind and remits their own federal royalties. This would necessitate communication between the operator and take-in-kind producers to identify when volumes are avoidably lost. BLM's defines "Avoidably Lost" and "Unavoidably Lost" as follows:

**Avoidably lost** is redefined in new section 3179.4 as "gas that is vented or flared without BLM approval, and produced oil or gas that is lost due to operator negligence, the operator's failure to take all reasonable measures to prevent or control the loss, or the operator's failure to comply fully with applicable lease terms and regulations, appropriate provision of the approved operating plan, or prior written BLM orders". 3179.5 is not changed and continues to state that royalty is due on all

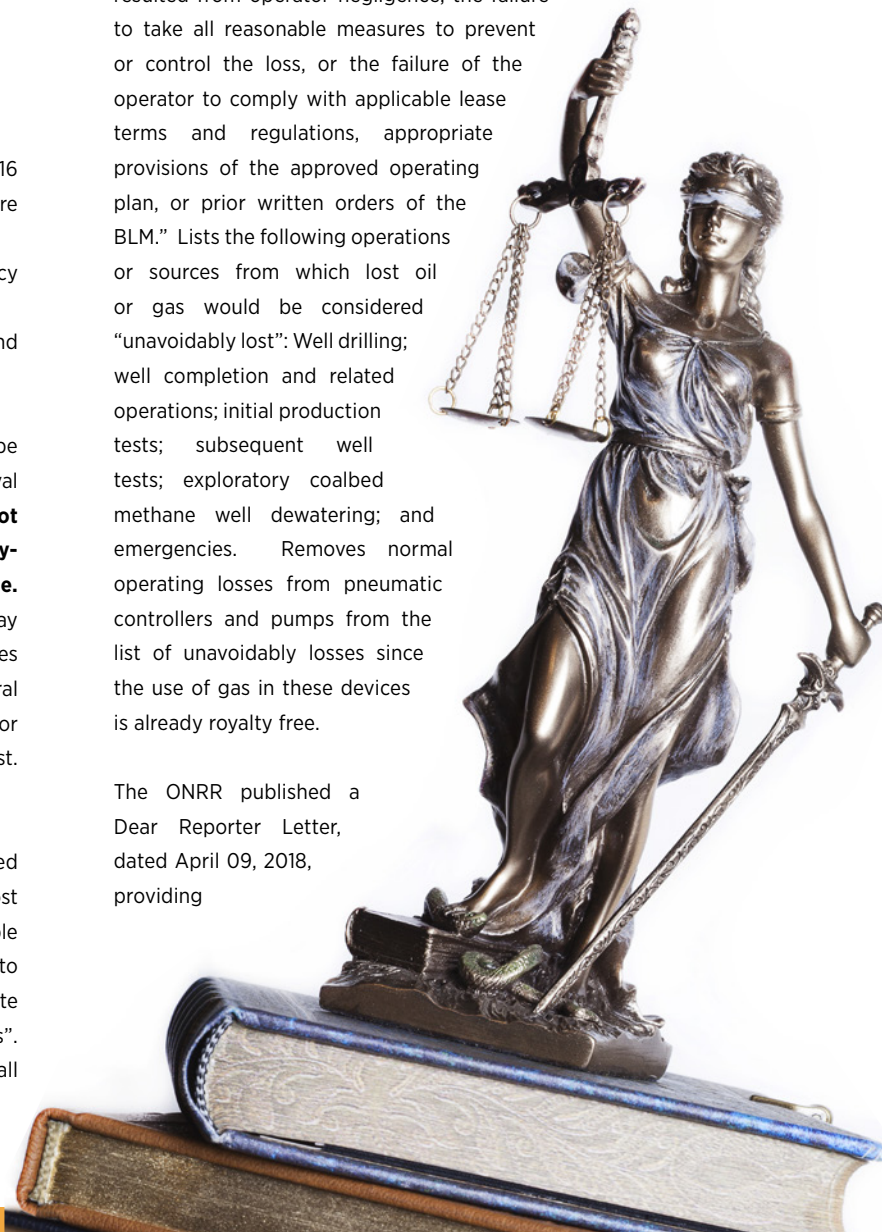
## GET PLUGGED IN

*If you are interested in receiving free legislative updates as they occur, please e-mail Mike Foster at [MikeFoster@copas.org](mailto:MikeFoster@copas.org) or Nate Wolf at [NateWolf@copas.org](mailto:NateWolf@copas.org). Specify whether you want to receive updates on just state severance taxes and/or state/federal royalties. Please note that these bills only represent what has been filed or proposed at the time of this article. Several of them may never go anywhere, while others may get voted down, vetoed, amended and/or passed.*

avoidably lost oil or gas and that royalty is not due on any unavoidably lost oil or gas.

**Unavoidably lost** is redefined in new section 3179.4 as "oil or gas that is lost due to line failures, equipment malfunctions, blowouts, fires, or other similar circumstances...unless that loss resulted from operator negligence, the failure to take all reasonable measures to prevent or control the loss, or the failure of the operator to comply with applicable lease terms and regulations, appropriate provisions of the approved operating plan, or prior written orders of the BLM." Lists the following operations or sources from which lost oil or gas would be considered "unavoidably lost": Well drilling; well completion and related operations; initial production tests; subsequent well tests; exploratory coalbed methane well dewatering; and emergencies. Removes normal operating losses from pneumatic controllers and pumps from the list of unavoidably losses since the use of gas in these devices is already royalty free.

The ONRR published a Dear Reporter Letter, dated April 09, 2018, providing





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new OGOR-B disposition codes for reporting Vent and Flare volumes on which royalties are due. These **are to be effective with July 2018 sales date and to be reported to the ONRR with the September 2018 OGOR** report submissions. Disposition code 08 (Spilled and/or Lost -Avoidable-Royalty Due) may continue to be used thru June 2018 production. The new Codes are Disposition code 33 (Flared Gas – Royalty Due) and Disposition code 63 (Vented Gas – Royalty due). Non-Royalty Bearing Flared and Vented gas volumes will continue to be reported on OGOR-B using disposition codes 21 (Flared Oil-well gas – Royalty Not Due), 22 (Flared Gas-well gas – Royalty Not Due), 61 (Vented Oil-well Gas – Royalty Not due), 62 (Vented Gas-well Gas – Royalty Not Due). The ONRR has been asked by Industry to clarify how the royalty bearing Vent/Flare volumes are to be reported on the form 2014.

Hydraulic Fracking: The Bureau of Land Management announced in the Federal Register on December 28, 2017, a final rule to rescind the 2015 final rule on hydraulic fracturing, a rule that was never in effect due to pending litigation.

Communitization Agreement Approval Process: The General Accounting Offices (GAO) released a report stating it was taking too long to approve Indian CA's. The report acknowledged the streamlined process that was developed in 2016, and says there are no controls on how long it should take to approve a CA and recommends the DOI: establish time frames for the BIA and BLM review and approval of Indian CAs; develop a systematic mechanism to track these CAs through the review process; and assess its actions to improve the timeliness of the process. The BLM

is working on an Instruction Memorandum that specifically addresses overlapping CA's.

The BLM issued Informational Bulletin 2018-061 on June 6 directing its agency field offices to expedite the processing of permit applications for oil and gas activities, including drilling and producing operations, and pipelines by increasing its use of categorical exclusions where possible. This Informational Bulletin acknowledges the agency's obligation to comply with the National Environmental Policy Act (NEPA), that existing environmental analysis for new projects proposed for old sites "should be used to the greatest extent possible" instead of starting new environmental reviews.

BLM Restructuring: On January 10 Interior Secretary Ryan Zinke's announced his vision for reorganizing the Interior Department by dividing management of millions of federal acres into 13 multistate regions along boundaries of watersheds and basins. One map, which sources said was developed by the U.S. Geological Survey, outlines the boundaries of 13 regions stretching across the continental United States and Alaska, as well as the Pacific islands, Puerto Rico and the U.S. Virgin Islands. The regions, in many cases, split states like Colorado, Nevada and Wyoming into multiple sections. After receiving input from Governors, local governments and stakeholders on February 23, the DOI revised the draft unified regional boundary map. The new draft unified regional boundary map follows state lines, with few exceptions, but also follows the intent of these boundaries being organized along watersheds and ecosystems. See New Map below.

## EXHIBIT A



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BLM Instructional Memo 2018-034 (released January 31): The BLM states that it is the agency's policy to "simplify and streamline the leasing process to alleviate unnecessary impediments and burdens, to expedite the offering of lands for lease," and to ensure drilling rights sales happen regularly. The changes include setting a 60-day deadline for processing proposed lease sales, leaving public participation in certain reviews up to low-level officials, limiting protest periods for sales to 10 days and repealing an Obama administration policy that let other land users, like hunters and anglers, object.

## Colorado

Colorado began their Legislative Session on January 10. On December 6, 2017 the Initiative #70, 'Severance Taxes on Oil and Gas', was reheard at the title board based on the premise that the measure does not constitute a single subject. The result of this rehearing was that the title was denied. This Initiative is most likely dead for 2018.

The Colorado Secretary of State's Title Board approved Initiative #94 for the November Ballot at their hearing on January 3 but the petitioners did not obtain the required signatures. Therefore, there is no longer a possibility for this Initiative to be placed on the ballot and is considered dead. The Initiative provided for significant increases in the severance tax, eliminated the property tax credit against the severance tax paid by producers and reduced the maximum amount allowed to be tax-exempt among other things. Revenue from the new tax was to go to public schools as well as to provide medical care and treatment to "people suffering negative health impacts proximately caused by oil and gas production."

The Colorado Oil and Gas Conservation Commission (COGCC) held a rulemaking on February 12 to increase the oil and natural gas mill levy to pay for the discrepancy in funds for general operating costs of the Commission. The Colorado Petroleum Council had party status and testified at the hearing. COGCC unanimously approved an increase in the mill levy on oil and gas production from 0.7 to 1.1 mills to fill a \$2-\$3 million shortfall in funding the annual operating expenses. Per COGCC, if shortfalls continue, a subsequent increase in the mill levy, up to the statutory limit of 1.7 mills, may also be proposed later this summer. The mill levy increase was effective April 1.

**Colorado Oil and Gas Conservation Commission (COGCC) Rule 1104 Integrity Management** Colorado regulators approved new rules for thousands of oil and gas pipelines on February 13, 10 months after investigators blamed a leaking pipeline for a fatal gas explosion. The regulations set requirements for installing, testing and shutting down flow lines, which carry oil and gas from wells to nearby equipment. They also require energy companies to report the locations of many pipelines to regulators.

**HB-1249 Joint Budget Committee. Anvil Points Federal Mineral Lease Distribution** Concerning the requirement that the state treasurer distribute any federal funds related to the naval oil shale reserve land to specified counties or their federal mineral lease districts. Potentially about \$33MM in Oil Shale money that the Feds have withheld will soon be disbursed to the State of CO and in turn dispersed to the 4 counties (40% to Garfield; 40% to Rio Blanco; 10% to Mesa; and 10% to Moffat. Bill was signed by the Governor on March 22.

### Energy Information Administration (EIA)

The EIA published a Federal Register Notice on April 4, requesting comments on a new survey Form EIA-806, Weekly Natural Gas Liquids Report, to collect data on the production and stocks of natural gas liquids (NGLs) on a weekly basis. The proposed survey will impact reporting that is completed by gas plant operators. The report will augment current monthly Form EIA-816 "Monthly Natural Gas Liquids. API commented on June 4 that industry could incur costs of hundreds of thousands of dollars per company to implement this new report as most companies do not track weekly NGL inventories.

### Extractive Industries Transparency Initiative (USEITI)

On November 2, 2017, Mr. Gregory Gould, Director of the DOI ONRR sent a letter to Mr. Fredrik Reinfeld, Chair of the EITI Board stating that, "While the U.S. government remains committed to fighting corruption in the extractive industries sector, and the ideals of transparency enshrined in the EITI Principles and the EITI Standard, it is clear the domestic implementation of EITI does not fully account for the U.S. legal framework. Effectively immediately, therefore, the United States must withdraw as an EITI Implementing Country." The letter goes on to say that the ONRR remains fully committed to institutionalizing the EITI principles of transparency and accountability consistent with U.S. law".

## Georgia

The 2018 Georgia General Assembly convened on January 8 and adjourned March 29. **HB205** is a committee substitute Bill carried over from 2017. It includes groundwater monitoring and notification requirements and imposes a state severance tax on oil and gas production (\$0.03/bbl and \$0.01/MCF) and allows local governments to also tax production (not to exceed an additional \$.09/bbl and \$.02/MCF). Both taxes would be collected by the Department of Revenue. **HB205** has passed both chambers and is awaiting the Governor's signature.



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## Kansas

Kansas opened their Legislative Session on January 8 and adjourned May 21. Their first adjournment was April 6 where Lawmakers took a break until Veto Sessions which ran through April 26.

The Kansas Corporation Commission held a public hearing on May 24 adopted rules and regulations to increase the mill levies on both oil and natural gas. The regulations increase the oil conservation assessment from 91 to 144 mills on each barrel of crude oil marketed or used. For the natural gas conservation assessment, the increase is from 12.90 to 20.50 on each 1,000 cubic feet of gas sold or marketed. The new mill levies were effective June 15.

## Louisiana

Louisiana started their 2018 Legislative Session March 12. This is a non-fiscal legislative session so there will not be any severance tax bills filed during the regular session.

On December 6, 2017, the Louisiana Board of Tax Appeals rendered a decision in favor of the taxpayer in the test case involving the Department of Revenue's assessment of additional oil severance taxes on producers. The allegations that producers took improper transportation or other contractual deductions or should have paid severance tax based on the higher of an index price or market center price was overturned. The Board ruled that the statute requires that the oil be valued at the time and place of severance, which is in the field and not at a market center where the price is higher.

**HB331** provides that the oilfield site restoration fee charged on the production of oil is payable upon the initial disposition of each barrel of oil and condensate by the producer. This Bill will be retroactive to July 1, 2017, as well as prospectively. The bill was signed by the Governor on May 20 and becomes Act No. 84 effective July 1.

**HB444** – Minerals/Rights-Royalty - This regulation governs the notification required when a mineral lessee seeks relief for the failure of the lessor to make timely or proper payment of royalties. Specifically, the lessee must give his obligor written notice of such failure as a prerequisite to judicial demands. The law is amended to specifically exclude payments to unleased mineral owners.

## Mississippi

Mississippi convened their General Assembly on January 2 and adjourned April 1. **HB1350** deletes the repealing language of July 1, 2018

that establishes a reduced rate on the initial oil and natural gas produced from horizontally drilled wells and horizontally drilled recompletion wells. Throughout the legislative session, this Bill was amended to ***extend, rather than repeal***, the severance tax exemption until July 1, 2023. This Bill was approved by the Governor.

## New Mexico

New Mexico's Legislative Session opened January 16 and ran through February 15.

On March 7, representatives of the oil and gas industry met with members of the New Mexico Tax and Revenue Department (TRD), including several TAP system contractors in Santa Fe, New Mexico, to discuss several implementation concerns based on accuracy and completeness surrounding the TRD's new TAP system. The meeting was productive as TRD, including its contractors, gained a better understanding of industry's concerns and committed to working with industry throughout this transition.

TRD provided explanations to some of industry's concerns, but also admitted that the communications regarding many characteristics of TAP were unclear, confusing or insufficient. As a result of the meeting, TRD and its contractor agreed to provide detailed explanations for several different scenarios developed by industry. Accordingly, during the following week industry provided TRD several fact patterns-based lingering concerns with the transition. TRD (including their contractors) were then to review the fact patterns and to provide detailed explanations for dealing with these different scenarios. TRD is also to produce a 'Quick Tip' fact sheet to be distributed to industry showing both the scenarios and their explanations. None of which has been received by industry yet.

At the end of the meeting, New Mexico Oil and Gas Association (NMOGA) renewed its request for a grace period during the first three months of the transition where TRD agrees to waive penalties and related interest related to errors made in good faith by industry. While TRD was reluctant to agree in advance to a blanket grace period, leadership did communicate a willingness to work with industry during this transition period and recognized the need to be flexible with respect to penalties assessed during this unique period. To that end, members should be vigilant in tracking errors and immediately bring such errors to the TRD's attention when the situation arises. If issues do arise, TRD will work with each member to resolve those issues without assessing penalties so long as the member is able to demonstrate a good faith effort to utilize the new system and comply with TRD's regulations.

**State of New Mexico Royalty Reporting** (to the State Land Office) On

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December 18, 2017 the SLO announced that it has “not identified an alternative royalty program to replace the existing ONGARD system at this time. Efforts are underway to obtain a replacement system. In the meantime, the State Land Office will continue to use its legacy ONGARD system to process royalty returns and assign PUNs. Changes being made by TRD will not affect your royalty process or return format. The return format, current PUN definition and web portal remain the same for royalty until further notice.”

**HM51 Venting, Flaring & Capturing Natural Gas** This house memorial requests the New Mexico Legislative council to direct the interim legislative committee that studies water and natural resources issues to review data on the amount of natural gas being vented and flared in New Mexico and the economic benefits of methane gas capture plans. The memorial believes the state budget is losing up to twenty-seven million dollars in taxes and royalties per year due to unrecovered methane production. The memorial states that any legislative action resulting from this study would occur in the 54th Legislative session, in 2019.

## North Dakota

The North Dakota legislature is not in session in 2018. A former state legislator is chairing a committee working to place a measure on the November 2018 ballot to increase the oil extraction tax rate in North Dakota from 5% to 6.5%. Supporters must submit 13,452 valid signatures to the Secretary of State for the measure to advance. In 2015, the legislature lowered the tax from 6.5% to the current 5% rate and removed certain triggers that tied the tax to the price per barrel of oil. The North

Dakota Petroleum Council will oppose the measure should it qualify for the ballot.

The North Dakota Industrial Commission's (NDIC) published on December 4, 2017 new owner payment rules that remain problematic for industry. The rule changes (except those involving royalty statements) will go into effect April 1. **The rule change pertaining to royalty reporting will go into effect July 1, 2019.** The royalty reporting changes can be summarized into two major categories, Check Stub Detail and Ownership Interest Information Statement, these are detailed further below:

**Check Stub Detail:** Whenever payment is made for oil or gas production to an interest owner, whether pursuant to a division order, lease, servitude, or other agreement, all the following information must be included on the check stub or on an attachment to the form of payment, unless the information is otherwise provided on a regular monthly basis:

1. The lease, property, or well name or any lease, property, or well identification number used to identify the lease, property, or well; provided, that if a lease, property, or well identification number is used the royalty owner must initially be provided with the lease, property, or well name to which the lease, property, or well name refers.
2. The month and year during which sales occurred for which payment is being made.
3. One hundred percent of the corrected volume of oil, regardless of ownership, which is sold measured in barrels, and one hundred percent of the volume of either wet or dry gas, regardless of ownership, which is sold or removed from the premises for sale, or sale of its contents and residue, measured in thousand cubic feet.





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## 4. Price.

a. Oil. Weighted average price per barrel received by the producer for all oil sold during the period for which payment is made. The price must be the net price received by the producer after all deductions. All deductions are to be explained pursuant to subsection 6.

b. Gas and natural gas liquids. Weighted average price per thousand cubic feet [28.32 cubic meters] received by the producer for all gas sold and weighted average price per gallon received by the producer for all natural gas liquids sold during the period for which payment is made. The price must be the net price received by the producer after all deductions. All deductions are to be explained pursuant to subsection 6.

5. Total amount of state severance and other production taxes.

6. The amount and purpose of each deduction made, identified as transportation, processing, compression, or administrative costs.

7. The amount and purpose of **each adjustment or correction made.**

8. Net value of total sales after deductions.

9. Owner's interest in sales from the lease, property, or well expressed as a decimal.

10. Owner's share of the total value of sales prior to any tax deductions.

11. Owner's share of sales value less deductions.

12. An address where additional information may be obtained, and any questions answered. If information is requested by certified mail, the answer must be mailed by certified mail within thirty days of receipt of the request.

Industry continues to work thru the North Dakota Petroleum Council (NDPC) as a liaison to the North Dakota Department of Mineral Resources to understand and document specific check stub format and prior period adjustment explanation requirements. Six companies provided check stub examples to the North Dakota Dept. of Mineral Resources for analysis and validation and are now evaluating potential modifications needed to their respective check formats per the State's response.

### **Ownership Interest Information Statement:**

Within one hundred and twenty days after the end of the month of the first sale of production from a well or change in the spacing unit of a well, the operator or payor shall provide the mineral owner with a statement identifying the spacing unit for the well (and the effective date of the spacing unit change if applicable), the net mineral acres owned by the mineral owner, the gross mineral acres in the spacing unit, and the mineral owner's decimal interest that will be applied to the well.

### **Office of Natural Resource Revenue**

### **RESCINDED 2017 Federal Valuation Rule:**

On July 1, 2016, the ONRR published the Consolidated Federal Oil and

Gas and Federal and Indian Coal Valuation Final Rule (2017 Valuation Rule) in the Federal Register to be effective January 1, 2017. On August 7, 2017, the ONRR repealed this final rule and reinstated the valuation regulations that were in effect before January 1, 2017. This repeal was effective September 6, 2017. The States of California and New Mexico filed suit in the California Northern District Court on October 17, 2017 challenging the ONRR's repeal of the July 1, 2016 Rule, see *State of California, et al., vs. United States Department of the Interior, et al.* On April 06, 2018, the National Mining Association, Wyoming Mining Association and American Petroleum Institute filed a request to Intervene in the October 17, 2017 suit.

In response to the repeal of the 2017 Valuation Rule, the Secretary of the Interior announced his plans to establish a Royalty Policy Committee (RPC) to advise the ONRR on current and emerging issues related to the determination of fair market value and with regards to the collection of royalties from energy and natural resources on Federal and Indian lands. The ONRR expects that further internal assessment and analysis combined with consultations facilitated by the RPC will lead to the development and promulgation of a new, revised valuation rule that will address the various problems that were identified in the rule they repealed.

### **ROYALTY POLICY COMMITTEE (RPC):**

- Initially Launched October 4, 2017 at the Department of Interior Offices in Washington D.C.
- Committee Chair is Vincent DeVito of the Department of Interior
- Comprised of 27 primary members (seven ex-officio (representing BLM, BOEM, ONRR, BSEE, BIA, ALM, and ANS) six State representatives, four tribal representatives, six industry representatives and four from academia/public interest organizations).
- The RPC has been divided into three Primary Sub Committees and those into topical work groups:
  - > Tribal
  - > Fair Return & Value (focusing on valuation), Chaired by Matthew Adams, Cloud Peak
    - » Marketable Condition
    - » Audit Processes
    - » Payor Handbook Update
    - » Index Pricing
    - » Coal benchmark

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- > Planning, Analysis & Competitiveness (aka “Economics Team”) (to look at steps that could be taken to make the Department of Interior a better business partner to its investors) – Co-chaired by Colin McKee (State of Wyoming) and Randall Luthi - National Ocean Industries Association (NOIA)
  - » Alaska
  - » Onshore Oil & Gas
  - » Offshore Oil & Gas
  - » Studies Analysis
- RPC Formal Recommendations (from February 27-28 and June 6 meetings);
  - > Tribal Affairs:
    - » Name of Team Formally Changed to “Tribal Energy Subcommittee”.
    - » Recommends the Secretary issue guidance clarifying that the following items are not inherently federal functions and are therefore appropriate for tribes to manage in a Tribal Energy Resource Agreement (TERA):
      - Surface and mineral leasing
      - Oilfield regulations (APDs, site layouts, sundry notices)
      - Inspection and enforcement of all permitted activities
        - Determining what lands are available for leasing
        - Plugging and abandonment of oil and gas wells and reclamation of abandoned energy development sites to return them to their original condition.
- > Fair Return and Value:
  - » Index Pricing Work Group: Pursue rulemaking to define a simplified index price rules for Federal Gas
  - » Payor Handbook Work Group: Department of Interior (DOI) should create separate Federal and Indian Payor Handbooks
  - » Payor Handbook Work Group: DOI should invest in a process by which ‘evergreen’ Handbooks can be created and updated as regulations change.
  - » Marketable Condition Work Group: DOI should reexamine federal regulations to remove the ambiguity related to Boosting Compression. This recommendation will apply to Federal Gas only and will have no impact upon Indian Gas valuation.
  - » Coal Work Group: DOI should reinforce its consistent principle that arm’s length transactions are the best indication of market value for benchmark one.
  - » Coal Work Group: DOI issue a Secretarial Order indicating that a lessee’s own arms-length sales are preferential under valuation benchmark four.
  - » Coal Work Group: DOI should update the Solids Minerals Reporting Handbook in accordance with two recommended Coal changes above.
  - » Audit Work Group: With ONRR’s efforts to develop and implement their OMT tools and processes, the workgroup will have no recommendations for RPC at this time.
- > Planning, Analysis, & Competitiveness:
  - » Onshore Work Group: Reduce timelines for project approvals, including Applications for Permit to Drill (APD), Right-of-Way (ROW), sundries, lease nominations and unit agreement.
  - » Onshore Work Group: Limit the federal nexus for wells without a majority federal interest, i.e., reducing the situations in which the full gamut of federal approvals is required.
  - » Onshore Work Group: Improve land use planning and NEPA (National Environmental Protection Act) approvals.
  - » Onshore Work Group: Revise Onshore Orders 43 CFR 3173, 3174, and 3175 by giving due consideration to applicable API standards and Gas Processors Association (GPA) standards.
  - » Onshore Work Group: BLM should use the opportunity as it updates Instructional Memorandum 2009-78 Processing Oil and Gas Applications for Permit to Drill for Directional Drilling into Federal Mineral Estate from Multiple-Well Pads on Non-Federal Surface and Mineral Estate Locations (otherwise known as the fee-fee-fed IM) to avoid unnecessary NEPA analysis of impacts to nonfederal surface when multi-well pads develop both federal and nonfederal minerals from off-lease, nonfederal surface locations. Similar, this guidance should avoid unnecessary analysis of horizontal wells that develop a minority of federal minerals.
  - » Onshore Work Group: BLM should issue an Instructional





# LEGISLATIVE & REGULATIVE UPDATE

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- » memorandum (IM) directing all field offices to issue Categorical Exclusions (CX) when any of the Energy Policy Act of 2005 Section 390 criteria are met, unless specifically rebutted.
- » Onshore Work Group: In an effort to reduce NEPA processing timelines and increase regulatory certainty on public lands, project-specific NEPA documents should be scoped to the actual impact of projects and limited to best-available information, tiering to existing environmental analyses already analyzed in prior NEPA documents. Project proponents should not be required to fund new research to produce data that go beyond the scope of the project.
- » Alaska Work Group: Conduct a lease sale in the 1002 Area of the Arctic National Wildlife refuge as soon as practicable and ahead of the statutorily required timeline.
- » Coal Work Group: Agrees with Onshore NEPA recommendations, no formal recommendations currently.
- » Offshore Work Group: Set future lease sale thru 2024 at a royalty rate of no more than 12.5%.
- » Offshore Work Group: Revise, clarify and simplify process for granting varying royalty rate for declining or particularly costly fields. In a review of potential avenues for improved achievability of existing statutory royalty relief options, work group recommends DOI/agency personnel consider such factors as enhanced oil recovery (EOR); high pressure/high temperature wells (HPHT); and reservoir depths noting that 20,000 feet TVDSS is a common marker for exceptionally challenging reservoir depth.
- » Offshore Work Group: Increase offshore acreage available for oil and natural gas leasing.
- » Studies Work Group: The DOI should contract for a study to compare the U.S. GOM, Guyana and Mexico of royalty rates, total revenue, block size and recent lease sales over the last 3 years.
- » Studies Work Group: The DOI should contract to update the HIS-CERA 2011 study, for both onshore and offshore data.

On January 22 in the Federal Register, the ONRR published a Repeal of Regulatory Amendment and Restoration of Former Regulatory Language Governing Service of Official Correspondence. ONRR's "official correspondence" includes significant documents sent to industry, such as invoices, notices of audit, orders, and notices of enforcement. Historically, Department of the Interior (Department) regulations authorized ONRR to serve official correspondence by conventional means—U.S. mail, personal delivery, or private mailing service, such as FedEx or U.P.S. On August 23, 2013, ONRR published in the Federal Register a direct final rule amending its regulations to include electronic service, so long as the electronic service was secure and provided for a

receipt. The January 2018 rule, which is effective immediately, repeals the defective 2013 direct final rule and restore the former regulatory language governing service of official correspondence.

## Oklahoma

The Legislature, which adjourned more than three weeks before their deadline, passed more than 180 Bills that will have significant effects on various groups, including the Oil and Gas industry. For Bills that passed in the final five days of session, Governor Fallin has up to 15 days after adjournment to sign or veto them.

A petition to increase the initial gross production tax rate from 2% to 7% was filed in the Oklahoma Secretary of State's office on December 20, 2017. The petition needed 123,725 signatures to get the proposed SQ795 on the November 6 ballot, which would then need to be voted on by Oklahomans. On March 19, the Oklahoma Supreme Court ruled that the petition is 'legally sufficient' to be submitted to a vote of the people. However, when lawmakers adopted a 5% gross production tax rate in advance of the teacher walkout, Restore Oklahoma Now (proponents) reconsidered its goal. Therefore, on April 23 this campaign has ended.

Both the House and the Senate passed **HB1010XX**, which included a 5% Gross Production Tax on new wells (formerly 2%) and old wells, a \$1.00 per pack cigarette tax, \$0.03 tax on gasoline, a \$0.06 tax on diesel, and a \$5.00 hotel/motel tax. This Bill was sent to the Governor for signing. The total package has an annualized projection of approximately \$533 million of revenue while the increase in Gross Production Tax accounts for approximately \$204 million, nearly 40% of the entire revenue. This Bill became effective 90 days after the Governor's signature, which was July 1. Subsequently, the hotel/motel tax was repealed in **HB1012XX**. This will reduce the projected revenue by \$46 million. By running the repeal provision in a separate Bill, it allowed the original revenue package to go to the Governor immediately.

**HB1020XX**, the special session Bill balancing the FY 2018 budget, passed both the House and Senate, and has now been signed by Governor Mary Fallin. Governor Fallin signed the Bill which results in agencies having to implement a .66% budget cut. Since most of FY 2018 is already over, it equals out to about a 2% cut to the last four months of agencies' FY 2018 budget. The total dollars for some of the state's largest agencies includes \$2.6 million to the Department of Mental Health and Substance Abuse Services, \$4.64 million the Department of Human Services and \$6.8 million to the Oklahoma Health Care Authority.

**HB2775** Royalty Payment Requirements: amending 52 O.S. 2011, Section 570.10, which relates to payment of proceeds from sale of oil and gas production; expanding liability for payment of royalty proceeds to

# LEGISLATIVE & REGULATIVE UPDATE

include incorrect withholdings; removing requirement that interest rates on certain proceeds be compounded annually; authorizing the holder of certain proceeds to interplead such proceeds in court; applying the Unclaimed Property Act to proceeds from certain unmarketable titles; providing exceptions for the application of interest in certain circumstances; updating language; and providing an effective date. **HB2775** set the interest rate for proceeds from an oil and gas lease not paid due to unmarketable title at the prime interest rate reported in the Wall Street Journal, beginning November 1, 2018. **HB2775** has passed and was approved by the Governor on April 9.

## Pennsylvania

Governor Tom Wolf delivered his budget address on February 6 and as expected made the lack of a severance tax a focal point of his proposed 2018-2019 budget. A severance tax was a cornerstone of the Governor's 2014 campaign, as well. The House took the first step towards passing an "on time" budget by passing a General Appropriations Bill. **HB2121** passed the House by a vote of 188 to 10. The Bill calls for approximately \$32.7 billion spending during Fiscal Year 2018-2019. The Bill includes \$100 million increase in basic education funding and \$70 million for school safety initiatives. The State-System of Higher Education will see a 3.3% increase and the State-Related Universities will see a 3% increase. The Senate is scheduled to consider the Bill later during the week of June 25 and is on track to be sent to the Governor's desk ahead of the June 30 deadline. In addition to a general appropriations Bill, the chambers need to pass all the enabling revenue legislation needed to support the state budget spending plan. Several legislative leaders noted that there will not be a Tax Code Bill needed for this budget. However, there will be a Fiscal Code Bill, a possible Administrative Code Bill, a Health Code Bill, and an Education Code Bill needed to complete this year's budget. All indications are that a severance tax will not be included in any final plan.

There are two Bills that are alive but neither have any momentum. **HB2253** proposed a progressive tax structure based on the price of gas from the preceding calendar year. The graduated tax rate is between \$0.042/ MCF and \$0.074/MCF based on the price of natural gas. This Bill was referred to the Environmental Resources and Energy committee on May 3, 2018 but has not moved. **HB1401** proposed a volumetric severance tax of \$0.02/Unit to \$0.035/Unit, graduated based on average annual natural gas price, and is in addition to the local impact fee. Although **HB1401** remains on the House Calendar, it has seen no action and has been removed from the table. It is unlikely that this legislation will move forward.

**New GP-5 and GP-5A permits** were announced on June 12 by Governor Tom Wolf and Pennsylvania Department of Environmental Protection Secretary Patrick McDonnell. These newly revised general permits will

be required for new compression, processing and transmission stations along pipelines, and new natural gas wells

## Utah

**HJR2** is a Joint Resolution urging Congress to Relocate the headquarters for the Department of the Interior and the U.S. Forest Service to Utah. This bill has passed.

**SB191 State Regulation of Oil and Gas.** The bill clarifies the jurisdictional limits of local governments to impose excessive or unreasonable surface use regulations which effectively prohibit or otherwise severely limit oil and gas operations. The legislation is designed to prevent costly litigation over jurisdictional friction between states, local governments and industry as seen in other states.

**HB419 Pooling of Oil and Gas Interests.** This Utah Petroleum Association sponsored bill addresses and clarifies two issues stemming from passage of SB 191 in last year's session which amended state statute 40-6-6.5. The bill clarifies the situations where the Board of Oil, Gas and Mining can retroactively pool to the date of first production a well before entry of a Board order establishing a drilling unit. HB 419 also provides that an initial pooling order of the Board will apply to subsequently drilled wells in the same drilling unit unless a party petitions the Board for modification. With the advances in horizontal drilling, the Board has recently authorized the drilling of up to 40 such wells on a drilling unit. HB419 is intended to eliminate the need for additional pooling orders for every one of those wells beyond the initial well unless a party petitions the Board for modification and shows good cause for the modification, resulting in judicial economy for the Board.

### New Royalty Payor Number and Updated SITLA Royalty Report Form

On May 2, LaVonne J. Garrison, Assistant Director of the State of Utah School and Institutional Trust Lands Administration (SITLA) announced a new Oil and Gas Royalty Report Form and a new Royalty Payor number for all sales occurring after July 1.

## West Virginia

West Virginia convened their Legislative Session on January 10 and adjourned March 10. **HB4268** CO-tenancy Modernization & Majority Protection Act - West Virginia is the only major oil and gas producing state that allows a single minority interest owner to prevent all other interest owners from drilling on the property, placing it at a competitive disadvantage surrounding states and denying the remaining mineral owners of their right to develop their oil and gas resources. This statute will provide for such development to proceed if a certain percentage of such owners agree.



# LEGISLATIVE & REGULATIVE UPDATE

**SB360** Disallowance of Flat Rate Royalties (i.e. a fixed amount per well vs. a percentage of the volume of oil or gas produced or marketed) - to prevent the extraction, production or marketing of oil or gas under a lease or leases or other continuing contract or contracts providing a flat well royalty or any similar provisions for compensation to the owner of the oil and gas in place, which is not inherently related to the volume of oil or gas produced or marketed. Bill was approved by the Governor on March 9.

**HB4270 Check Stub (aka Transparency) Bill** passed March 10 and goes into effect 90 days from passage. The bill details the minimal information to be reported on the check stub as:

1. A name, number, or combination of name and number, **and the state issued American Petroleum Institute** number that identifies each lease, property, unit, pad, and well, for which payment is being made, and the county in which the lease, property, and well are located;
2. Month and year of production;
3. Total barrels of oil; number of MCF, MMBTU, or DTH of natural gas; and volume of natural gas liquids produced from each well and sold;
4. Price received per unit of oil, natural gas, and natural gas liquids produced;
5. Gross value of the total proceeds from the sale of oil, natural gas, and natural gas liquids from each well less taxes and deductions set forth in §37B-1-1(a)(6) of this code;
6. Aggregate amounts for each category of deductions for each well which affect payment and are allowed by law, including without limitation those deductions provided for under the terms of the governing lease;
7. Interest owner's interest in production from each well expressed as a decimal or fraction and reported pursuant to §37B-1-1(a)(1) of this code;
8. Interest owner's ratable share of the total value of the proceeds of the sale of oil, natural gas, and natural gas liquids prior to the deduction of taxes, if applicable, and other deductions set forth in §37B-1-1(a)(6) of this code;
9. Interest owner's ratable share of the proceeds from the sale of oil, natural gas, and natural gas liquids less the interest owner's ratable share of taxes, if applicable, and other deductions set forth in §37B-1-1(a)(6) of this code; and
10. Contact information of the producer of the oil, natural gas, or natural gas liquids, including a mailing address and telephone number.

An interest owner who does not receive the information required to be provided under this section in a timely manner may send a written request for the information by certified mail. Not later than the 60th day after the date the operator or producer receives the written request for information under this section, the operator or producer shall provide the requested information to the interest owner. If the interest owner makes

a written request for information under this section and the operator or producer does not provide the information within the 60-day period, the interest owner may bring a civil action against the operator or producer to enforce the provisions of this section, and a prevailing interest owner shall be entitled to recover reasonable attorneys' fees and court costs incurred in the civil action.

## Wyoming

A Wyoming producer filed amended gross products returns reducing its taxable value for its 2012 coal bed methane production. The amended returns fully deducted pipeline fees paid by them, referred to as "demand charges" or "reservations fees," incurred under "firm" pipeline transportation arrangements. Initially, the producer had only partially deducted those fees when reporting taxable value and paying mineral taxes. The Department rejected the amended returns concluding the producer properly deducted only that portion of the pipeline demand charges tied to the pipeline capacity used. However, the State Board reversed the Department's ruling and held that the producer was entitled to deduct the **entire** demand charge as a transportation expense under the statutory netback method. Therefore, the producer is entitled to reduce its taxable value by the full demand fee.



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# COMMITTEE NEWS

## AUDIT AND JOINT INTEREST

STANDING COMMITTEES



**DALIN ERROR,**  
AUDIT COMMITTEE CHAIR



**JONATHON BEENE,**  
JOINT INTEREST COMMITTEE CHAIR

The Summer meeting was jam packed with productive and informative topics. The Audit and Joint Interest Committees held a combined meeting at the Doubletree by Hilton in Denver, Colorado, on Thursday July 19. There were 79 members in attendance, 37 from Audit and 42 from JI, representing 8 societies and 35 companies.

We were lucky enough to have three guest speakers, all presenting on interesting topics.

Rusty Frishmuth, the EHS manager at High Point Resources, presented on environmental and regulatory issues surrounding storage tank emissions, consent decrees and compliance orders. He has extensive experience in developing EHS programs and midstream and upstream oil and gas operations, as well as dealing with applicable governmental agencies. Those in attendance learned a lot about field operations, and they gained insight into what types of costs can be incurred as a result of the compliance effort, and unfortunately, those costs that might be incurred when emissions events occur.

Matthew Davis, currently the Geoscience Manager of Reservoir Characterization for the Permian Basin at Encana, then presented on Data Analytics and the Midland Basin. Mr. Davis gave fascinating statistics demonstrating how accurately his group can predict and analyze future production and economics using data sciences in the Midland Basin. Mr. Davis's group uses data sciences to improve the efficiency and effectiveness of development operations, such as knowing how much water and sand to use in frac operations in order to maximize production. Of particular interest, he shared examples of how publicly available data can be used to gauge how other operators are choosing to complete wells, and what production results are obtained from those strategies.

The final guest speaker, Dan Domagala, who leads the Technology Advisory practice at EKS&H, presented "Blockchain 101." Mr. Domagala gave a high-level overview of blockchain, beginning with levels of trust in relationships and how that concept applies to the development of blockchain technology. He provided real world examples of how blockchain technology can be used in the future, including some discussions of its applicability in oil and gas

operations. The presentation was very interactive, allowing those with basic questions and more complex questions to leave the meeting quite satisfied. The Joint Interest and Audit Committees are focused on making our membership aware of new technologies in both operations and accounting, so that we can participate in change rather than being caught off-guard by it. This discussion was a great continuation to the robotic process automation topic discussed at the previous meeting. Stay tuned, as we will continue to bring forth timely and relevant speakers on topics of this nature.

As we all know, serious work gets done during the summer and winter meetings and this meeting was no exception. After all, the documents are our driving force. Consequently, this meeting's focus was on updates to our two current projects: the new model form accounting procedure and the Remote Technology Center MFI.

Karla Bower provided the status update on the new model form accounting procedure. She gave an overview of the team's objectives, which include replacing the 2005 accounting procedure with a new document that will include language appropriate for both onshore and offshore shelf properties. Concurrent with the new accounting procedure, the team will also publish a model form interpretation. Highlights of some issues the team is considering include:

- The interest rate definition will be the same as the 2005 model form. The team considered using a fixed rate, similar to international accounting procedures or the LIBOR rate, but ultimately decided to leave the language unchanged.



# COMMITTEE NEWS

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- The team is considering adding consumables to the materials language. These would include items such as water, diesel, and sand. Karla also noted that transportation of these items could be an issue, but ultimately concluded that the receiving property should bear the transportation cost similar to other materials. Also, pricing would be a consideration.
- The Technical Services definition is likely to include design and drafting. The team is also considering eliminating the two Technical Service options from the overhead provision.
- The team is considering adding language to the Adjustment provision to address long lead and other, similar costs. Also, the team is considering when the adjustment period starts.
- The team is considering addressing incidental administrative costs of third-parties, since some third-party invoices are much more detailed, often showing things that appear to be covered by overhead, but that is part of the service provided.
- Regarding Affiliates, the team is trying to balance what the Operator can do without Non-Operator approval, and what will require such approval. Also included in issues related to Affiliates is a Non-Operator's rights to audit an affiliate. Finally, the team may address affiliate rates, which are fully loaded, possibly including many functions that would usually be covered by the overhead if provided by the Operator.
- Regarding Legal Services, the team is leaning towards adding language to make a cost of an operator to appear before a governmental agency chargeable.

- Regarding Communications, the team is leaning towards simplifying the existing language, possibly limiting it to only one or two sentences in order to avoid obsolescence of the language as new technologies emerge.
- Regarding Other Expenditures, the team is considering adding a dollar threshold to the requirement for Non-Operator approval. Alternatively, they may eliminate the need for approval altogether.
- The team is also considering specifically addressing remediation projects and environmental projects. Technical services and overhead recovery are not always addressed in older accounting procedures for such costs. The team is considering addressing both with an overhead handling similar to Major Construction Overhead.

Karla gave the group a very tentative timeline of approximately Winter 2019 for a first draft. Keep in mind, the aforementioned items are only considerations at this point, mainly shared to demonstrate the team's thoroughness and processes. Stay tuned for the first draft to see what language is actually implemented and to submit your comments!

Deb Retzloff kicked off the Remote Technology Center discussion and notified the group that the team is ready to distribute an MFI for comments, which was very well received. The MFI will include the following sections:

1. Introduction
2. RTC Considerations
3. RTC Chargeability Considerations (from 1962 - Deepwater Model Forms)





# COMMITTEE NEWS

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1. RTC Cost Allocation Considerations
2. Appendices
  - a. Cost allocation examples
  - b. Model form language
  - c. RTC chargeability AP review

Terry McMurray then presented considerations regarding chargeability of RTC costs.

RTC Facility and Computer/Communication Equipment would be addressed in the following provisions:

- Provided by Operator - Equipment and Facilities Furnished by Operator
- Provided by 3rd party - Services
- Provided by Affiliate - Affiliate provision or Equipment and Facilities Furnished by Operator

RTC Labor is broken into two types:

- Facility Labor - including labor dedicated to the monitoring and/or controlling of joint operations, as well as the maintenance labor of operating the facility, would be part of the rate charged for the RTC.
- Other Labor - such as geologists, drilling, and completion engineers that work in the RTC on an as-needed basis would be chargeable under their respective labor or overhead provisions.

Regarding the Facility Labor, in a general sense, the full-time people working in the RTC, along with the labor to maintain and run the facility, would be included in a RTC rate if the RTC is furnished by an Operator. Any non-dedicated employees also would be chargeable for actual time working in the RTC under the Labor provisions, unless they are covered by overhead.

The team feels that an RTC is not chargeable under the Other Expenditures provision, because the components of the RTC are covered under Section II and III of the Accounting Procedures.

Larea Arnett presented the team's conclusions on the RTC Cost Allocation Considerations, which are:

- Properties served
- Specific use vs. common charges
- Field communications systems
- Joint Property vs. Operator benefit
- Types of Labor

Tammy Miller-Davison pointed out key timelines for the project:

- The MFI draft should be available July 31, 2018 and will be distributed to societies.
- As much as possible, comments are requested prior to the Fall meeting, for discussions at length during the meeting.
- Comment deadline date will be November 9, 2018.
- Finally, the team is requesting that all comments include contractual language to justify the commenter's position. Comments such as "it benefits the Joint Property, so it should be chargeable," are not helpful.

We rounded out the meeting with some Emerging Issues. As always, the cases provided for lively discussion and covered the following topics:

- Chargeability of Security and Investigatory Personnel
- Joint Interest Billing Decks & Service Dates
- Pricing for Operator-owned Saltwater Disposal Pipelines

Our thanks to Matt Pilkington and Jason Poteet for leading these timely and interesting discussions.

As school begins and summer comes to an end, we encourage you to register for the Fall National Meeting in Corpus Christi, Texas, before things get too hectic! It will be packed with great educational opportunities, chances to serve the organization, and some fun times and interesting sights. See you all on the beach!



# COMMITTEE NEWS

## FINANCIAL REPORTING STANDING COMMITTEE



**KEN NOLLSCH,**  
CO-CHAIR



**LARISA FIALKOVA,**  
CO-CHAIR

The Financial Reporting committee is excited to announce the agenda for the Financial Reporting Committee breakout at the COPAS Fall Meeting in Corpus Christi. The Financial Reporting Committee breakout is on Wednesday, September 19, from 1:00 PM to 5:00 PM and will include 3 hours of CPE. The first hour we will conduct committee business. The second hour we are excited to hear from Sandy Dhariwal of Opportune who will be discussing implementing the new leasing standard. The third hour will cover the challenges of financial reporting for Oil & Gas companies by a yet to be named speaker. Finally, we will hear from John Banas from My Compliance Manager who will be presenting on SOX & Internal Audit software. We hope to have you join us in Corpus Christi!

The Financial Reporting committee is also planning to conduct two webinars in November 2018 and Spring 2019 in lieu of an in-person meeting during the COPAS Spring 2019 Meeting. We will announce details at a later date.



## SMALL OIL & GAS COMMITTEE



**NANCY BROWN,**  
COMMITTEE CHAIR

The next meeting of the Small Oil & Gas Companies Committee will be held in Corpus Christi, Texas from 1:00 pm to 5:00 pm on Wednesday, September 19. If you will be attending the conference, please make plans to join our meeting.

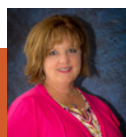
We are working to finalize our speakers and meeting agenda. Once the agenda is set, I will email it to the committee members. If you are not receiving emails and would like to be on our distribution list, send me an email at [nbrown@stephenspro.com](mailto:nbrown@stephenspro.com).

Our attendance has been increasing from 23 attendees in San Diego, 38 attendees in Shreveport and 43 in Fort Smith. We hope to continue growing our attendance by having informed speakers and topics relevant to Small Oil & Gas companies. We are always open to suggestions for topics and speakers. We look forward to seeing you in Corpus Christi.





# COMMITTEE NEWS



## BOARD OF EXAMINERS



**VICKI CROMER,**  
CHAIR

The Board of Examiners is working as closely as possible with the COPAS Board of Directors and COPAS Energy Education in the development of an APA® exam review course. At the Spring meeting in Fort Smith, AR, the BOE worked on structuring the resource material to potentially streamline a candidate's study effort and focus.

Please review the COPAS website and the APA® section of this publication for additional information regarding the APA® Exam and its content outline. Attaining this certification demonstrates an advanced knowledge of petroleum accounting practices and is an invaluable credential in the petroleum accounting industry.

A [practice exam](#) is available and recommended for candidates seeking the APA® credential. It will provide information regarding subject matter areas where knowledge is strong and those areas needing additional preparation. The practice exam cost is \$75.

The 2019 testing windows will remain the odd numbered months. Click [here](#) for a schedule of registration dates.

Reporter - Mike May



## CEPS CONTROL PANEL



**RYAN WOOLERY,**  
CHAIR

The 2019 Historical Price Multiplier (HPM) survey was mailed to all CEPS subscribers on August 13. Survey responses are due by October 12.

The purpose of the survey is to measure the discounts being offered for families of material over the past year and to develop an index (HPM) of those discounts to be applied against base prices when pricing material transfers during 2019. Survey participation is vital because:

- Billings to and from partners will be more accurate
- Transfer charges between properties will be more accurate
- An increased number of responses to the survey produces CEPS prices more reflective of market values
- Better data leads to fewer audit exceptions
- Long term benefits are derived from values more reflective of the market
- Allows for the addition of new equipment

This material pricing guideline has resulted in an equitable pricing on materials transferred to and from the joint account and is in accordance with provisions contained in the COPAS-approved Model Form Interpretation No. 38 Materials Manual (MFI-38), the 1998 Project Team Accounting Procedure, 2005 Accounting Procedure, and the 2012 Deepwater Accounting Procedure.

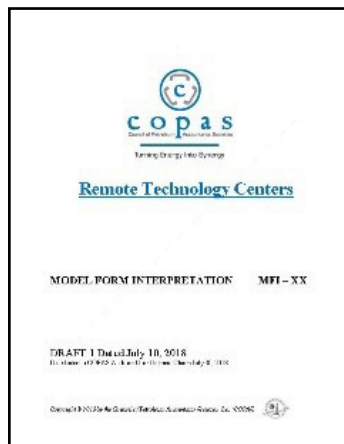
If your company has not received the survey, please contact me or the COPAS office.



# MFI-XX, REMOTE TECHNOLOGY CENTERS

## INITIAL DRAFT

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The initial draft of MFI-XX, *Remote Technology Centers* is out for review. Comments are due back by November 9. To access the history and comments leading up to the [draft](#), you must be logged into your COPAS user account.

[\(Forgot your account information?\)](#)

Comments are welcome from societies, companies and individuals. Please address your comments to [Deb Retzlöff](#).

### DRAFTING TEAM

Larea Arnett, Chris Copeland, Janice Edmiston, Terry McMurray, Tammy Miller-Davison, Deb Retzlöff, Jeff Roberson, Joy St. Pierre.

## TAKING A PIE FOR CHARITY

Executive Director Tom Wierman will take a pie to the face if you help him reach his fundraising goal for the St. Jude Children's Research Hospital.

Knowing that many of you out there would stand in a long line for this opportunity, only one lucky winner will get the honor.



**FOR EACH \$50 YOU CONTRIBUTE TO HIS FUNDRAISING PAGE, YOU EARN AN ENTRY TO "PIE HIM" DURING THE SPRING 2019 MEETING IN MEMPHIS. THE MORE YOU CONTRIBUTE, THE BETTER YOUR CHANCES!**

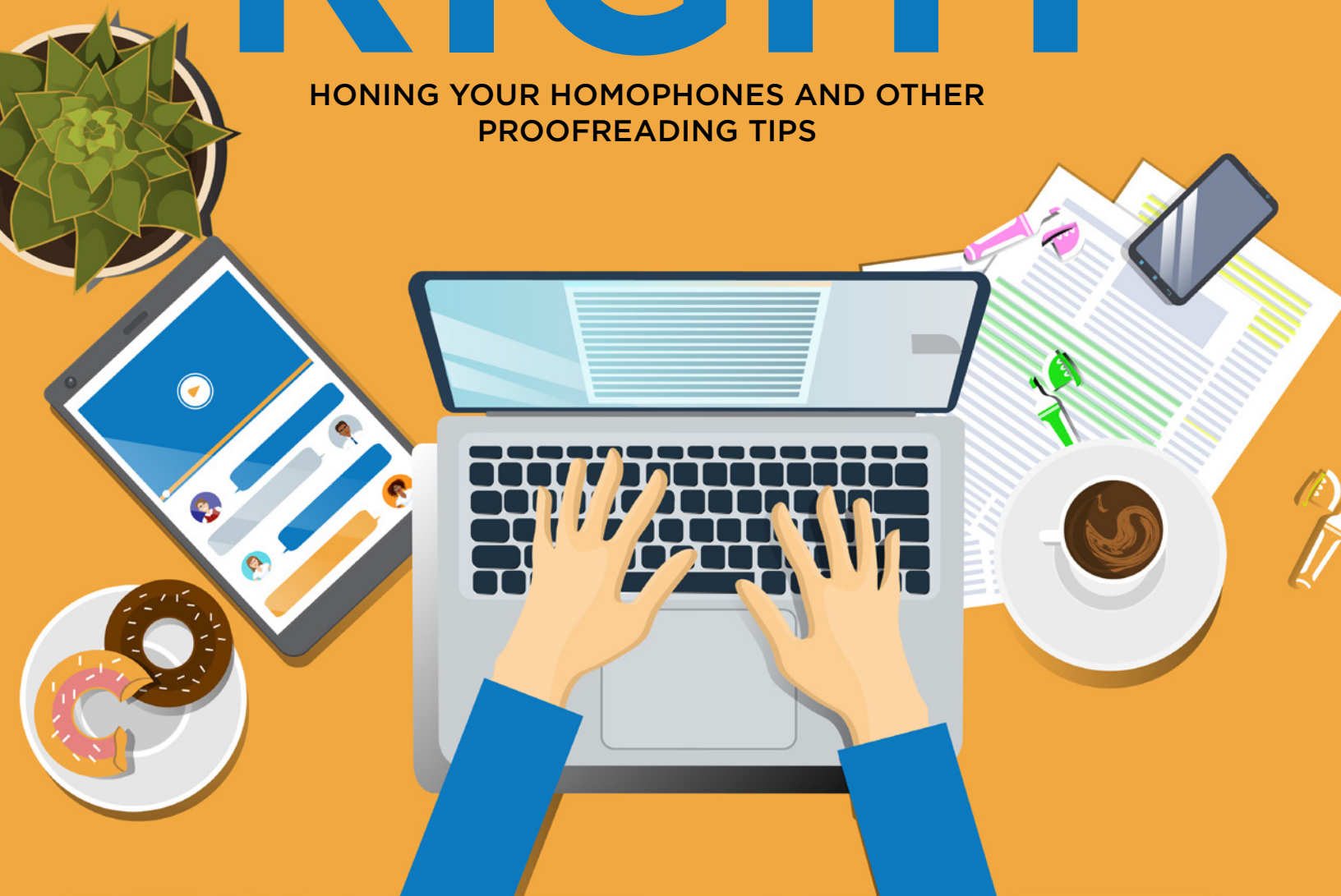
He has already made the initial deposit in the fundraising account. Don't miss this lifetime opportunity to "rub his nose in it." Contributions must be made to his unique fundraising page.

**IT'S ALL FOR FUN, WHILE HELPING OUT A GREAT CAUSE. DIG IN YOUR POCKET AND FIND \$50 FOR YOUR CHANCE OF A LIFETIME!**



# WRITE IT RIGHT

## HONING YOUR HOMOPHONES AND OTHER PROOFREADING TIPS



WRITTEN BY **MOLLY WIERMAN**

*This installment of "Write It Right" was originally printed in the Winter 2017 issue of ACCOUNTS.*

Having studied both English and French at the collegiate level, I have a generalization about both languages that I like to joke about with my professors: French is neat, and English is sloppy. Even so, English's loosey-goosey nature doesn't let us get away with neglecting to spend time double-checking and polishing our

writing. This kind of care for precision and neatness is especially important when it comes to business writing. We'd like to avoid mistakes when we network, communicate with superiors and co-workers and write important documents for work.

The following quick list of common errors can give us all a head start on proofing our work.

## 1. UNCLEAR PRONOUN REFERENCES

Every pronoun needs an antecedent—that is, what every pronoun is replacing must be clear.

Here's an example of a sentence that you wouldn't want to write:

*They say one good way of proofreading is reading what you have written backwards.*

The antecedent of “they” in this case is unclear. Who says this is a good way of proofreading? Given how the sentence is written now, anyone could have offered this advice. Let's look at a rewrite that clarifies the subject of the sentence:

*Copy editors say one good way of proofreading is reading what you have written backwards.*

In this case, we know for certain that copy editors give us this advice.

## 2. MISPLACED MODIFIERS

This is one of my favorite aspects of grammar, simply because we can make lots of funny sentences by misplacing modifiers. The following example is taken from the Writing Center at the University of Wisconsin-Madison:

*Coming out of the market, the bananas fell on the pavement.*

As written, the sentence indicates that the bananas came out of the market, because *modifiers typically refer to the noun that immediately precedes or follows them*—in this case, bananas. I imagine what this writer wanted to say, however, was that the bananas fell on the pavement as the person carrying them came out of the market. We can convey this intended meaning with a couple of quick fixes:

*Coming out of the market, I dropped the bananas on the pavement—* in this case, we have replaced “bananas” with a noun to which the modifier can logically refer.

*As I was coming out of the market, my bananas fell on the pavement—*here, we've changed the phrase “coming out of the market” into the clause “as I was coming out of the market,” which works in a grammatically different way. This clause modifies the *verb* “fell” by specifying the time of the action, rather than modifying the *noun* “bananas.”

## 3. MISUSED WORDS

For this mistake, I'll simply list a few pairs of commonly misused words and distinguish between the words in each pair. You can find more thorough lists online. It might not be a bad idea to keep this list handy when writing or proofreading.

**Effect/Affect:** making this distinction is probably one of the most common problems in English. “Affect” is a verb meaning to influence, to act on, to have an *effect* on:

*Market prices are affecting the oil and gas industry,* meaning these prices are having an influence on the industry.

As a verb, it can also mean to assume or to pretend, although this usage is less common:

*I affected a French accent to amuse my friend,* meaning I pretended to have a French accent or assumed a French accent to make my friend laugh.

“Effect” is a noun meaning result, consequence, a change resulting from a cause:

*The change in policy had a positive effect,* meaning this change caused a positive outcome.

As a verb, it can also mean to cause, accomplish, or bring about, although this usage, too, is less common:

*We always have a chance to effect change,* meaning we can always bring change about.

**Advise/Advice:** in this case, “advise” is a verb meaning to recommend, and “advice” is a noun meaning recommendation.

*I advised her to take more time on her work. She took my advice.*

**Compliment/Complement:** here, “compliment” is a noun or a verb meaning either a flattering remark or to give a flattering remark, respectively.

*I complimented her work ethic.*

Another quick tip: the coffee in the office is “complimentary,” and not “complementary.”

“Complement,” on the other hand, refers to two things that go well together.

*The color of the walls complemented the color of the rugs on the living room floor.*

These are a few quick pointers to help us all polish our writing and take just a little extra time to make sure we've said what we want to say, and not something else entirely. Next time, we'll take a quick look at punctuation marks and how to put those little dashes, dots and squiggles in the right place so they can make a big difference in our writing.

## ABOUT THE AUTHOR:

Molly Wierman

Molly Wierman is a recent University of Dallas graduate, where she majored in English and French. She has edited both the news and arts and culture sections of UD's newspaper, *The University News*. Molly also serves as an editor and writer for ACCOUNTS. She enjoys reading the poetry of T.S. Eliot, writing fiction, and traveling whenever she can.





# SOCIETY NEWS



COPAS OF **ABILENE**



**SHERYL MINEAR,**  
PRESIDENT

The society met June 12. Eleven members and one guest were present. We had an election of officers for the coming year:

President – Sheryl Minear, Silver Oil & Gas, Inc.

Vice President – Charlene Richardson, Patton Exploration

Secretary – Becky Berry

Treasurer – Richard Wolfe, Wolfe and Company, CPA

Our group discussed forming both a small oil and gas and tax committee within our society. These two committees will give their report at the June meeting of next year. Members were also asked to recommend some program topics for our upcoming year. Our group briefly discussed and reviewed our bylaws. The Fall meeting in Corpus Christi was discussed.

The next quarterly meeting of the Abilene COPAS will be Tuesday, September 11, 2018, at the Abilene Country Club at noon.



PETROLEUM ACCOUNTANTS SOCIETY  
OF **ARKLATEX**



**KRISTIN LAUX,**  
PRESIDENT

The ArkLaTex Society has been gearing up with plans to attract more members as our membership has remained stagnant over the past few years. In that process, the members were given a questionnaire to, in a nutshell, explain why they joined COPAS, the benefits they've received personally, and the course they would like to see the Society go in the future. Because of the survey, ArkLaTex engaged Executive Director Tom Wierman as our guest speaker on August 28. Tom shared the benefits of COPAS and strategies to gain members.

ArkLaTex has also decided to offer an Education Day on Tuesday, October 23. The topic and presentation have not been determined as of this writing, but COPAS Energy Education will present.

New Officers and Directors were elected at our June meeting. The leadership serving ArkLaTex over the next year is:

**President** - Kristin Laux, O'Brien Energy Company

**Vice President** - Susan Watts, TDX Energy, LLC

**Secretary** - Karen Tiemann, Ark-La-Tex Energy LLC

**Treasurer** - Keri Colvin, Phillips Energy

**Director** - Mark Anderson II, Brammer Engineering, Inc.

**Director** - James Cook III, Heard, McElroy & Vestal

**Director** - Vicki Cromer, Bayou State Oil

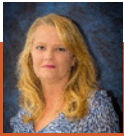
Jordan Gleason from Louisiana Oil and Gas Association (LOGA) spoke at the June meeting about the state of our industry in Louisiana. His presentation was titled: The Good, The Bad and The (not so) Ugly. Highlights of the presentation were: the price is up, production is down, and still lots of issues at stake legislatively.

*Vicki Cromer - Reporter*



# SOCIETY NEWS

## PETROLEUM ACCOUNTANTS SOCIETY OF ARKANSAS SOCIETY



**NANCY BROWN,**  
PRESIDENT

The Arkansas Society just wrapped up our fourth year as a Participating Society with an Education Day in August. The full day of CPE will focus on "Understanding Energy Trading and Hedging." Some of the topics of discussion will be factors that influence pricing, cash markets, history of NYMEX, derivatives, hedging and control risks. We expect a good turnout from our local companies.

Officers and board members for the coming year are:

**President** - Nancy Brown, Stephens Production Company

**Vice President** - Rick Jones, Westphal Group

**Treasurer** - Mark Alder, Hanna Oil and Gas

**Secretary** - Tiffany Adams, Southwestern Energy

**Director** - Summer Morton

**Director** - David Traylor, Southwestern Energy



## PETROLEUM ACCOUNTANTS SOCIETY OF CANADA



**CODY AUSTIN,**  
PRESIDENT

It has been a busy year for the Petroleum Accountants Society of Canada (PASC) as we focus on member retention and expansion by creating a fulfilling experience for everyone within our association. This year, PASC was committed to creating value for its members through luncheons, education and joint events with respected associations.

PASC hosted its sixth annual Education Day in September. The event is designed to provide insight and knowledge to those in the industry. Topics this year included Blockchain and the role it plays in the energy sector in addition to insolvency, and its relation to the Redwater Energy Corp case. Furthermore, Education Day had local industry experts present on technical accounting topics such as production accounting and an amazing keynote address was given by Canbriam Energy's CEO Paul Myers. Overall, the event was a success as it brought together a room full of talented minds across a number of companies in the industry. The event would not have been possible without the help of our members who worked diligently to put it together.

Our second major focus was luncheons. Luncheons have been a key attribute in providing value to PASC members. This year our focus was to lock down a talented speaker for each month. The topics ranged from emerging trends such as Cryptocurrency technology to technical subjects such as Petrochemical Development in Alberta. PASC has also continued to strengthen its relationship with the Petroleum Joint Venture Association (PJVA) to facilitate joint luncheons that benefit members of both associations. Relationships like this have enabled PASC to build brand exposure across the industry by reaching a larger audience.

2018 has been a year focused on membership experience through value creation. We are excited about the opportunities that lie ahead and look forward to continued growth.

**Reporter: Mugo Kimari, Marketing & Membership Committee**





# SOCIETY NEWS



## COPAS OF COLORADO



**ANDREA KEWLEY,**  
PRESIDENT

The board is looking forward to another successful year. We are yet again expecting high membership numbers. Over the years, members and their companies have understood the exceptional benefits COPAS-Colorado has to offer. Our monthly luncheons have been scheduled through the end of the year. In August, the Board and all committee chairs/co-chairs met to discuss monthly meeting protocols, the CPE process, and various other topics.

New officers and directors for the coming year are:

**President** - Andrea Kewley, EKS&H LLLP

**Vice President** - Lauren Davis, Moss Adams

**Treasurer** - Brian Gates, Encana Services Company Ltd

**Secretary** - Meghan Hendershot, SM Energy Company

**Director and CPE Coordinator** - Andrea Brady, Vitesse Energy, LLC

**Director and Meeting Coordinator** - Leanna Howell, Encana Services Company Ltd

**Director and Membership Coordinator** - Kevin Gile, Anton Collins Mitchell LLP

**Director and Communications Coordinator** - Don Clark, SM Energy Company

**Director at Large** - Kelly Blaha, EKS&H LLLP

At our September luncheon, we recognized outgoing volunteers for all their contributions to COPAS-Colorado. What makes our society successful is the hard work that our volunteers put in each year.

*Reporter, Kelly Blaha, Director at Large*



## COPAS OF CORPUS CHRISTI



**DR. ANITA REED,**  
PRESIDENT

Not long after this article is published, we will be in the midst of hosting the Fall 2018 meeting in Corpus Christi! A lot of effort has gone into the planning of these meetings and events. We appreciate all those who volunteered, especially Jane Russell, our fearless leader who chaired the planning committee and kept us all on task! We also want to thank the San Antonio, Houston, and Arkansas societies for their contributions and assistance. And of course, we couldn't have pulled this off without the sponsors, which include local businesses and friends of COPAS who were so generous with their support.

We are looking forward to a fantastic 2018-2019 year with interesting speakers, lively discussions, and great food at our meeting location, Fajitaville, located on the Corpus Christi Bay. Come visit us there on any of the following dates:

September 25, 2018

October 23, 2018

November 27, 2018

January 22, 2019

February 26, 2019

March 26, 2019

April 30, 2019

May 21, 2019 (year-end social)



# SOCIETY NEWS



## COPAS OF DALLAS



**ALEKS JOVANOVIC,**  
PRESIDENT

We are excited for the start of the 2018-2019 COPAS of Dallas season. COPAS of Dallas is hosting a new member networking happy hour in October. Further, we are continuing to grow the New Professionals Group through lunch and learns and other networking events with the leadership of co-chairs Blair Bradley and Elizabeth Santos. In the coming year, we hope to increase scholarship support for the University of North Texas graduate oil and gas accounting and tax courses, along with Brookhaven Community College's future accountant scholarships. Lastly, we are also working diligently on hosting the Fall 2021 meeting in Dallas.

Recently elected as officers of COPAS of Dallas are:

**President** - Aleks Jovanovic, Triple Crown Resources

**Vice President COPAS** - Danielle Watson, Moss Adams, LLP

**Vice President NAPAC** - Lori Mettelle Moss Adams, LLP

**Secretary** - Suzanne Sommerfelt, Denbury Resources

**Treasurer** - Lisa Lester, Krueger Land Services, LLC



## PETROLEUM ACCOUNTANTS SOCIETY OF FORT WORTH



**MARK MCCAGHREN,**  
PRESIDENT

COPAS is alive and well in Fort Worth, Texas, where we had a great 2017-2018 year. We were fortunate to have a fantastic lineup of educational and engaging speakers on many different topics, and thoroughly enjoyed our new venue at the City Club of Fort Worth! We will continue our partnership with the City Club for the upcoming year, as well.

We began the 2018-2019 COPAS year in May with the election of Officers. Congratulations to the following members on their election to the following offices:

**President** - Mark McCaghren - Baseline Energy Services, LP

**Vice President** - Brianne Boulter - Weaver

**Treasurer** - Marilyn Lanham - XTO Energy

**Secretary** - Pearl Brown - Enduro Resource Holdings LLC

FWPAS hosted a networking event and membership drive at a local restaurant, The Flying Saucer, on August 2. We held this same type of event last year, and it was so well received that we hosted it again this year. This event allows members to network with others from the chapter and surrounding industry partners, and it's a great time for returning members to renew their membership and for new members to join. We would like to extend a big thank you to BDO, who generously sponsored this event, and to everyone who attended!

The Petroleum Accountants Society of Fort Worth has endowments in place at three local universities, including The University of Texas at Arlington (UTA), Texas Christian University (TCU), and Texas Wesleyan University (TWU). Each endowment was established with an initial donation of \$10,000, and we are pleased to announce that these endowments continue to provide financial assistance to students in our surrounding community, with scholarships being awarded again this year.





# SOCIETY NEWS

## PETROLEUM ACCOUNTANTS SOCIETY OF HOUSTON



**SUELLEN KING,**  
PRESIDENT

Houston members met with friends and colleagues to celebrate the end of a successful 2017-2018 year at the PASH / Georgeanna Sockwell Memorial Golf Tournament. Golfers arrived early with their donations for the Star of Hope and were welcomed by picnic committee members with hot coffee and doughnuts. The cart divers made sure no one was thirsty or without Calcutta tickets. This year members decided to rename the PASH Calcutta to the Blunk Calcutta to honor our dear friends and past PASH members Laura and Howard Blunk. It was the perfect remembrance to rename the Calcutta in their honor. We are pleased that Byron and Michael Blunk are following in their parents' footsteps. Special thanks to Byron for taking the lead in ordering this year's picnic favors. After 18 holes of golf and a savory bar-b-que dinner, Larry Monzingo and Marjorie Saibara caught everyone's attention with so many door prizes that an extra table had to be brought in to showcase them. Included in this mountain of prizes were baseball tickets with parking permit to see the World Series Champion Houston Astros. Ken Morris announced the results of the 2018-2021 board of director election. Congratulations to Larea Arnett, Mark Gibennus, and Mark Robertson. Many thanks to Billy Moye and Jill Coble for their service and completing board term. Also joining the board is Charlene Lutkenhaus, Board Assistant.

Following the picnic, the new Board of Directors convened for a short meeting. Our newly elected officers are:

**President** - Suellen King, Oasis Petroleum

**Vice President** - Wally Trevino, WET Consulting

**Treasurer** - Karla Zawodny, GeoSouthern Energy Corporation

**Assistant Treasurer** - Mark Gibennus, Grant Thornton, LLP

**Secretary** - Larea Arnett, ExxonMobil

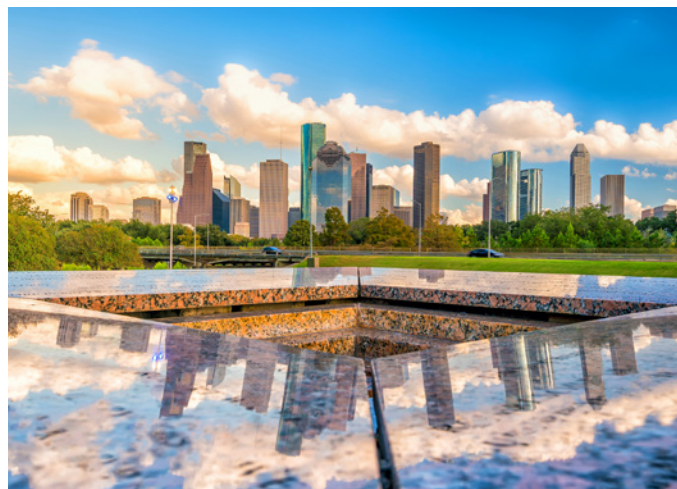
One of the goals for the PASH Board for the coming year will be to expand educational opportunities for our members and their guests. Once again PASH has partnered with COPAS for continuing education. Ken Morris has agreed to speak at the Fall COPAS Leadership meeting on ways that PASH has been using the COPAS CEE in a Box to enhance the PASH Education Program.

In step with the society goals of education and knowledge for the future, the PASH 29th Annual Education Day at the Westchase Marriott was the grand finale for the year. The event was well-attended with over 400 attendees. With 18 speakers, there was a variety of courses both technical and non-technical to choose from. Those seeking CPE had the opportunity to earn up to 8 continuing professional education credit

hours during the day. There were 15 exhibitor booths for attendees to visit. Attendees are usually awarded prizes from several exhibitor raffles, but this year we had a record number of prizes given away. PASH thanks all the speakers, exhibitors, and helpers that dedicated their time to educate those in attendance. Without the help of the committee members, our projects would be impossible to complete. A special thanks to the COPAS office for their help in providing the attendee CPE certificates. With the net proceeds received this year we are on track to give back to the Houston area colleges and universities and their students in the form of grants, sponsorships and scholarships for next spring 2019.

During the summer months, the PASH general membership does not have regular scheduled meetings, but the PASH board of directors continues to work for the membership. During June and July, the Board was busy making sure that committee chairs are in place for the coming years and of course preparing the budget for the new year. President Suellen King announced the PASH board and committee chairs are busy planning their agendas for the coming year to include a full year of continuing education in the form of CEE in a Box, Technical Sessions, Committee meeting speakers, and dinner speakers.

*Reporter, Marjorie Saibara*



# SOCIETY NEWS

## PETROLEUM ACCOUNTANTS SOCIETY OF MISSISSIPPI



**KIM PEYTON,**  
PRESIDENT

The Petroleum Accountants Society of Mississippi held a meeting at River Hills Tennis Club in Jackson, MS on June 27. Gene Morse with Ergon spoke on the current oil and gas environment. This was our annual meeting with election of board members and officers. Congratulations to newly elected board members Walter Lee, Nina Morgan, and Kevin Jackson. The officers for the current fiscal year are:

**President** – Kim Peyton, Peyton & Company

**Vice President** – Oscar Hartman, Oscar Hartman CPA

**Treasurer** – Quint Withers, McGowan Working Partners, Inc.

**Secretary** – Kim Lyles, Moon Hines Tigrett Operating

We are currently working on our membership renewals.

The planning committee for the Spring COPAS 2019 meeting is busy working on the final details to make a memorable conference in Memphis.

Our next meeting is scheduled for Wednesday, September 26 at River Hills Tennis Club at 11:30.



## COPAS OF NEW ORLEANS



**GREG GONZALES,**  
PRESIDENT

Prior to taking a short summer break, COPAS of New Orleans held a BOD meeting in June to select new officers. The following people will serve for the 2018-2019 year.

**President** - Greg Gonzales, Helis Oil & Gas Co. LLC

**First Vice President** - Sam Wheeler, Bourgeois Bennett, LLC

**Second Vice President** - Wayne Phillpott, Consultant

**Secretary** - Rosanne Simons, Cox Operating LLC

**Treasurer** - Kris Schaumburg, Helis Oil & Gas Co. LLC

**Director** - Ruth Carrasquero, Shell E&P

**Director** - Scott Barrios, Shell E&P

**Director** - Sarah Franatovich, LaPorte CPA's

Everyone thanked Kris Schaumburg for his leadership as President the past three years.

Our first general meeting was held Wednesday, September 19, at the Pan American Life Conference Center. Chris Stelly from the Louisiana Economic Development, Entertainment Division presented. Chris updated us on the film tax credit, and overall economic impact the movie and television industry has in Louisiana.

Our meetings are held the third Wednesday of each month September through May.





# SOCIETY NEWS



## COPAS OF OKLAHOMA CITY



**CRAIG BUCK,**  
PRESIDENT

COPAS of Oklahoma City held its general election in May. The Board of Directors and Officers for 2018-2019 are:

**President** - Craig Buck, Martindale Consultants  
**President-Elect** - Christle Butler, El Toro Resources  
**Vice President** - Chris Copeland, Continental Resources  
**Secretary/Historian** - Mia Downing, Martindale Consultants  
**Treasurer** - Donna Patocka, Continental Resources  
**Technology Director** - Steven Oakes, Le Norman Operating  
**Membership Director** - Mike Grady, Chesapeake Energy  
**Facility Director** - Mandi Phillips, White Star Petroleum  
**Education Director** - Jimmy Nummy, Echo Energy

A special thanks goes to Mandi Phillips for her year of service as society president. It is difficult to put into words how much we appreciate all she did for the Oklahoma City Society while president.

The board is looking forward to another successful year, our hope is that membership will return to our high from several years ago given the improvement in oil prices. Our annual membership drive began in July, and we have already seen improvement compared to this time last year in our membership numbers. Over the years, members and their companies have understood the exceptional benefits COPAS of Oklahoma City has to offer. As a board, we have been working diligently to offer more value, education, and networking opportunities with increased economic returns to our local membership.

In August, the board and all committee chairs/co-chairs met to discuss monthly meeting objectives, CPE protocols, and other assorted topics. Our first society meeting is scheduled for Tuesday, September 11 at the Quail Creek Golf and Country Club. Additionally, our first networking event is scheduled for October 11, at Remington Park. This year's society Education Day will be held November 12th at Chesapeake Energy's corporate headquarters. We are currently finalizing our list of speakers and are very excited about the unique educational topics that will be covered.

In addition to our regular monthly meetings, we plan to partner with Oklahoma City's Young Professionals in Energy to provide a multitude of networking events for our membership to participate in, a holiday luncheon, and our annual employer appreciation luncheon. We are looking forward to an exciting year for our society!



## PETROLEUM ACCOUNTANTS SOCIETY OF OKLAHOMA - TULSA



**JENNIFER GIBSON,**  
PRESIDENT

The PASO-Tulsa society elected its Officers for the 2018-2019 term:

**President** - Jennifer Gibson, Unit Corporation  
**First Vice President** - Vanessa Green, ConocoPhillips  
**Second Vice President** - Michael Moon, WPX Energy  
**Secretary** - Cynthia Rodman, WPX Energy  
**Treasurer** - Kevin Launchbaugh, Gas Equities

We also welcomed Patricia Ellington with Integrated Back Office Enterprise, LLC and Nate Wolf with ConocoPhillips to the board of directors. They join other returning board members Erin Webb and Heather Polson. While welcoming our new Directors, we would also like to thank our outgoing Board member Ken McBride for his years of exceptional service.

Our annual membership drive is currently under way and we are excited for another successful year. The new members' luncheon was held on Thursday, September 13. This luncheon is designed to introduce new members to our society leaders, give a brief overview of each committee, and provide a relaxed atmosphere so that new members feel at ease and quickly integrate into our society.

*Heather Polson, Reporter*



# SOCIETY NEWS

## PETROLEUM ACCOUNTANTS SOCIETY OF SAN ANTONIO



**BRIAN RAYGON,**  
PRESIDENT

President, Brian Raygon, welcomed all returning members, first-time guest students from the University of Incarnate Word-San Antonio, and guest Byron Blunk (Houston) to the May meeting.

Mark Goldman, owner of MGR Accounting Recruiters was the guest speaker. His topic was "I Should Have Seen It Coming."

Brian announced the future meeting dates with the proposed topics, including the Education Day speakers and recommended discussion topics. Beginning September 1, 2019, PASSA's fiscal year will begin in September and end in August 2020. This is to align with COPAS-National and other COPAS Societies. As a result, PASSA will have a 10-month fiscal year with five luncheons and Education Day for 2018 – 2019 fiscal year, providing 12 CPE credits to members. He also announced the upcoming COPAS 2018 Fall Meeting in Corpus Christi, Texas currently scheduled for September 17 - 21, 2018. Brian extended an invitation to members to attend and represent PASSA for any upcoming activities.

During the Summer planning meeting held at the Petroleum Club-San Antonio, David Garza announced three successful Scholarship

Candidates from Texas State University. These candidates will be awarded a \$2,000 Scholarship toward the upcoming 2018 Fall Semester. Brian also discussed the proposed Education Day, currently scheduled for October 9, and proposed speakers and topics. The Education Day will offer at least seven (7) CPE credits at no cost to the members, as it is included in the annual dues. PASSA Board of Directors welcomed two upcoming directors for 2018 – 2019 fiscal year. Finally, Brian encouraged Audit, Revenue, Financial Reporting and Revenue Committee Chairs hold committee meetings with members prior to Luncheons at the Petroleum Club-San Antonio.

PASSA Board of Directors approved a \$1,000 contribution to support Corpus Christi's effort in conducting and organizing the COPAS 2018 Fall Meeting. In addition, several board members and committee chairs offered to volunteer their time during the Fall Meeting to assist Corpus Christi's effort in conducting various committee meetings and/or activities and functions.



**FROM LEFT TO RIGHT: Cindy Stapleton, Dawn Rouquette, Brian Raygon, Byron Blunk, Mark Goldman, Sandra Blackburn, Renee Moczygemba, Sandra Hoggard, UIW Students and David Garza.**



# SUMMER 2018 MEETING

Denver, Colorado | July 19, 2018



Rusty Frishmuth, Highpoint Resources EH&S Manager, presenting on environmental and regulatory issues surrounding storage tank emissions and consent decree and compliance orders.



Nicole Rook and Kim Carmichael.



From left: Sara Chadil, Duane Essenmacher, Billy Jo Manzanares, Ben Pauls, Lynn Herwick, and Steve Tanabe.



From left: Zach O'Banion, Linda Osborn, Sarah Ray, Mike Moon.



From left: Suellen King, Ryan Woolery, Andrew Ryan, Chris Copeland and Alyssa Ray.





Representatives from P2 pose with the meeting sponsor sign.



Matthew Davis, Encana Permian Basin Geoscience Manager of Reservoir Characteristics.



Rick Knight listens intently to the speaker.



Terry McMurray and James Pruden.



# HISTORY

## SPRING COUNCIL MEETING: APRIL 25-29, 2005

**HOST SOCIETIES:** Corpus Christi (In collaboration with Houston)

**LOCATION:** Omni Hotel – Corpus Christi, Texas



## VOTING ITEMS:

- **Approved** the Accounting Procedure Wage Index Adjustment of 3.5% effective 4/1/2005.
- **Approved** the Loading and Unloading Cost adjustment of \$0.51 per hundred-weight effective 4/1/2005.
- **Approved** the Audit Per Diem Rate Adjustment to \$615 (From \$595.00 last year) for Domestic Audits effective 4/1/2005, (Publishing Rates for Foreign Audits was discontinued after 2005)
- **Approved** the 2005 Workers Compensation Manual Rates
- **Approved** Model Form 6 (MF-6) COPAS 2005 Model Form Accounting Procedure
- **Approved** Model Form Interpretation 51 (MFI-51) COPAS 2005 Model Form Accounting Procedure



## VOTING ITEMS

- ☐ Spring 2018 Council Meeting Minutes (majority)
- ☐ Employee Benefits Upper Limitation of 35%, effective January 1, 2019 (majority)
- ☐ Election of Board of Directors for 2019 - 2021 term (top 3)
- ☐ Election of 2019 Nominating Committee (majority)



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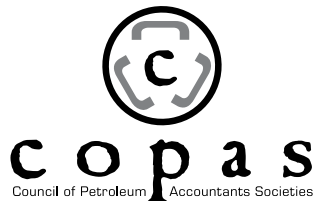
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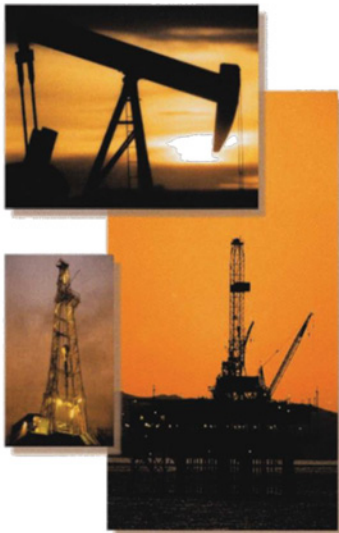
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