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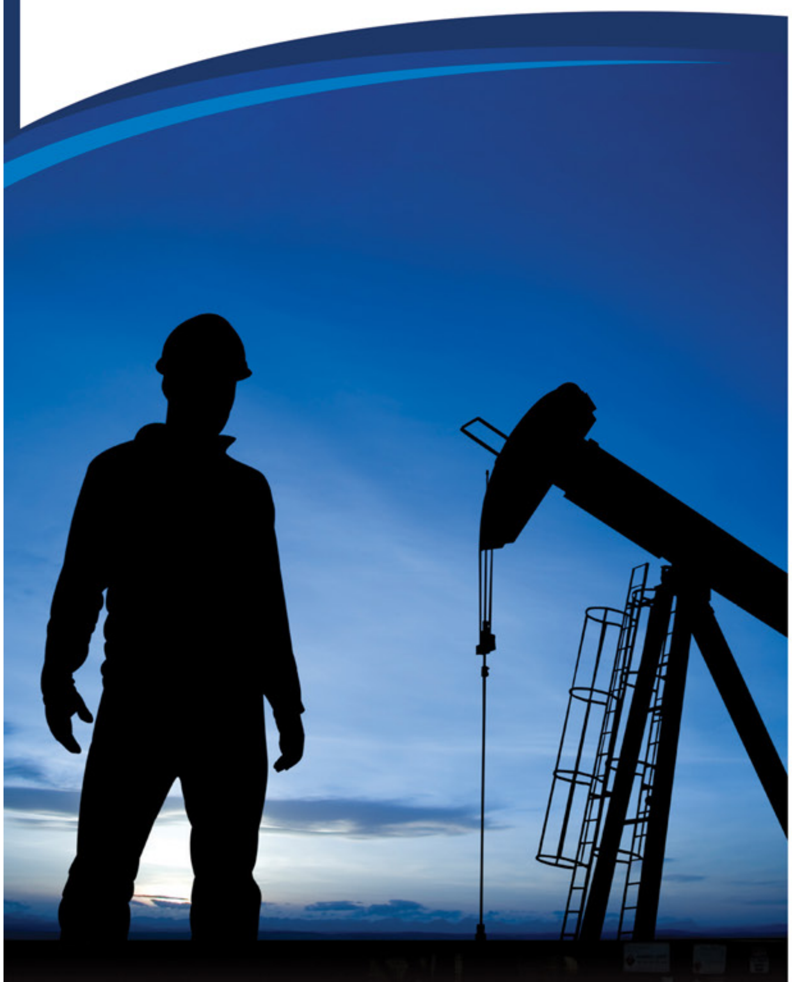

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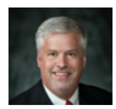

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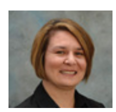

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FEATURED IN THIS ISSUE

MEET OUR NEW COPAS PRESIDENT- DOUG SMITH

"I am excited to get this year going as we have plenty on our collective plate to accomplish. I'll break the goals for 2018 into four areas of focus. First, I expect 2018 to be a breakout year for COPAS Energy Education (CEE). We have spent the last 3 or 4 years building our foundation for delivering efficient and effective learning opportunities—developing courses, delivery methods and platforms, and seeking and receiving NASBA approval to award CPE for all our courses. The self-study courses are CEE's latest low cost focused offering for our membership to take advantage of for CPE.

Second, I expect to see a strong interest from our membership for the APA® credential. We are planning this spring to complete development of a self-study course to help potential candidates prepare for the APA® Exam.

CHANGE IS COMING - LEASES AND FINANCIAL STATEMENTS

The accounting lease rules as we know them change drastically in 2019 for public companies and 2020 for private companies. The change will provide a more faithful representation of the rights and obligations arising from lease transactions.

Long viewed as a vehicle for off-balance sheet financing, most operating leases with terms greater than one year will be reflected on the lessee balance sheet through a "Right to Use Asset" and a corresponding "Lease Liability." The asset will be amortized over the lease term and the lease liability will be reduced by contractual payments and increased by the associated interest accretion. The income statement presentation for operating leases will be basically unchanged with both the amortization and interest expense included in the caption "Lease Expense."

FORECASTING A TAX REFORMED ENERGY INDUSTRY

Already in the midst of a rebound, large segments of the energy industry are poised to surge, powered in part by advantageous tax reform provisions. Others have yet to experience a significant rebound. No matter their position or perspective, energy companies need to understand this new tax landscape. Tax reform-is transforming business and tax planning and industry's immediate future as a whole.

LIMITATIONS ON INTEREST DEDUCTIONS MAY DISCOURAGE BORROWING FOR INVESTMENT IN THE FUTURE.

The interest deduction limitation is problematic for this capital-intensive industry. The after-tax cost of capital will be higher because of the new limitation, which is the amount of net interest expense that exceeds 30% of adjusted taxable income (ATI). Until the end of 2021, ATI is calculated as taxable income before deductions for depreciation, amortization, depletion, and certain other tax deductions.

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PRESIDENT'S MESSAGE

DOUG SMITH

I am humbled and honored to have the opportunity to serve as your 2018 COPAS president. I know many of you, but not sure I have shared my background with you. I entered the oil and gas industry in 1981 after graduating from West Texas A&M. The first half of my 36-year career was spent with ARCO Oil and Gas Company in Dallas, Bakersfield, and finally Anchorage. I was very quickly asked by my first supervisor at ARCO to join the COPAS of Dallas society. I worked 9 years in Dallas before being asked to relocate to Bakersfield, California to become the accounting manager of an experimental spin-off we named ARCO Western Energy. Here I got involved with the small San Joaquin Society, which later merged into the Petroleum Accountants Society of California. After eight years in California, it was north to Alaska for me. However, right after my move to Anchorage, BP and ARCO announced their merger. After a year and a half, FTC approval was secured with a caveat--ARCO must sell ARCO Alaska, Inc. That is how the second half of my career started. Phillips Petroleum was the successful bidder for ARCO Alaska and I was moved to the Bartlesville, Oklahoma headquarters. After several mergers, acquisitions, and job changes, ConocoPhillips moved me to Joint Venture Audit. In turn, I reconnected with COPAS by way of the PASO-Tulsa Society. After working with the local society and joining the PASO-Tulsa board of directors, I began attending national meetings regularly starting in 2009, and in 2014 joined the national board.

I am excited to get this year going as we have plenty on our collective plate to accomplish. I'll break the goals for 2018 into four areas of focus. First, I expect 2018 to be a breakout year for COPAS Energy Education (CEE). We have spent the last 3 or 4 years building our foundation for delivering efficient and effective learning opportunities—developing courses, delivery methods and platforms, and seeking and receiving NASBA approval to award CPE for all our courses. The self-study courses are CEE's latest low cost focused offering for our membership to take advantage of for CPE.

Second, I expect to see a strong interest from our membership for the APA® credential. We are planning this spring to complete development of a self-study course to help potential candidates prepare for the APA® Exam. After developing a revised program and exam in 2015, then a practice exam in 2016, and now a self-study CEE course in 2018, I think we are ready to deliver many new APA®'s to the industry. This will be your chance to differentiate yourself from your peers.

The third area of focus is to grow our membership and keep our members plugged in. Whether it is as volunteering on a subcommittee, or participating on a publication writing team, or even lending a hand at a national meeting, we need your participation. To help us grow membership, COPAS is ready to implement a marketing strategy with RSM to ensure the benefits of participation in COPAS are understood by members, prospective members, and their management.

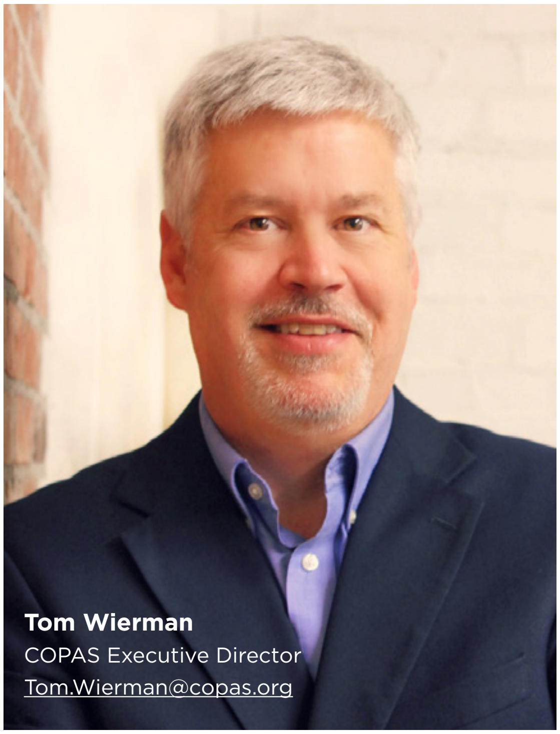
Finally, one of COPAS's key strengths is delivery of accounting standards and guidance to the upstream and midstream energy industry through publishing accounting guidelines and model form interpretations. We currently have two publication projects under way. We plan to advance those and possibly take on more this year.

PRESIDENT'S MESSAGE

I just returned from the Winter Joint Interest/ Audit Committee workshop at the Doubletree at Houston Intercontinental Airport where we had 125 attendees roll up their sleeves and work on the two publication projects. Deb Retzloff, Janice Edmiston, Chris Copeland, and Terry McMurray each led a portion of the discussion for the AG-28, Real Time Operations Centers project. There was a significant amount of feedback given to the writing team by the attendees. I believe these workshops in the winter and summer will absolutely lead to better products at the end of the process. Karla Bower then led the discussion on the new Model Form 20XX Accounting Procedure. This was a bit more of a brainstorming session than a debate as the team has really only addressed three sections. We look forward to more on this front. Attendees were also treated to a technical presentation, "Integrated Operations of the Future" by engineer Dustin Ernst of ConocoPhillips. Dustin outlined how ConocoPhillips was using Integrated Operating Centers to drive down the operating cost per barrel and cut the time in half for drilling and completing wells in the Eagle Ford. Following that excellent presentation, we debated 5 Emerging Issues case studies. Leading the discussion was Kevin Launchbaugh and Charlie Zahl. This portion of the meeting was a very lively debate. If you weren't there, you missed a great meeting and a great opportunity to let your voice, and that of your company, be heard.

Don't forget April 23-27. Those are the dates of the Spring National Meeting in Fort Smith, Arkansas hosted by the Petroleum Accountants Society of Arkansas. This is another opportunity for you to help direct the publication teams, network, and meet experts that you can call upon as needed in the future. The PASARK society members have worked hard to create a great experience for us in Fort Smith. I hope to see you there!

HOME OFFICE MESSAGE



FROM THE HOME OFFICE

Welcome to a new year! Exciting things are in store for COPAS in 2018. March 1 is my COPAS "hire" anniversary. I began my role as Executive Director on March 1, 2012. It doesn't seem possible to be starting my 7th year.

It is with sadness that I write about the loss of our board member, Mary Frances Hermes. Mary Frances was a dear lady and a great COPAS contributor. Her family remarked, over and over again, about her love for and dedication to COPAS. "She had piles and piles of COPAS-related stuff, and she knew just where things were in it. We didn't really know what COPAS was, but we sure knew that Mary Frances was deeply dedicated." Several COPAS members attended the funeral and I know that helped the family feel the affection we had for Mary Frances.

I thought I knew a great deal about Mary Frances, and her personal interests, but it wasn't until I attended her funeral that I saw the depth of her creativity. I knew she was an avid quilter (there was some really fine work on display!), and that she was sometimes known to sneak off to Quilt Shops between meetings. I didn't know she handmade greeting cards, however. Her family described the creations they received over the years. I can clearly see that now in the scrapbooks and cards on display. One thing that stood out to me was her adventurous side, and her willingness to do anything on her own. She was everything Disney as evidenced by her collection of pins attached to a lanyard, the autograph book, and extensive photos of the theme parks. Her brother-in-law described her love for Rodeo. He told of a dead-tired accountant, finding new energy as the Rodeo began. There was a good chuckle from everyone as he described her "being sprayed with, ahem, "material" from the back end of a steer. She loved every minute of it."

Mary Frances' board term would have ended on 12/31/18. The board of directors has decided not to fill her position out of respect for her contributions. May she rest in peace.

Questions about the new website have slowed considerably, so I hope that means it is getting easier for everyone to navigate. We changed the coding to make the member directory access more direct. We continue to make other changes, additions and improvements as we go. We have found a few things that don't play well with certain internet browsers and sometimes the link or page might work for Person A with Firefox, but not for Person B using the same browser. We're working to get more information about that issue. Pay Pal has been just been enabled as an additional payment method for your orders.

What a great meeting in Houston on January 25. I really enjoyed our guest speaker, Dustin Ernst. The discussion all day was really good. The feedback that the RTOC drafting team received was helpful, and it was good to hear the initial thoughts the Accounting Procedure 20XX team shared. The Emerging Issues case studies are always thought-provoking. Thanks to Dalin Error and Jonathon Beene for organizing a terrific agenda.

The Summer Committee meeting is planned for July 19 in Denver. More details can be found on page 26.

Our newest society, Arkansas, is hosting the Spring COPAS meeting, April 23-27 in Fort Smith. Fort Smith is a great city with a rich history. While it won't be completed when we are there, Fort Smith will be home to a U.S. Marshal's Museum. There will be plenty of other history to take in, however, and some of our meeting venues will highlight that history. Registration is open, and the hotel is taking reservations. If you are flying, you might want to get your flights booked soon. There is air service into Fort Smith and to other airports such as Northwest Arkansas and Tulsa (those require a drive). COPAS Energy Education

HOME OFFICE MESSAGE

will be presenting part of the Knowing Your COPAS Documents series for a nominal fee. Sign up early for a further discount and to ensure your place in the class. Please see pages 36 to 37 for more details.

Information about the Fall 2018, and Spring 2019 meetings can be found on pages 30 and 52, respectively.

Future meeting dates and locations, to the extent that information is known, is available in *ACCOUNTS* (page 11) and also online. If your society is interested in hosting a future meeting, please contact me so I can add it to the board meeting agenda.

2018 ePub is ready for distribution. Invoices were recently sent. As has been the practice for the past several years, a link will be emailed to individual subscribers after payment has been made. Enterprise subscribers can expect a CD to be mailed after payment has been verified. Payments can be made by check or credit card. Contact the COPAS Office to make a credit card phone payment.

COPAS Energy Education is currently offering a great lineup of Webinars. There is a monthly series of Revenue topics currently running. The Joint Interest webinar series will launch in April. More offerings will be announced soon. See pages 36 and 37 for further details. Registration for all CEE courses is completed through the COPAS website.

The board of directors is moving closer to an APA® review course, something that has long been requested. More information will be announced in the coming months.

Mark your calendars for May 17 & 18. Those are the dates for the 2018 NAPAC Conference in Dallas. Please stop by the COPAS booth to say hello and get your latest COPAS gadget.

The Houston education day will be May 31 at the Marriott Westchase. More information will be posted on the PASH website.

If your society has an education day planned, please let the COPAS office know so it can be posted to the website calendar.

I hope to see you in Fort Smith.

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MEETING SCHEDULE

EVENT	DATES	HOST	LOCATION
2018			
Spring	April 23 - 27	Arkansas	Doubletree Hotel Fort Smith, AR
Fall	September 17 - 21	Corpus Christi	Omni Hotel Corpus Christi, TX
2019			
Spring	April 22 - 26	Mississippi	Peabody Hotel Memphis, TN
Fall	September 16 - 20	Tulsa	Creek Nation River Spirit Casino and Convention Center Tulsa, OK
2020			
Spring	April	COPAS Office	TBD
Fall	TBD	Permian Basin	TBD
2021			
Spring	April	Houston	TBD
Fall	TBD	Dallas	TBD

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Must-Hear Speakers, Topics and Titles

Kevin Freeman

Mr. Freeman, CFA, is founder and CEO of Cross Consulting and Services, LLC. He is considered one of the world's leading experts on the issues of Economic Warfare and Financial Terrorism. His topic is ***Global Perspective of Energy Security.***

Susan Ginsberg

Ms. Ginsberg is Vice President of Crude Oil and Natural Gas Regulatory Affairs with the IPAA. She will discuss ***Federal Legislative and Regulatory Outlook.***

Rob Baldwin

Mr. Baldwin is with PwC. His topic title is ***Impact of the Tax Reform Act on Upstream and Midstream Oil and Gas Companies.***

Other Great Topics Scheduled Include

Cyber Security • ASC 740 • Financial Reporting Update • Economics of Super Long Laterals • Reserves 101 • Tax Legislation / Tax Reform • Employee or Independent Contractor? • Career Paths in Oil & Gas Accounting • Working with Royalty Interests • SEC Update • A Guide for Joint Venture Expenditure Audits and Current Issues • Midstream Update • Structuring JV Arrangements • BOD Perspective • COD/Debt Restructuring and Related Issues • Commodity Prices • Severance Tax • Land - Updates & Controversies • Tax Aspects of the New Revenue Recognition Standard • Fraud • RPA • Revenue Accounting - Value of Oil & Gas Sales • Leasing Update • Political Issues Impacting Today's Midstream Market • Gas Plant Accounting • Midstream Revenue Recognition • Purchase Accounting • Intro to Derivative & Standards Update

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CHANGE IS COMING

LEASES AND YOUR FINANCIAL STATEMENTS

Overview

The accounting lease rules as we know them change drastically in 2019 for public companies and 2020 for private companies. The change will provide a more faithful representation of the rights and obligations arising from lease transactions.

Long viewed as a vehicle for off-balance sheet financing, most operating leases with terms greater than one year will be reflected on the lessee balance sheet through a "Right to Use Asset" and a corresponding "Lease Liability." The asset will be amortized over the lease term and the lease liability will be reduced by contractual payments and increased by the associated interest accretion. The income statement presentation for operating leases will be basically unchanged with both the amortization and interest expense included in the caption "Lease Expense."

Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will primarily depend on its classification as a finance or operating lease. Capital leases, called "financing" leases under the new standard, will also no longer be subject to bright line tests.

The accounting mechanics by lessors will remain similar to current accounting. However, changes in the definition of a lease as well as other accounting rules discussed later in "Other Accounting Rule Changes" may impact lessor accounting under the new rules.

Initially, management may think about the accounting of lease agreements for field offices, trucks, equipment and corporate office space. However, the new rules can impact accounting for contracts that are not legally labelled a "lease," or that also contain service elements. Application of the rules to specific oil and gas transactions, which can be very complex due to individual contract terms, is beyond the scope of this article. Consistent with current guidance, leases of mineral rights and drilling rights are scoped out of lease accounting.

Determining if the Transaction Contains a Lease

The new definition of a lease focuses on the concept of control - similar to the new revenue standard. In order to meet the definition of a lease, the following two criteria must be met:

1. "Identified Asset" – Asset must be identified:
   - Can be implicit or explicit in contract
   - Must be physically distinct and can be a distinct portion of a larger asset
   - Supplier cannot have a substantive substitution right
2. "Control" – Customer must have both of the following rights:
   - To obtain substantially all the economic benefits from use of the asset
   - To direct how and for what purpose the asset is used

Applying the above two criteria may not be easy and the Control criterion may result in more contracts including a lease. The guidance clarifies that a well connection or a dedicated pipeline segment that connects to a larger pipeline may meet the Identified Asset criterion even if the larger pipeline also serves other customers. In the case of well connections or pipeline segments, the parties must determine if the producer customer also meets the Control criterion through its ability to direct when or whether the asset is used to transport production.

In a natural gas processing contract, the parties must determine if the producer customer meets the Control criterion – does it obtain substantially all of the output and have the ability to direct the use of the processing facility?

Determining whether the customer directs the use of the asset may be difficult to assess. For example, a contract between a drilling company and a producer customer in excess of one year may involve supplying a drilling rig as well as operating the rig. The parties must assess if the customer makes the decisions that most significantly impact the economic benefits derived from the drilling rig during the contract term. This assessment can be very complex and requires significant judgement.

Lease and Non-Lease Components

A contract may also have both lease and non-lease components. This requires careful analysis of the contract terms to determine the appropriate guidance. An example would be a gathering contract where the producer customer determines that the lateral connecting the wells to the larger pipeline meets the definition of a lease as discussed above (i.e., it is a distinct portion of the pipeline and the customer controls decisions affecting the economics). The producer customer also receives other services under the contract, such as compression and transportation. In this example, there are contractual components that should be accounted for under both lease and non-lease accounting guidance. The different components would be separated and the consideration allocated based on relative standalone price, which is often unavailable. In recognition of the difficulty in accounting for these situations, the FASB allows a lessee to make an accounting policy to account for all contract components under the lease guidance. As of the date of this article, there is no such option for lessors; however, the FASB is considering providing a similar accounting policy option, so stay tuned for further developments.

Other examples of contracts with multiple components include drilling, storage, transportation and gas gathering arrangements.

Under current accounting, many oil and gas companies account for all components together because the accounting results are the same for the operating lease and service components. Upon adoption of the new rules, these contracts must be assessed because the lease component (or the entire contract if the policy election is made) will be recognized on the balance sheet.

Joint Operations

Operators and nonoperators will be required to carefully review joint operations contracts to develop and produce properties. This may prove difficult as the concept of control and the identification of the contracted party (operator or joint operation) will require judgement and thorough understanding of the contracts.

DIANE KIRK, CPA

- Director in the audit service area and member of the technical accounting group
- 25 years of public accounting experience, including four years at Arthur Andersen
- Served as corporate reporting officer for a public integrated oil and gas company for more than five years
- Expertise in complex oil and gas accounting issues and regulations, including derivatives and risk management activities, compensation plans, initial public offerings, mergers, acquisitions, and rollups
- AICPA/PDI National Oil & Gas Conference Committee; Contributing Editor, CCH Oil and Gas Interpretive Guidance
- BS Accounting University of Texas at Arlington

Other Accounting Rule Changes

The new rules also impact other areas, including:

- Lease modifications
- Sale leasebacks
- Related party leases
- Producer involvement in asset construction
- Elimination of real estate - specific lease guidance

Transition Considerations

Lessees (for finance and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The approach does not require any transition accounting for leases that expired before the earliest comparative period presented and provides for certain other practical expedients. The FASB is considering a proposal to allow companies the option to apply the guidance as of the beginning of the latest comparative period presented in the financial statements. For example, a public calendar year-end company adopting as of January 1, 2018 and presenting two year financial statements (2018 and 2019) would have to adopt as of January 1, 2018. The proposed relief would allow the company to elect instead to adopt as of January 1, 2019 which would simplify the transition.

The guidance allows companies the option of not reassessing expired or existing contracts upon adoption to determine if the contract contains a lease. However, as discussed earlier, since the accounting for operating leases and service components is currently similar, many companies have failed to fully assess contracts under existing lease guidance. In these cases, the contracts may be required to be assessed under the new guidance upon adoption.

The FASB recently issued an amendment that provides an optional practical expedient for adoption. If elected, a company would not have to reconsider its accounting for existing or expired land easements, if they were not previously accounted for as leases under current lease guidance. Rights-of-way contracts held by oil and gas companies were often entered into several years prior to adoption. This amendment provides significant relief for existing contracts that were not accounted for as leases under current lease guidance. However, contracts entered into or modified post-adoption must be assessed under the new lease rules.

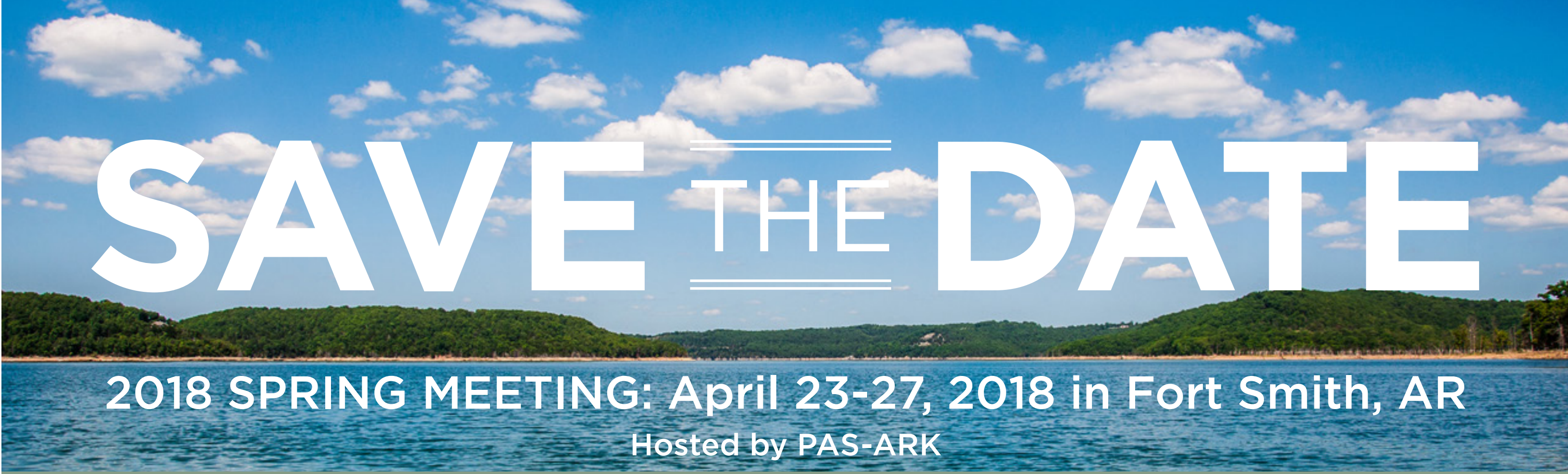
Other Implications

There are many steps management should take immediately to ensure a smooth transition. Management and the governance committee should ensure the adoption implementation process is well planned, staffed and that appropriate personnel outside of accounting are involved. Companies should begin (if not already) their assessment by taking an inventory of all lease contracts at all locations. Depending on the number of geographic locations as well as decentralized management and complexity of contracts, this process can take much longer than expected. Many companies are finding that the initial inventory of lease agreements and then the assessment under the new guidance is much more intensive than originally anticipated. In addition, as discussed earlier, other contracts may also contain a “lease” component requiring assessment.

Almost all leases will be recorded on the balance sheet increasing assets and liabilities. Contracts and agreements with balance sheet related covenant requirements should be reviewed to determine if amendments should be considered and negotiated. Communication efforts should be well prepared and proactive to ensure that any impacted covenants or other financial metrics can be timely addressed. Budgeting and forecasting, compensation plans and key performance indicators may also change. Many companies are not prepared to explain the significant liabilities added to their balance sheets with lenders, potential investors and suppliers. Systems and controls should also be evaluated and revised as necessary.

Conclusion

The new lease rules will impact all oil and gas companies and should be addressed as soon as possible. As Benjamin Franklin wisely observed: “You may delay, but time will not, and lost time is never found again.”



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2018 SPRING MEETING: April 23-27, 2018 in Fort Smith, AR

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TENTATIVE AGENDA

MONDAY

Board of Directors Meeting

TUESDAY

Leadership Conference

COPAS Energy Education

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WEDNESDAY

First Timers Breakfast

Committee Meetings: Emerging Issues, Financial Reporting, Revenue

Optional Afternoon Activities: *Golf Tournament at Hardscrabble Country Club or a tour of historic downtown Fort Smith*

Reception: *At Adelaide Hall which was built in 1871*

THURSDAY

Committee Meetings: Joint Interest and Audit, Small Oil & Gas, Education, Revenue Board of Directors Meeting

Banquet: *At the Doubletree for Trivia Night*

FRIDAY

General Council

MARSHALING ENERGY

APRIL 23-27 2018

FT. SMITH, AR PAS-ARK

OUTLAWS & OILMEN

DOUBLETREE BY HILTON FORT SMITH CITY CENTER

700 Rogers Avenue | Fort Smith, AR 72901 | 479.783.1000

GROUP ROOM RATE: $99 PER NIGHT PLUS TAX WITH BREAKFAST INCLUDED

Group Code for booking: COP | Rates are available from 04/20/18 – 04/29/18

ABOUT THE HOTEL & LOCATION

Ideally located in the heart of downtown, DoubleTree by Hilton is a nine-story, atrium-style hotel and is connected to the Fort Smith Convention Center.

Savor a delicious DoubleTree chocolate chip cookie upon arrival and settle into your stylish guest room or suite. All rooms offer modern amenities including complimentary WiFi access, as well as interior balconies with dramatic views of the beautiful five-story cascading waterfall, open lobby restaurant and lounge.

Maintain your fitness routine on the road in the fitness center and indoor pool or simply relax in the hot tub. When you're feeling hungry, the Park Place Restaurant is open for breakfast, lunch and dinner daily, serving contemporary fare, and the Fountain Court Lounge offers the perfect spot to unwind with small bites and your beverage of choice.

HOTEL HILIGHTS:

- Connected to the Fort Smith Convention Center, in the heart of downtown
- Complimentary airport shuttle and within 5-mile radius of hotel
- Nine-story atrium hotel with five-story cascading waterfall
- All rooms boast complimentary WiFi access and 42-inch HDTV's
- Inviting on-site restaurant, lounge and room service available

NEARBY ATTRACTIONS:

- Museum of History
- Miss Laura's Museum
- Outdoor Trolley Car Museum
- West End Park
- Multiple Hiking Trails
- Choctaw & Cherokee Casinos
- Golf Course *(Priced at $90, Tours priced at $40)*

2018 COPAS SPRING MEETING

Hosted by PAS-ARK

DOUBLETREE BY HILTON FORT SMITH CITY CENTER

700 Rogers Avenue | Fort Smith, AR 72901 | 479.783.1000

Please visit www.copas.org/index.php/events/spring-2018-meeting to register on-line and pay by credit card, or complete the following form and mail with check to: Council of Petroleum Accountants Societies, Inc., 445 Union Blvd. Suite 207, Lakewood, CO 80228.

Attendee First Name: ______________________ Last Name: ______________________

Attendee Name on Nametag If different from above: ______________________

Society: ______________________ **Company:** ______________________

Street Address: ______________________ **City, St., Zip:** ______________________

Phone: (_____) ______________________ **Email Address:** ______________________

Check Applicable boxes:*

☐ Society President ☐ COPAS Board Member ☐ APA® ☐ 1st Time Attendee ☐ COPAs Committee Chair

1st Time Attendee:

Do you already have a Mentor attending this Conference?

If yes, please provide Mentor's name: ______________________

If no, would you like to be assigned a Mentor to address questions before, during or after the conference?

☐ **YES** ☐ **NO**

Please reference the attached Meeting Description Summary to enhance your understanding of the meetings offered.

Guests are eligible to attend breakfast, lunch, reception, hospitality suite, banquet and golf or historic tour (at additional cost) ONLY.

Guest First Name: ______________________ Last Name: ______________________

Guest Name on Nametag *If different from above:* ______________________

Please indicate the number of registrations and optional activities you and/or your guest plan to attend. Calculate Fees. Complete Page 2 for your personal meeting plan.

MEETING/EVENT	COST	QUANTITY	TOTAL COST
Attendee Full Registration (excludes golf and tour)	**$325**		
Guest Registration (excludes meetings, golf and tour)	**$200**		
Optional: Tuesday Morning COPAS Energy Education (8:00 – 12:00 pm)	**$149***		
Optional: Wednesday Afternoon Golf Tournament (12:00 – 5:30 pm)	**$90**		
Optional: Wednesday Afternoon Historic District Tour (12:00 – 2:30 pm)	**$40**		
Late Fee After April 8	**$50**		

*Knowing Your COPAS Documents. Rate increases to $175 after March 12

TOTAL FEES $

Special Dietary Requirements ______________________

There are a limited number of rooms available at $99 per night plus tax at the DoubleTree by Hilton. Please contact the hotel directly at (479) 783-1000. Use Group Name: COPAS and Group Code: "COP" to request COPAS rate. Rates available from 4/20/18 – 4/29/18.

Visit http://copas.org for more details.

2018 COPAS SPRING MEETING - Hosted by PAS-ARK
DoubleTree by Hilton, 700 Rogers Avenue, Fort Smith, AR - April 23 – 27, 2018

Attendee Name ______________________ Guest Name ______________________

Please check the appropriate boxes for all meetings and activities you and/or your guest plan to attend.

ATTENDEE	GUEST	DATE AND TIMES	MEETING/ EVENT
		Monday, Apr 23	
☐	☐	7:00 a.m. – 8:00 a.m.	Breakfast (hotel guests only)
☐	☐	8:00 a.m. – 5:00 p.m.	Board of Directors Meeting (breakfast and lunch at the
			hotel sponsored by COPAS)
☐	☐	1:00 p.m. – 5:00 p.m.	Registration Desk Open
		Tuesday, Apr 24	
☐	☐	7:00 a.m. – 8:00 p.m.	Registration Desk Open
☐	☐	7:00 a.m. – 8:00 a.m.	Hotel Breakfast (hotel guests only)
☐	☐	8:00 a.m. – 12:00 p.m.	COPAS Energy Education (additional fees required;
			refreshments provided for morning break)
☐	☐	8:00 a.m. – 12:00 p.m.	APA Board of Examiners Meeting (closed)
☐	☐	1:00 p.m. – 5:00 p.m.	Leadership Conference
☐	☐	5:00 p.m. – 11:00 p.m.	Hospitality Suite Open
☐	☐	6:00 p.m. – 9:00 p.m.	Leadership Dinner (limited to one representative per
			society, Board of Directors, & COPAS Standing Committee
			Chairs) offsite
		Wednesday, Apr 25	
☐	☐	7:00 a.m. – 5:00 p.m.	Registration Desk Open
☐	☐	7:00 a.m. – 8:00 a.m.	First Timers' Breakfast
☐	☐	7:00 a.m. – 8:00 a.m.	Hotel Breakfast (hotel guests only)
☐	☐	8:00 a.m. – 9:00 a.m.	Keynote Speaker
☐	☐	9:00 a.m. – 12:00 p.m.	Emerging Issues Subcommittee
☐	☐	9:00 a.m. – 12:00 p.m.	Revenue Committee
☐	☐	9:00 a.m. – 12:00 p.m.	Financial Reporting Committee
☐	☐	12:00 p.m. – 1:00 p.m.	Lunch
☐	☐	12:00 p.m. – 5:30 p.m.	Golf Tournament (Optional – additional fees apply. Includes
			lunch, space is limited.)
☐	☐	1:30 p.m. – 3:30 p.m.	Historic District Tour (Optional – additional fees apply.
			Includes lunch, space is limited.)
☐	☐	1:00 p.m. – 4:00 p.m.	COPAS Technology Team Meeting
☐	☐	5:00 p.m. – 6:30 p.m.	Hospitality Suite Open
☐	☐	7:00 p.m. – 10:00 p.m.	Reception at Adelaide Hall
☐	☐	10:00 p.m. – 11:00 p.m.	Hospitality Suite Open
		Thursday, Apr 26	
☐	☐	7:00 a.m. – 8:00 p.m.	Registration Desk Open
☐	☐	7:00 a.m. – 8:00 a.m.	Hotel Breakfast (hotel guests only)
☐	☐	8:00 a.m. – 12:00 p.m.	Audit Committee
☐	☐	8:00 a.m. – 12:00 p.m.	Joint Interest Committee
☐	☐	8:00 a.m. – 12:00 p.m.	Revenue Committee
☐	☐	12:00 p.m. – 1:00 p.m.	Lunch
☐	☐	1:00 p.m. – 5:00 p.m.	Education Committee
☐	☐	1:00 p.m. – 5:00 p.m.	Revenue Committee
☐	☐	1:00 p.m. – 5:00 p.m.	Small Oil and Gas Companies Committee
☐	☐	1:00 p.m. – 5:00 p.m.	Board of Directors Meeting
☐	☐	5:00 p.m. – 6:00 p.m.	Hospitality Suite Open
☐	☐	5:30 p.m. – 6:30 p.m.	Pre-Banquet in Atrium/Vendor Area of DoubleTree Hotel
☐	☐	6:30 p.m. – 11:00 p.m.	Banquet at DoubleTree Hotel
		Friday, Apr 27	
☐	☐	7:00 a.m. – 8:00 a.m.	Hotel Breakfast (hotel guests only)
☐	☐	8:00 a.m. – 12:00 p.m.	General Council Meeting

FORECASTING A TAX REFORMED ENERGY INDUSTRY

Already in the midst of a rebound, large segments of the energy industry are poised to surge, powered in part by advantageous tax reform provisions. Others have yet to experience a significant rebound. No matter their position or perspective, energy companies need to understand this new tax landscape. Tax reform-is transforming business and tax planning and industry's immediate future as a whole.

LIMITATIONS ON INTEREST DEDUCTIONS MAY DISCOURAGE BORROWING FOR INVESTMENT IN THE FUTURE.

The interest deduction limitation is problematic for this capital-intensive industry. The after-tax cost of capital will be higher because of the new limitation, which is the amount of net interest expense that exceeds 30% of adjusted taxable income (ATI). Until the end of 2021, ATI is calculated as taxable income before deductions for depreciation, amortization, depletion, and certain other tax deductions. The limitation becomes potentially more problematic in 2022, when those items will be included in the calculation ATI, raising the threshold for deductible interest.

Prospects are better for smaller taxpayers, or those with three consecutive years of average gross receipts under $25 million. Businesses meeting these requirements are not subject to the new limitation on deductible interest expense.

NOLS WILL NO LONGER EXPIRE, BUT…

Net operating losses (NOLs) generated in years ending after, 2017 may no longer be carried back, but may be carried forward indefinitely. Even worse, the NOL deduction for losses from tax years beginning after 2017 may now offset only 80% of taxable income. For taxpayers with a history of using NOLs to reduce their tax liability, and who were subject to AMT, the new NOL limitation may result in an increase in cash taxes paid. The NOL provision is expected to be significant for oil and gas companies, which have historically generated NOLs over multiple years.

A MIXED BAG FOR PARTNERSHIPS.

Investors in oil and gas partnerships, including Master Limited Partnerships (MLPs) may be able to take advantage of a new deduction equal to 20% of qualified business income. This could narrow the GAO difference between the 21% corporate rate and the 37% rate on the income of an individual partner in a partnership. However, partners should also be aware of limitations on the amount of flow-through net business losses that may be used to offset other sources of taxable income.

EXPANDED EXPENSING OF CAPITAL EXPENDITURES MAY RESULT IN NEW OIL AND GAS PROJECT DEVELOPMENT.

Bonus depreciation has doubled to 100% for the next five years, meaning oil and gas companies can now expense qualifying property through 2022.

In addition, the provision now applies to used property that is new to the taxpayer for the first time. This welcome change could help energy companies seeking acquisitions, and will encourage asset acquisitions over stock deals.

Regulated utilities, for the most part, won't gain anything from the provision. Regulated utilities are generally exempt from the interest limitation so were excluded from bonus deprecation. Bonus depreciation isn't allowed for assets acquired for furnishing or selling electrical energy or water services, gas or steam through a local distribution system, or transportation of gas or steam by pipeline.

UNCHANGED PROVISIONS CONTINUE TO BENEFIT THE INDUSTRY.

The oil and gas sector was a winner here. They were able to keep these key benefits:

- Intangible drilling costs deductions
- Percentage depletion
- Geological and geophysical cost recovery
- Enhanced-oil-recovery credit
- Marginal well production credit
- Work-opportunity tax credit
- Investment credits

SHAREHOLDERS COULD REAP HIGHER DIVIDENDS.

The influx of cash from the rate cuts and international provisions is already affecting energy investments. Executives of two major energy companies plan to use savings from the reduced corporate rate to boost dividends, according to the Washington Post, "America's 20 largest companies on the tax overhaul." At Exxon Mobile, savings might also pay down debt, said Vice President of Investor Relations Jeff Woodbury. Chevron, said CEO John Watson, a portion of savings could be put to work in more investment.

ENERGY COMPANIES WILL CONTINUE RE-EVALUATIONS.

As the reality of tax reform sinks in and additional guidance rolls out, energy companies need to rethink their operations, structure, employment, compensation, acquisitions and most aspects of their tax and business planning. The impact of tax reform on all businesses is still being gauged, and unexpected consequences will still arise. Many of the states' legislatures are in session now and are debating which aspects of tax reform they will follow for computing state income taxes.

For further insights, visit Tax reform: What it means for your business and Energy industry insights and trends, and contact Kevin Schroeder, Grant Thornton LLP Energy Industry national managing partner.

JOHN LaBORDE, CPA, TEXAS

TAX PARTNER

John is a Tax Partner and is the Firm's Tax Energy Industry Leader. John specializes in State & Local Tax.

EXPERIENCE

John has over 27 years of experience in taxation. Most of John's experience has been in public accounting focused on assisting clients in the energy industry. Prior to entering public accounting in 1995 he worked in private industry for a Chicago based manufacturing company and prior to that he was an auditor for the Texas Comptroller's Office.

John's experience in taxation includes:

- Managing state income tax compliance engagements
- Identifying and implementing state tax minimization strategies.
- Obtaining state tax refunds for clients based on industry specific issues.
- Managing state tax audits.
- Researching and providing resolutions for a wide range of state tax issues.
- Obtaining private letter rulings.
- Assisting clients with mergers and acquisitions.
- Assisting with voluntary disclosure agreements.

PROFESSIONAL QUALIFICATIONS AND MEMBERSHIPS

John is a member of the American Institute of Certified Public Accountants and has been a speaker for various organizations including the Tax Executives Institute, the Texas Society of CPAs and The Greater Houston Partnership. John is also coauthor of the CCH "Practical Guide to the Texas Margin Tax."

EDUCATION

Master's degree, Taxation – DePaul University Bachelor's Degree, Accounting – Lamar University

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WRITE IT RIGHT

SOCIAL & DIGITAL MEDIA

WRITTEN BY **MOLLY WIERMAN**

Recently, I've been exploring professional development resources for young writers who, like me, are looking to lay the foundations for career spent playing with words. Out of this research grew this installment of "Write It Right."

As I've discovered, versatility is an essential asset for any position whose job description includes writing or editing. Specifically, the ability to adapt your writing style to the assignment at hand—be it a social media post, a press release for the local newspaper, or a list of resources for the company website—is critical.

I'd consequently like to suggest some rules of thumb for the different kinds of media you might use on a given workday. For this column, I've chosen to focus on digital media, with social media in its own category for separate consideration.

Digital Media

By "digital media," I mean anything written for an online audience (excluding social media, as I've said). Obviously, this is a broad category, ranging from web pages or blog posts to emails and even this column. My guidelines will be similarly general.

1. KEEP YOUR PARAGRAPHS SHORT.

Until I went to college, my teachers specified that a paragraph had to contain at least three to five sentences (depending on what grade I was in). Not so outside of the classroom.

There's something about the hypnotizing glow of a computer screen that cuts into even the most focused reader's attention span. The moment we see a block of text on our monitors, we lose interest.

Breaking up your writing is helps you circumvent this post-dotcom obstacle. You'll notice I've kept all of my paragraphs down to one or two sentences (or sometimes three; I occasionally break my own rules). This is an ideal length that balances cohesiveness and readability.

2. USE NUMBERED LISTS OR BULLET POINTS TO ORGANIZE YOUR WRITING.

I hate clickbait. If I see another "10 Things You Didn't Know about [Insert Winter Olympian here]!" article, I'm going to dismantle my router and go off the grid entirely.

That said, used judiciously, a brief list can make your digital pieces easier to read. It can also make them easier to write: dividing articles into bite-sized chunks expedites the creation process by limiting the number of things you have to focus on at a given moment.

3. CHOOSE SERIF FONTS.

Fonts can be separated into *serif* and *sans serif. Serif fonts*, such as Times New Roman, Cambria, and Garamond (my favorite), have little "feet" on the edges of each letter. These "feet" guide the reader's eyes as he or she scans the page. *Sans serif fonts*, including Arial, Calibri, and Helvetica, do not have these feet.

Serif fonts work well in print, especially for body text; however, the opposite is true for digital media. According to an infographic from *Webdesigner Depot*, the pixels of a computer screen allow sans serif fonts to stand out better online.

Social Media

Social media's prominence in our personal and professional lives led me to give it special attention in this column. Savvy writing allows you to take advantage of this medium's reach and appeal to an enormous audience, which especially comes in handy for COPAS societies that might be hoping to increase event turnout and member participation in the midst of industry decline.

1. KEEP IT EVEN SHORTER AND SIMPLER.

More so than other digital media, social media intrinsically breaks up our attention such that we scroll almost blindly. As a result of this fragmented focus, readers will react negatively to complex sentences and long stretches of text.

Instead of trying to include everything of significance in a Facebook post, you can insert a link to a web page with further information. For example, if you want to spread the word about an upcoming event, you can add a link to the event registration page, allowing you to use your post to catch your audience's attention without clogging up their feeds.

2. A PICTURE IS WORTH A THOUSAND WORDS…

…and as I've said, you don't have anywhere near a thousand words available when you're writing for social media.

Pictures arrest our interest. We often notice them before words, especially when we are only partly paying attention.

Take advantage of a good picture's potential by attaching it to the post

you're writing. Generally, ideal pictures include at least one person (not because no one likes landscape photography, but because we're wired to respond to human faces) and feature bright colors.

When I was in charge of social media for EducationUSA Canada, an offshoot of Fulbright Canada, *Pixabay* was my first source for high-quality, royalty-free photos. Just search for a keyword or two related to your project and browse away.

3. STRETCH YOUR CREATIVE ABILITIES.

Social media lends itself well to goofiness and novelty. In fact, a strong creative faculty is a requirement for good social media writing. Without it, most of medium's fun fades away.

Most social media writers focus on creative ways to tell stories with their writing because narratives establish connections with readers. To turn again to the Winter Olympics for an example—the stories of our favorite athletes, of their successes and setbacks, make us more emotionally invested in their performances than a series of facts or stats will.

The same principle is at work in every viral social media post or video.

To summarize: concision is key in cyberspace. Its importance, however, doesn't mean you have to make all your writing so plain it would earn a grunt of approval from Hemingway. Use pictures and stories for necessary ornamentation. Your work, not to mention your versatility as a writer, will stand out.

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.

SAVE THE DATE

JOINT INTEREST & AUDIT STANDING COMMITTEE MEETING
EMERGING ISSUES CASE STUDIES

2018 SUMMER MEETING: Thursday, July 19 | 8:30 a.m. to 4:00 p.m. | Denver, CO

DOUBLETREE HOTEL – STAPLETON AIRPORT
3203 QUEBEC DRIVE | DENVER, CO 80207

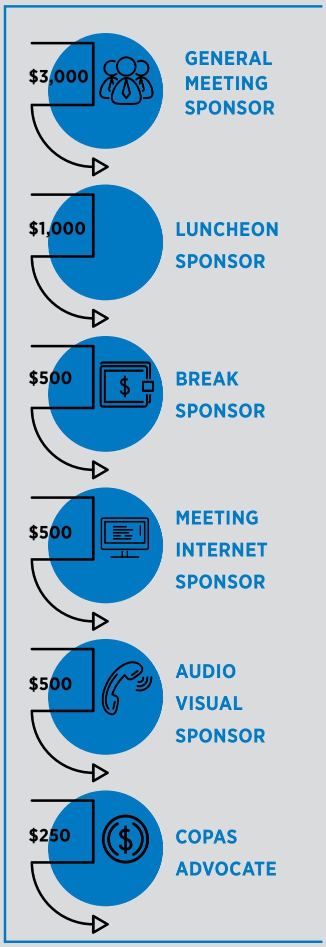
No need to rent a car. For under $10, take the Light Rail from DIA!

Limited guest room availability. Rates are $139/night, plus applicable tax. Add $10/night for the third guest, $20/night for four guests.

Reserve your guest room here, or call the hotel directly to ask for the COPAS group rate. (303) 321-3333 . Room block expires June 17.

Registration fee is $110 per person, includes lunch and breaks. Registration will open May 1.

Meeting agenda to be announced.



NEW COMMITTEE MEETING SPONSORSHIP OPPORTUNITIES

New sponsorship opportunities are now available for the COPAS committee meetings held in January and July.

Sponsor levels include:

GENERAL MEETING SPONSOR: $3,000 (EXCLUSIVE SPONSORSHIP)
Exclusive opportunity to be the lead sponsor for the meeting. Sponsorship package includes up to 5 complimentary meeting registrations; signage at registration table and in the meeting room, recognition on meeting sponsor signage, announcement during the committee meeting, and the ability to provide company promotional material to be placed at each participant seat.

LUNCHEON SPONSOR: $1,000 (LIMITED TO TWO SPONSORS)
Sponsorship package includes up to 3 complimentary meeting registrations; signage at lunch buffet table, recognition on meeting sponsor signage, and announcement during the committee meeting.

BREAK SPONSOR: $500 (UNLIMITED SPONSORSHIPS)
Sponsorship package includes 1 complimentary meeting registration; signage at break stations, recognition on meeting sponsor signage, and announcement during the committee meeting.

MEETING INTERNET SPONSOR: $500 (UNLIMITED SPONSORSHIPS)
Sponsorship package includes 1 complimentary meeting registration; general signage with meeting log in information and password, recognition on meeting sponsor signage, and announcement during the committee meeting.

AUDIO VISUAL SPONSOR: $500 (UNLIMITED SPONSORSHIPS)
Sponsorship package includes 1 complimentary meeting registration; general signage in meeting room, recognition on meeting sponsor signage, and announcement during the committee meeting.

COPAS ADVOCATE: $250 (UNLIMITED SPONSORSHIPS)
Any COPAS advocate can join in the support of the organization through sponsorship at a COPAS committee meeting. This opportunity includes recognition on meeting sponsor signage, and announcement during the committee meeting. Make a statement about your strong support of the organization.

Click here to access the sponsor form.

COPAS MEMBERS!

YOU COULD BE LEAVING MONEY ON THE TABLE WITH YOUR EVERYDAY OFFICE PURCHASES.

No one wants to do that.

Get the full benefit of your COPAS membership by taking advantage of any of the member benefits listed on the COPAS website.

If you aren't the decision maker, send this information to your purchasing group for further evaluation.

SOME SAMPLE BUSINESS SAVINGS:

- **FEDEX**: average savings of 38% off Express, Ground and International, regardless of how much you ship. Why pay retail?
- **AT&T**: save 22% off monthly service charges for qualified wireless plans
- **SHRED-IT**: destroy business records that are eligible for destruction, safely and securely, all while saving about 35%
- **CAR RENTALS**: save 25% on most major brands

What about discounted hotels, for business or leisure? Office Supplies? Copiers? Furniture? Electronics? Super Shuttle?

How about some personal savings opportunities? Do you enjoy a good movie? What about a family theme park vacation? Going to Las Vegas or New York to take in a show? Don't pay full ticket price. **Check out the savings.**

What about vision plans? VSP plans can save you money.

Worried about identity theft? Check out the LifeLock savings opportunity.

All these savings are on the member benefits page.

HOTELSTORM ORKIN SuperShuttle Need a lift? VSP Vision care for life AT&T FedEx Office Depot LifeLock Guarantee Your Good Name RICOH imagine. change. AVIS Hertz National enterprise Shred-it

Purchasing decisions are entirely up to the individual company. COPAS is not recommending or promoting any one vendor or good or service. We are simply providing you opportunities to save money on products and services you already purchase.

INDUSTRY NEWS

A COLLECTION OF PUBLISHED NEWS ARTICLES

U.S. shale production rose for a 14th consecutive month to a new record in February, 6, 55 mmbpd. In the Eagle Ford, oil output was1.24 mmbpd, the strongest level since May 2016. Output from the Bakken was 1.18 mmbpd, the highest since November 2015. Permian production rose to 2.87 mmbpd, a new record. The number of drilled uncompleted wells in the Permian is at a record 2,777, and the national number rose to a record 7,493 drilled uncompleted wells

The Appalachian Basin produced 22.1 Bcf/d of natural gas in 2016. In perspective, only one country in the world other than the U.S. - Russia - produced more natural gas than the Appalachian Basin. In fact, the Appalachian produced more gas than even entire continents like Africa and South America and the region produced more natural gas than any OPEC country. The Appalachia region has risen even more, to 26.8 bcfd in February 2018, an 11th consecutive increase

Apache plans to spend billions of dollars in the next 20 years to drill more than 5,000 wells in the Alpine High field in the Permian Basin. Unlike other parts of the Permian which contain rocks rich in crude oil, some of Alpine High's geology predominantly contains types of natural gas. Apache's initial tests in 2017 showed Alpine High contained at least 75tcf of natural gas and 3 billion barrels of oil. Alpine High well costs are only $4-6 million

Bill Barrett Corp plans to combine with privately-held Fifth Creek Energy in a deal valued at $649mm

Eni is drilling a new well off the north coast of Alaska, becoming the first company to do so since 2015, working from an artificial island in the Beaufort Sea three miles off Oliktok Point in the Arctic Ocean. Eni plans to use extended-reach drilling techniques and is exploring the formation in partnership with Shell. The companies plan two exploration wells plus two potential sidetrack wells over the next two years

PDC Energy expects to invest $480mm in 2018 operations in Colorado's Wattenberg Field; it plans to begin work on around 131 wells, and complete another 139

Oasis Petroleum will acquire from Forge Energy 20,300 net acres in the Delaware Basin for $946mm, consisting of $483mm cash and 46mm shares of common stock. Also, Oasis expects to divest non-core Williston Basin acreage up to $500mm in 2018

Extraction Oil & Gas plans to spend $770-$840mm to drill 170 to 175 wells in the Denver-Julesburg Basin in 2018. They also plan to frack or complete another 185 to 190 wells and spend another $120-$150mm to acquire land and on other nonproduction costs

Cabot will sell its operated and non-operated Eagle Ford Shale assets to Venado Oil & Gas for $765mm, including 65,100 operated and 9,400 non-operated acres primarily in Frio and Atascosa counties. Separately, Cabot announced the sale of its remaining East Texas assets to an undisclosed buyer

U.S. crude oil production is expected to climb to more than 10mmbpd early in 2018, reaching that milestone for the first time since 1970, and continue to surge into 2019 to a record high of 11mmbpd, a new high for national output, eclipsing the production from Saudi Arabia and rivaling that of Russia, the world's two largest oil producers

New Mexico surpassed Oklahoma and California to become the third-largest producer in the U.S.; Texas and ND top the list

Lucid Energy Group will sell its Permian Basin unit for $1.6 billion in cash to a joint venture owned by the private equity firm Riverstone and the merchant banking division of Goldman Sachs

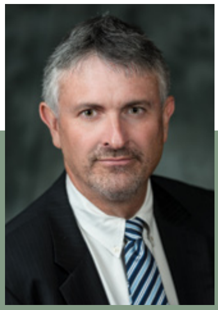
SM Energy will sell more than 100,000 acres in Wyoming's Powder River Basin for $500mm cash to Northwoods Energy, a portfolio company of investment funds run by Apollo Global Management. The

COMMODITY SPOT PRICING COMPARISON

	CRUDE OIL WTI (CUSHING) PER BBL				HENRY HUB NATURAL GAS SPOT PRICE DOLLARS PER MILLION BTU			
MONTH	2014	2015	2016	2017	2014	2015	2016	2017
January	94.62	47.22	31.68	52.50	4.71	2.99	2.28	3.30
February	100.82	50.58	30.32	53.47	6.00	2.87	1.99	2.85
March	100.80	47.82	37.55	49.33	4.90	2.83	1.73	2.88
April	102.07	54.45	40.75	51.06	4.66	2.61	1.92	3.10
May	102.18	59.26	46.71	48.48	4.58	2.85	1.92	3.15
June	105.79	59.82	48.76	45.18	4.59	2.78	2.59	2.97
July	103.59	50.90	44.65	46.63	4.05	2.84	2.82	2.98
August	96.54	42.87	44.72	48.04	3.91	2.77	2.82	2.90
September	93.21	45.48	45.18	49.82	3.92	2.66	2.99	2.98
October	84.40	46.22	49.78	51.58	3.78	2.34	2.98	2.88
November	75.79	42.44	45.66	56.64	4.12	2.09	2.55	3.01
December	59.29	37.21	54.97	57.88	3.48	1.93	3.59	2.81
YTD Average	93.26	48.69	43.14	50.88	4.39	2.63	2.52	2.98

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

INDUSTRY NEWS



MIKE COUGEVAN

Mike is a former COPAS President and Audit Committee Chair, was a founding member of the Acadiana Society and is currently a member of the Colorado Society. Mike is a Vice-President at Martindale Consultants, Inc.

sale equates to the exit of all but 20% of its property in the region, as it turns its focus to more prolific acreage in the Midland Basin in W. Texas and the Eagle Ford shale

Linn Energy will sell its interests in 36,000 acres of Utah's Altamont Bluebell field in the Uinta basin to an undisclosed buyer for $132mm. Linn continues to market its remaining non-core assets in the Permian along with its mature waterfloods in OK

TransCanada secured 500,000 b/d of firm, 20-year commitments for its proposed 830,000 b/d Keystone XL pipeline. Although hurdles remain for the long-delayed pipeline, the $8bn Keystone XL would transport crude from Alberta's oil sands to Steele City, Nebraska, which is already linked to Cushing, OK and the SE Texas coast. Primary construction is expected to begin in 2019

There could be more than 20 new frac sand mines in W. Texas in 2018. Texas sand is located in dunes, making it easier to mine than Wisconsin sand locked in sandstone deposits because there is no blasting, no heavy moving, and no need for a rail load out terminal. Many energy companies still value Wisconsin sand because of its strength; some companies are mixing Wisconsin sand with cheaper, finer, Texas sand

EQT, largest producer of natural gas in the U.S., remembers the early days of the Marcellus when three wells drilled from a single well pad was considered a technological marvel. Now, the new normal are superpads - concrete platforms that can have 30 wells, maybe even 40, with long horizontal tentacles stretching underground for up to 4 miles in each direction. A superpad means $250mm invested into a single hillside and fewer well pads in total. It means that from a 10-acre spot, a company can theoretically produce natural gas from underneath an area the size of Pittsburgh. In the Permian Basin, Encana built a "mega pad" that is slated to hold 64 wells, spanning the length of eight football fields and the width of two, accommodating simultaneous drilling with two rigs

Shell won 9 of 19 oil and gas blocks awarded in Mexico's prized Gulf of Mexico deep waters, emerging the winner in the country's January 31 auction of 29 blocks estimated to contain 4.2 billion barrels of oil. Shell focused on blocks in the Perdido and Salina basins. Shell won four blocks as a lone bidder, four in a consortium with Qatar Petroleum and one in a consortium with Mexican state oil firm Pemex. PC Carigali, a unit of Malaysia's state oil firm Petronas, won six blocks. Ten blocks received no bids

Exxon Mobil plans to triple its oil and gas production in the Permian Basin, to 600,000 bopd by 2025 and spend more than $2 billion on transportation and terminal upgrades in W. Texas, including expanding its crude oil terminal in Wink, Texas. In 2017, Exxon Mobil bought Permian acreage from the Bass family to more than double its Permian acreage holdings

RIG COUNTS

LOCATION	WEEK OF:						
	07.29.16	11.4.16	2.3.17	4.28.17	8.4.17	10.10.17	2.9.18
Gulf of Mexico	19	21	21	17	16	18	16
Canada	119	154	343	85	217	203	325
North America	582	723	1072	955	1171	1110	1300
Oil	374	450	583	697	765	738	791
Gas	86	117	145	171	189	169	184
Directional	48	52	66	63	74	74	73
Horizontal	354	459	596	730	807	776	832
Vertical	61	58	67	77	73	57	70
Major State Variances							
Alaska	4	9	10	6	6	6	5
Arkansas	0	1	1	1	1	0	0
California	7	6	6	9	13	14	14
Colorado	21	18	26	29	37	37	33
Louisiana	46	48	52	58	67	58	61
New Mexico	28	32	46	55	60	69	88
North Dakota	27	37	36	44	53	47	49
Oklahoma	60	76	102	127	132	123	118
Pennsylvania	15	27	33	34	34	31	37
Texas	214	262	355	437	466	442	479
West Virgiana	8	10	8	12	14	12	19
Wyoming	8	17	20	20	26	22	30

Source: Baker Hughes at www.bakerhughes.com

INDUSTRY NEWS

In 2016, hydraulically fractured horizontal wells accounted for 69% of all oil and natural gas wells drilled in the U.S. and 83% of the total linear footage drilled. In 2016, total drilled footage reached almost 13 million feet, about 10.7 million of which were hydraulically fractured and horizontally drilled

Hydraulically fractured horizontal wells have accounted for most of all new wells drilled and completed since late 2014. As of 2016, about 670,000 of the 977,000 producing wells were hydraulically fractured and horizontally drilled

Talos Energy will acquire Stone Energy in a $1.9 billion merger. The headquarters will be in Houston with additional offices in Lafayette and New Orleans. In 2013, Talos acquired Energy Resource Technology GOM for $620mm; ERT was a subsidiary of Helix Energy Solutions. In 2015, Talos' shallow-water exploration well in Mexico found 1.4 - 2 billion barrels of oil in the Zama-1 exploration well

Noble Energy will receive $340mm to sell mineral rights and royalty interests in Texas, OK, ND, and other states to Black Stone Minerals

The U.S. now exports up to 1.7 mmbpd of crude and will soon have the capacity to export 3.8 bcfd of natural gas. Terminals conceived for importing liquefied natural gas have now been overhauled to allow exports

The Permian Basin shattered its 1973 record to produce 815mm barrels of oil in 2017, or more than 2.23 mmbpd; the previous peak of 790mm barrels, or 2.16 mmbpd, was set 44 years ago. Today, 90% of the wells in the Permian are drilled horizontally, up from just 10% in 2014. The amount of sand used in the largest wells has soared up to 50 million pounds, up from an average of 3 million four years ago, while water consumption has surged to about 25 million gallons per well, up from 5 million

Plains All American Pipeline secured enough customers to start construction on its Cactus II Pipeline connecting the Permian Basin with the crude oil export market in Corpus Christi. It should be completed by the fall of 2019 and will have a capacity of 575,000 barrels. The original Cactus Pipeline is the only major oil pipeline currently connecting the Permian to Corpus Christi

Range Resources announced it would spend $941mm on natural gas drilling in 2018, with 80% earmarked for the Marcellus in SW Pennsylvania

The BLM released an environmental study for a 5,000-well oil and gas project in Converse County, Wyoming. Anadarko, Chesapeake, EOG, SM Energy, and Devon proposed the 10-year joint project, covering 1.5 million acres, just north of I-25 between Glenrock and Douglas. The BLM anticipates the joint approach to drilling in the southern Powder River Basin will generate between $18 billion and $28 billion in revenue. Federal, state, and private interests are all impacted; 90% of the land is private or state owned and only 6% of the project's 1,500 well pads will be built on BLM land. The remainder is on the U.S Forest Service-managed Thunder Basin National Grasslands. The proposal calls for year-round development and exemptions to operate in sage grouse and raptor habitat. Of the 53,000 acres directly disturbed for pipelines, roads and pads, 21,000 acres may be disturbed for the full life of the project. One of the issues raised in the environmental study is how the project will impact sage grouse, an imperiled bird that is protected by state and federal provisions. A key habitat for the grouse is located within the project boundary

Exxon Mobil will spend $20 billion on refining, petrochemical and liquefied natural gas growth along the Texas and LA Gulf Coast. Much of that work is being completed now, while some projects are awaiting the final go ahead

Chinese entities made it clear they want to invest in shale gas resources in W. Virginia while helping to develop midstream and downstream shale gas infrastructure. Through its $83.7 billion deal with the W. Virginia Dept of Commerce, the China Energy Investment Corp. will help spur the development of power generation from natural gas, chemical manufacturing and underground storage of natural gas liquids and derivatives. Through the 20-year partnership, WV will work to develop a regional storage hub and market for NGLs, a large portion of which could be shipped and utilized in China

Lateral lengths in the Marcellus keep increasing. Range Resources increased its average drilled lateral length by 90%, to average 11,700 feet. EQT plans its lateral lengths to average at least 12,700 feet; and nearly 900 of Antero's wells were drilled at an average length of 8,250 feet, with 230 of those were drilled with lengths longer than 10,000 feet

Exxon Mobil is drilling shale wells that stretch farther than the length of New York's Central Park. It recently finished four wells in the Bakken that extend sideways for 3 miles, and it's closing in on the 4-mile mark. In the Permian Basin, XOM's horizontal wells are approaching the 2 1/2-mile threshold, the length of Central Park in Manhattan from north to south

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Council of Petroleum Accountants Societies

SAVE THE DATE

2018 FALL MEETING: SEP. 17-21, 2018 in Corpus Christi, TX

Hosted by COPAS of Corpus Christi

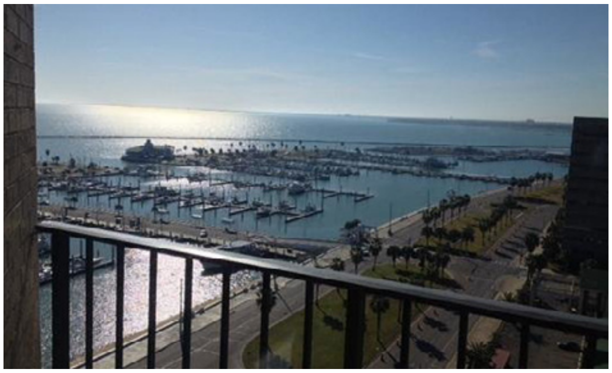
COPAS CHRISTI - THE WINDS ARE BRISKY, THE BAYS ARE BLUE, OUR SPARKLING CITY IS WAITING FOR YOU

REGISTRATION RATE

$325 Members | $225 Spouse/Guest | $200 Meetings Only
Late fee after August 15, 2018: $75
No refunds after August 15, 2018

MEETING INFORMATION

Please join us in our sparkling city, Corpus Christi, Texas, September 17-21, 2018 for the Fall 2018 COPAS National Meeting. Each Omni Hotel room has a view of our beautiful Corpus Christi Bay. COPAS of Corpus Christi will be your hosts for a week where we will breeze through informative meetings, presentations, discussion and debates as well as enjoying our beautiful Bayfront while attending the Leadership Dinner, Reception, Banquet and during your free time.





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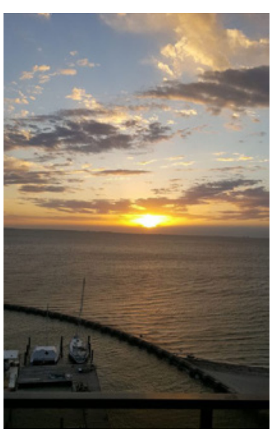
www.raterpus-christi/meetings/copas-national-council-meeting-2018

LOCAL ATTRACTIONS

Omni Corpus Christi Hotel is located in the lively downtown Marina District, and offers 475 guestrooms with spectacular views of the Corpus Christi bay and 2 restaurants. Situated along 131 miles of Texas coast, there are virtually limitless choices for water sports, including year-round sailing, swimming, snorkeling and some of the world's best deep-sea fishing. All are just moments away from this spectacular Corpus Christi hotel. Located just 15 minutes from Corpus Christi International Airport.



HOTEL AMENITIES

- Complimentary airport shuttle
- Fully-equipped fitness center
- Outdoor heated swimming pool
- Complimentary indoor racquetball courts
- Business center open 8:00 a.m. – 5:00 p.m. daily
- Gift shops
- Valet and self parking

CORPUS CHRISTI ATTRACTIONS

- Texas State Aquarium
- USS Lexington
- Corpus Christi Marina
- Downtown restaurants & Night Life
- Art Museum of South Texas
- Corpus Christi Museum of Science & History
- Selena Memorial
- McGee and North Beaches
- Hurricane Alley Waterpark
- Schlitterbahn Corpus Christi

AGENDA

MONDAY

Board of Directors Meeting

TUESDAY

Board of Examiners

Leadership Conference

Leadership Dinner – Society Presidents and one representative from each of the COPAS Standing Committees are invited to join the COPAS Board for the leadership Dinner at Hesters at the Art Museum of South Texas, located on our lovely Bayfront with an excellent view of the U.S.S Lexington Museum and Texas State Aquarium.

WEDNESDAY

First Timers Breakfast

Committee Meetings – Emerging Issues, Financial Reporting, Revenue

COPAS Energy Education Afternoon – We plan to offer a 4 hour CPE class (subject TBA) presented by one of our amazing COPAS Energy Education Instructors.

Afternoon Free Time – Explore our beautiful Bayfront by taking a stroll along the seawall stopping at one of our many restaurants or shops along the way. Sometimes you can actually purchase fresh shrimp right off a boat docked at the Marina. Or take the city bus across the Harbor Bridge to North Beach where you can visit the Texas State Aquarium, U.S.S Lexington and North Beach restaurants and shops.

Reception – Join us at Fajitaville on the Beach for a casual evening of good food, drinks, DJ, karaoke and games at an incredible beachside bar located just across the Harbor Bridge on North Beach adjacent to the U.S.S. Lexington Museum.

THURSDAY

Committee Meetings – Joint Interest, Audit, Small Oil & Gas, Education & Revenue

Afternoon Optional Events – Port of Corpus Christi Tour, Earn CPE credit on the Texas Floating Classroom while touring the 4th largest US Port. Space is limited

TPCO plant tour, a state-of-the-art seamless steel pipe manufacturing facility in the heart of the US energy market, located on a 253 acre site east of Gregory, Texas

Banquet – The evening banquet will be held in one of the Omni Ballrooms with a special performance by Five Card Draw

FRIDAY

General Council

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BECOME AN APA®

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. Learn more about the program.

TESTING DATES

MONTH	REGISTRATION OPENS	REGISTRATION CLOSES
May, 2018	NOW OPEN!	March 23, 2018
July, 2018	April 2, 2018	May 18, 2018
September, 2018	June 1, 2018	July 16, 2018
November, 2018	August 1, 2018	September 17, 2018

ARE YOU THE NEXT APA® IN 2018?

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 fees apply for any unpaid balances at March 31. Continuing Professional Education (CPE) hours are to be reported to Vanessa Galindo (APAAdministrator@copas.org) or directly to Vanessa.Galindo@copas.org.

Please note that a change in the **Continuing Professional Education (CPE) reporting** requirement will be implemented beginning in 2018. 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!

NEW CEE WEBINAR SERIES 2018

In January CEE introduced its first live webinar series classes Principles of Revenue Accounting! Our webinars have been popular and we thank you all for your support of the CEE programs. We are striving to make education as accessible as possible for you and we are excited to announce the introduction of three new webinar series to the catalog. Beginning in April, monthly webinars will go live for the Principles of Joint Interest Accounting, and Gas Balancing courses, and in May for Introduction to Oil and Gas Exploration, Production, and Upstream Operations. Registration for the Joint Interest series and Gas Balancing is now open. Introduction to Oil and Gas Exploration, Production, and Upstream Operations registration will open at the end of March. You will be able to register for any individual webinars, but there will also be full series subscriptions available for significant discounts. Please visit the Events section of the COPAS.org website for more details and regisitration links.

PRINCIPLES OF REVENUE ACCOUNTING SERIES

By Salomon Tristan

• Oil On and Offlease Sales Accounting (3 credits)	Thursday March 15	10 AM CT
• Gas Operations Production Accounting (1 credit)	Thursday April 19	10 AM CT
• Gas On and Offlease Sales Accounting (2 credits)	Thursday May 10	10 AM CT
• Gas Plant Accounting (2 credits)	Thursday June 14	10 AM CT
• Producer and Pipeline Imbalances (1.5 credits)	Thursday July 12	10 AM CT
• Production and Severance Taxes (1credit)	Thursday August 16	10 AM CT
• Private State and Federal Royalties (1credit)	Thursday September 13	10 AM CT
• Checkstub Processing (1credit)	Thursday October 18	10 AM CT
• Relationships (1credit)	Thursday November 15	10 AM CT
• Variance Analysis Analytics (1 credit)	Thursday December 15	10 AM CT

PROGRAM LEVEL: BASIC

DELIVERY: GROUP-INTERNET BASED

ADVANCE PREP: NONE

FIELD OF STUDY: ACCOUNTING

CPE CREDITS: SEE ABOVE

PREREQUISITES: NONE

COST: VARIES SEE REGISTRATION

PRINCIPLES OF JOINT INTEREST ACCOUNTING SERIES

by Phil Fischer and Jeff Wright

• Overview of Joint Ventures (1 credit)	Tues April 10	12 PM CT
• Agreements & Historical Perspective on COPAS Accounting Procedure (2.5)	Tues May 8	12 PM CT
• Dissecting a COPAS Accounting Procedure (2 credits)	Tues June 5	12 PM CT
• Direct vs. Indirect Costs (1.5 credits)	Tues July 10	12 PM CT
• Overhead (1.5 credits)	Tues August 7	12 PM CT
• Materials (1.5 credits)	Tues September 11	12 PM CT
• Special JV Adjustments (1 credit)	Tues October 9	12 PM CT
• Allocations (1 credit)	Tues November 13	12 PM CT
• Joint Interest Billing & Accounting for JV Costs (2.5 credits)	Tues December 11	12 PM CT

PROGRAM LEVEL: BASIC
CPE CREDITS: SEE ABOVE
DELIVERY: GROUP-INTERNET BASED
PREREQS: NONE
ADVANCE PREP: NONE
COST: VARIES - SEE REGISTRATION
FIELD OF STUDY: ACCOUNTING

GAS BALANCING SERIES

by Salomon Tristan

• Deregulation to Imbalances & Imbalances (1.5 credits)	Wed April 18	10 AM CT
• Nomination and Confirmation & Transporter (1.5 credits)	Wed May 9	10 AM CT
• Statements & Pipeline Flow (1 credit)	Wed June 13	10 AM CT
• Exhibit E-JOA (1 credit)	Wed July 11	10 AM CT
• Gas Balance Statement (1 credit)	Wed August 15	10 AM CT
• Make-Up Gas (1credit)	Wed September 12	10 AM CT
• Settlement & Imbalance Reporting (1 credit)	Wed October 17	10 AM CT

PROGRAM LEVEL: INTERMEDIATE
CPE CREDITS: SEE ABOVE
DELIVERY: GROUP-INTERNET BASED
PREREQS: SOME REV EXPERIENCE
ADVANCE PREP: NONE
COST: VARIES - SEE REGISTRATION
FIELD OF STUDY: ACCOUNTING

INTRODUCTION TO OIL AND GAS EXPLORATION, PRODUCTION, AND UPSTREAM OPERATIONS

by Phil Fischer

• Exploring and Securing Drilling Rights & Building the Location (1.5 cr)	May	TBC
• Drilling the Well (1credit)	July	TBC
• Casing Cementing and Logging (1 credit)	August	TBC
• Completing the Well & Special Drilling Situations(1.5 credits)	September	TBC
• Horizontal Drilling, Fracturing and Completing & Producing the Well (1.5)	October	TBC

PROGRAM LEVEL: BASIC
CPE CREDITS: SEE ABOVE
DELIVERY: GROUP-INTERNET BASED
PREREQS: NONE
ADVANCE PREP: NONE
COST: VARIES - SEE REGISTRATION
FIELD OF STUDY: SPECIALIZED KNOWLEDGE

LEGISLATIVE & REGULATIVE UPDATE

MIKE FOSTER

MikeFoster@copas.org

NATE WOLF

NateWolf@copas

Information provided by Mike Foster and Nate Wolf, subcommittee chairs for the National COPAS Revenue Committee. Questions may be e-mailed to Mike at MikeFoster@copas.org. or Nate at NateWolf@copas.org. The update is based on legislative and regulatory information available at the time of publication and is not intended as legal, tax or accounting advice. It may also include items listed in the previous issue of ACCOUNTS, as well as new items.

ALASKA

The Alaska legislature started its legislative session on January 16. The House has proposed **HB288**, which increases the gross minimum severance tax rate at the highest level on leases or properties that include land north of 68 degrees north latitude. The tax rate is based on the average price per barrel for Alaska North Slope crude oil for the period after January 1, 2019 and before January 1, 2022. The minimum tax rate will be 7% of the gross when the average price is more than $25, up from the current 4%; 3% when the average price is between $20 and $25; 2% when the average price is between $17.50 and $20; 1% when the average price is between $15 and $17.50; and 0% when the average price is less than $15. **HB288** has been referred to the House Resources Committee.

BUREAU OF LAND MANAGEMENT

As part of President Trump's goal to reduce federal regulations, 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.

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 the following: (1) 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 of unauthorized removal or mishandling of production; (6) filing of site facility diagrams; and (7) guidelines for off-lease measurement. Early in 2017, the BLM sent notice that it cannot accept electronic applications for FMP numbers. The BLM also extended these due dates of the applications by 4 months. Due to continued system issues with both BLM and ONRR systems, the BLM expects the delay will continue to be extended.

Onshore Order 4 (Oil Measurement) (Codified as CFR 3174) provides the following: (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 the following: (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.

Onshore Order 9 (Waste Prevention Rule aka Venting & Flaring): (Codified as CFR 3179) On November 18, 2016, the BLM published in the Federal Register a final rule entitled "Waste Prevention, Production Subject to Royalties, and Resource Conservation" ("2016 final rule"). On December 7, 2017, the BLM announced it would suspend or delay certain requirements of this rule until January 17, 2019. After reconsidering the cost, complexity, and other implications of the 2016 final rule, the BLM proposed on February 12 to revise the 2016 final rule in a manner that reduces unnecessary

LEGISLATIVE & REGULATIVE UPDATE

compliance burdens, is consistent with the BLM's existing statutory authorities, and re-establishes long-standing requirements that the 2016 final rule replaced. In addition to requesting a 60-day public comment period on the proposed rule, the BLM is also requesting comment on how it can reduce the waste of gas by incentivizing the capture, reinjection, or beneficial use thereof.

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. Because the BLM has found that the 2016 final rule imposes excessive costs and because the bureau believes that a regulatory framework similar to NTL-4A can be applied in a manner that limits waste without unnecessarily burdening production, the BLM's February 2018 proposal will replace the requirements contained in the 2016 final rule with requirements similar to, but with notable improvements on, those contained in NTL-4A.

GET PLUGGED IN

If you are interested in receiving free legislative updates as they occur, please e-mail Mike Foster at MikeFoster@copas.org or Nate Wolf at 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.

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 controller equipment requirements
- Pneumatic diaphragm pumps equipment requirements
- Storage vessels equipment requirements
- LDAR requirements

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

- Gas capture requirements
- 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. However, the BLM is taking comment on subpart 3178. Be aware that these new royalty provisions could require producers to pay royalties on avoidably lost gas volumes from outside operated properties where the producer takes their gas in-kind and also remits their own federal royalties. This would necessitate communication between the operator and take-in-kind producers to identify when volumes are avoidably lost.

Hydraulic Fracking: On December 28, 2017, the BLM announced in the Federal Register 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 Accountability Office (GAO) released a report stating Indian CA's were taking too long to approve. The

LEGISLATIVE & REGULATIVE UPDATE

report acknowledged the streamlined process that was developed in 2016 and says there are no controls on how long CA approvals should take. The GAO recommends that the DOI do as follows: establish time frames for the BIA and BLM review and approval of Indian CA's, develop a systematic mechanism to track these CA's 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.

BLM Restructuring: On January 10 Interior Secretary Ryan Zinkes announced his vision for reorganizing the DOI 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 such as Colorado, Nevada and Wyoming into multiple sections.

BLM Instructional Memo 2018-034 (released 1/31/18): 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, such as hunters and anglers, object.

COLORADO

Colorado began its legislative session on January 10. On December 6, 2017 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 its hearing on January 3. The initiative provides for significant increases in the severance tax, eliminates the property tax credit against the severance tax paid by producers, and reduces the maximum amount allowed to be tax-exempt. Revenue from the new tax would 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." If the initiative is passed, it will take effect on January 1, 2019.

The Colorado Oil and Gas Conservation Commission was to hold a rulemaking in February to increase the oil and gas mill levy to pay for the discrepancy in funds for general operating costs of the Commission. The Colorado Petroleum Council was to testify at the hearing.

HB18-1071 "Regulate Oil Gas Operations to Protect Public Safety." This bill codifies the results of Martinez v. Colorado Oil and Gas Conservation Commission 2017 COA 37, which construed that oil and gas development in Colorado is not balanced with the protection of public health, safety and welfare, including protection of the environment and wildlife resources. The extent and scope of the additional regulation on industry is not yet defined.

HB18-1150 The bill specifies that a local government that bans hydraulic fracturing of an oil and gas well is liable to the mineral interest owner for the value of the mineral interest. It also states that a local government that enacts a moratorium on oil and gas activities shall compensate oil and gas operators, mineral lessees, and royalty owners for all costs, damages, and losses of fair market value associated with the moratorium.

HB18-1157 Introduced February 1, the bill requires oil and gas operators to file written reports with the Colorado Oil and Gas Conservation commission and other affected stakeholders for each major and minor "reportable event."

ENERGY INFORMATION ADMINISTRATION (EIA)

The EIA has expanded its EIA-914 by 5 states/production areas (Alabama, Federal Offshore Pacific, Michigan, Mississippi and Virginia). The Natural Gas Supply Association (NGSA) reported that the EIA is planning a "Gas Processing Plant Survey" for 2019 to learn more about the use of stabilizers in the industry and how stabilizer data affects the EIA data collection and reporting programs.

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (USEITI)

On November 2, 2017, Greg Gould, Director of the DOI ONRR, sent a letter to Mr. Fredrik Reinfeld, chair of the EITI board. The letter stated 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. Both chambers started the legislative session with very little committee action and almost no action on the chamber floors. Currently, the legislative

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process is moving along in both chambers as legislation is being addressed on the subcommittee and full committee level. The highlight so far was the House's passage of the Fiscal Year 2018 amended budget. The Senate has started their review of the "small" budget, and the House has already begun its review of the Fiscal Year 2019 budget.

HB205 is a committee substitute bill carried over from 2017. It includes groundwater monitoring and notification requirements, imposes a state severance tax on oil and gas production ($0.03/bbl and $0.01/MCF) and allows local governments to tax production (not to exceed an additional $.09/bbl and $.02/MCF). Both taxes would be collected by the Department of Revenue. House Conference Committee Report was adopted and has passed the House. The bill now moves to the Senate.

LOUISIANA

Louisiana will start its 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. This case included 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. 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.

MISSISSIPPI

Mississippi convened its general assembly on January 2. **HB886** extends the severance tax exemption for horizontally drilled wells and horizontally recompleted wells until July 1, 2021. This bill is in the House Ways and Means Committee but was recently tabled subject to call.

HB968 includes carbon dioxide in the definition of "Gas." This bill removes the tax exemption for gas used in injection for cycling, repressuring, or lifting or for crude oil enhancements. However, no tax is levied on the production of carbon dioxide when it is sold for use as raw material, or a component in a manufacturing process or used in a crude oil enhancement. This bill is in the House Ways and Means Committee.

HB1350 deletes the repealing language of July 1, 2018 that established 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, 2022. This bill is in the House Energy Committee.

SB2858 extends the repealing language from July 1, 2018 to July 1, 2023 that initially established a reduced rate on the initial oil and natural gas produced from horizontally drilled wells and horizontally drilled recompletion wells. This bill is in the Senate Energy Committee.

HB847 provides that net income of nonresidents derived from property, activity and other sources (which appear to include oil and gas royalties) within Mississippi is subject to the state income tax.

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HB273 defined "Interest Owner" as any person owning any royalty or other interest in oil or gas or its value. The bill provided that severance taxes on oil and gas are 1) to be paid by the interest owner of the oil and gas regardless of his/her residency, and 2) the owner of the surface rights under which producing oil, gas, or other mineral interests are owned may be exempt from paying 25% of the ad valorem taxes due on the real estate; however, the owner of the surface rights under which nonproducing oil, gas, or other mineral interest are owned is not exempt from such ad valorem taxes. Lastly, the horizontal well and horizontal recompletion tax exemption would have been repealed effective July 1, 2018. This bill died in committee. **HB274** provided that mineral estates separated from the surface estate shall revert to the owner of the surface estate after ten years of nonproduction. This bill also has died in committee.

NEW MEXICO

New Mexico's legislative session opened January 16 and ran through February 15. New Mexico Tax and Revenue Department's (TRD) new Severance Tax System (TAP) is set to go-live in 2018. Meetings between the TRD and industry started January 2017 with very high-level presentations given by the TRD surrounding its proposed reporting requirements, as well as a go live date of January 2018 production (March 19). Industry expressed several concerns but focused on three significant main points: the format of the report (full-replacement report), payment allocation functionality, and the proposed go live date. Although industry was able to reach a compromise with the TRD regarding the format of the report moving from a full replacement report to partial replacement report, industry is still waiting to hear back regarding remaining concerns, as well as additional testing opportunities.

State of New Mexico Royalty Reporting (to the State Land Office) On December 18, 2017 the SLO announced the following: "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 that the New Mexico legislative council 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 $27 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.

SM78, HM76 Recognition to NM Oil and Gas Industry for Reducing Hydrocarbon Emissions: Recognizing New Mexico's oil and natural gas industry for reducing methane emissions while increasing production and revenue to the state. (This memorial seems to contradict HM51, above).

SB28 Storage Tank Definitions: Amending sections of the Hazardous Waste Act and the Ground Water Protection Act to conform the definitions of "above ground storage tank," "underground storage tank" and "take tester" to comply with Federal law.

State Land Office – Audit of Unit Plans of Development (PODs) Aubrey Dunn, Commissioner of the State Land Office, notified the New Mexico Oil and Gas Association on February 1 of the SLO's plans to audit all unit PODs to determine whether operators are complying with the drilling and development obligations outlined in such agreements. Depending on the specific state unit agreement form used, the SLO may have the ability to disband units that the commissioner deems as not being developed on a schedule consistent with SLO's interpretation of the trust's best interest. This discretionary authority has historically been used to protect units during time of depressed commodity prices, but in this case Commissioner Dunn has indicated that he will use this provision to disband units that are not in compliance with the unit agreement.

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 (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 separated into the following two categories:

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.
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.

Ownership Interest Information Statement: Within 120 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.

The NDIC has acknowledged that industry had many questions regarding the implementation of the reporting requirements. They collected questions from industry by February 21 and held a teleconference on February 27, 2018 to discuss and answer the questions.

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 Secretary of the Interior has reestablished the Royalty Policy Committee (RPC) to advise the ONRR on current and emerging issues related to the determination of fair market value and 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 new or revised valuation rules that will address the various problems that were identified in the rule they rescinded. Additional details about the new RPC:

- Initially formed October 4, 2017 at the Department of Interior Offices in Washington D.C.
- The committee meet February 27-28, 2018 in Houston
- 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 Asia) six state representatives, four tribal representatives, six industry representatives and four representatives from academia/public interest organizations.
- The RPC has been divided into three Primary Sub Committees and those into topical work groups:
  1. Tribal
  2. Fair Return & Value
     - Marketable Condition
     - Audit Processes
     - Payor Handbook Update
     - Index Pricing Coal Benchmark
  3. Planning, Analysis & Competitiveness
     - Alaska
     - Onshore Oil & Gas
     - Offshore Oil & Gas
     - Studies Analysis

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.

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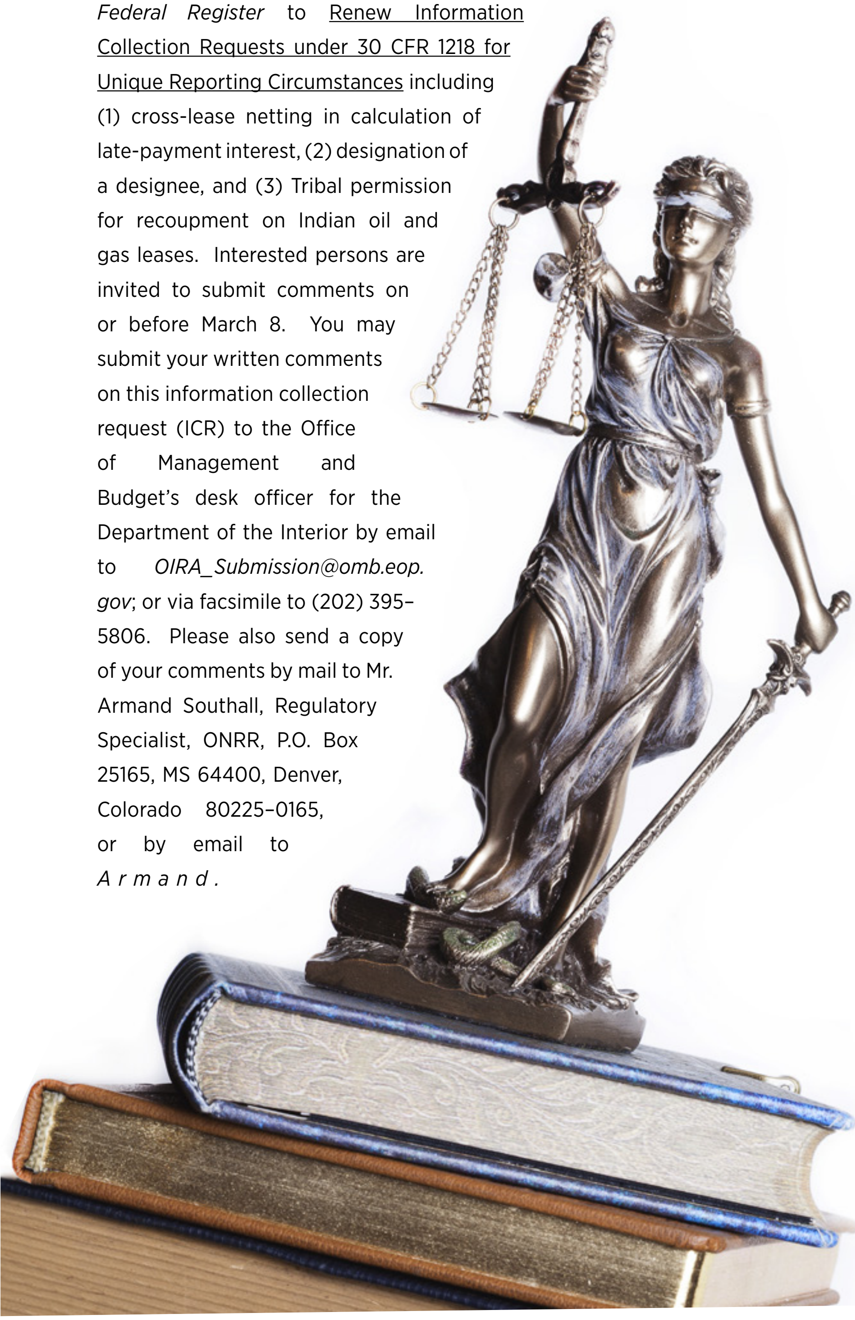
Historically, Department of the Interior regulations authorized ONRR to serve official correspondence by conventional means—U.S. mail, personal delivery, or private mailing service, such as FedEx or U.P.S. On August 23, 2013, ONRR published in the *Federal Register* a direct final rule amending its regulations to include electronic service, so long as the electronic service was secure and provided 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.

On February 6, the ONRR proposed in the *Federal Register* to Renew Information Collection Requests under 30 CFR 1218 for Unique Reporting Circumstances including (1) cross-lease netting in calculation of late-payment interest, (2) designation of a designee, and (3) Tribal permission for recoupment on Indian oil and gas leases. Interested persons are invited to submit comments on or before March 8. You may submit your written comments on this information collection request (ICR) to the Office of Management and Budget's desk officer for the Department of the Interior by email to *OIRA_Submission@omb.eop.gov*; or via facsimile to (202) 395–5806. Please also send a copy of your comments by mail to Mr. Armand Southall, Regulatory Specialist, ONRR, P.O. Box 25165, MS 64400, Denver, Colorado 80225–0165, or by email to *Armand.Southall@onrr.gov*. Please reference OMB Control Number ''1012–0008'' in the subject line of your comments.



OKLAHOMA

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 needs 123,725 signatures to get the proposed state question 795 on the November 6 ballot. The Oklahoma petition process allows 90 days to collect signatures. The Supreme Court will hear oral arguments March 1; however, this petition is in the early stages and may take several different paths throughout now and November 6.

On January 16 the Oklahoma Independent Petroleum Association (OIPA), along with OKOGA, expressed their support for a proposed increase in the state's gross oil and natural gas production tax to help fund a $5,000 teacher pay raise. Under this proposal, the gross production tax on new oil and gas wells would increase from 2% to 4%. On January 19, Governor Mary Fallin also showed her support and asked lawmakers to consider increasing the gross oil and natural gas production tax on wells currently at 2% to 4%. Gross production tax revenues are estimated to increase by approximately $133.5MM.

HB2531 increases the tax rate on production of oil, gas, or oil and gas from those wells currently receiving 2% for 36 months to 7%. This will be effective on the date of this act. This bill is on its second reading and has been referred to the House Appropriation and Budget committee.

HB2611 provides that production of oil, gas, or oil and gas from wells spudded between July 1, 2015 and September 30, 2018 will be taxed at a rate of 2% for 36 months. Production from those wells spudded on and after October 1, 2018 will be taxed at a tiered tax rate of 4% for the first 12 months of production, 5% for the next 24 months of production, 6% for the next 36 months of production, and 7% for months thereafter. This bill is on the second reading and has been referred to the House Energy and Natural Resources committee.

HB2842 eliminates the tax rate of 2% for 36 months on production of oil, gas, or oil and gas from those wells spud after July 1, 2015, thereby increasing the tax rate to 7%. The tax levied on the production of oil, gas, or oil and gas from a horizontally drilled well will be at a rate of 1% for a period of 48 months from the month of initial production. However, such production occurring on or after July 1, 2018 for the remainder of such 48-month period will be subject to a rate of 7%. Finally, effective July 1, 2018, the first $350 million of revenue from the gross production tax collected will be apportioned to the

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newly created Teacher Compensation Enhancement Revolving Fund. This Bill is on the Second Reading and has been referred to the House Appropriations and Budget Education Subcommittee.

HB3040 states that production of oil, gas, or oil and gas from wells spudded between July 1, 2015 and January 1, 2019 will be taxed at a rate of 2% for 36 months. Production from those wells spudded on and after January 1, 2019 will be taxed at 7%. This bill also modifies the apportionment of gross production tax collections providing that 71.43% of collections from production on certain wells during December 31, 2016 through January 1, 2019, and on new wells placed in production on or after January 1, 2019 will go toward the Teacher and State Employee Pay Fund for a 36-month period. The Teacher and State Employee Pay Fund is created by this bill and is a fund the Legislature shall use for addressing the salary and compensation of teachers and state employees. This bill is on its second reading and referred to the House Rules committee.

HB3654 establishes that production of oil, gas, or oil and gas from wells spudded between July 1, 2015 and the effective date of this act will be taxed at a rate of 2% for 36 months. Production from those wells spudded on and after the effective date of this act will be taxed at 4% for 36 months. This bill is on its second reading and has been referred to the House Rules committee.

SB1160 proposes a mineral interest tax that will be levied in addition to all other taxes levied on a legal interest in the mineral acreage under a well. "Mineral interest tax" is a tax levied on the owner of a mineral interest effective upon the passage of **SJR60** ($12/acre/year effective January 1, 2019). "Owner" is a person or legal entity with a legal interest in the mineral acreage under a well, which entitles that person or entity to oil or gas production or the proceeds or revenues. There is also a 100% credit against the mineral interest tax for any gross production taxes levied upon an owner. No portion of the credit shall be refunded if the amount of gross production tax applied exceeds the amount of mineral interest tax liability. **SB1160** is on its second reading and is in the Senate Appropriations Committee. **SJR60** is also on its second reading and is in the Senate Rules Committee.

HB1033XX is a bill introduced February 6 for the 2017 Second Extraordinary Session. This bill provides for a cigarette, little cigar, smokeless tobacco, gasoline and diesel fuel, gross production tax incentives, and wind tax levy and incentives. This bill establishes that production of oil, gas, or oil and gas from wells spudded between July 1, 2015 and the effective date of this act will be taxed at a rate of 2% for 36 months. Any production occurring on or after the effective date of this act for the remainder of such 36-month period shall be taxed at 4%. Production from wells spudded on and after the effective date of this act will be taxed at 4% for 36 months. On or after the effective date of this act, Production Enhancement Projects that were once exempt from gross production tax for 28 months are now subject to a reduced gross production tax rate of 4% for 36 months. The Production Enhancement definition has changed and removes “workovers” and “field compression”. It now includes inactive wells. Although this bill went to the second reading and was passed out of the Joint Committee on Appropriations and Budget, it failed to receive three-fourths majority votes necessary for revenue raising measures.

HB1001XX is a bill for the 2017 Second Extraordinary Session. Production of oil, gas, or oil and gas from wells spudded between July 1, 2015 and the effective date of this act will be taxed at a rate of 2% for 36 months. Production from wells spudded on and after the effective date of this act will be taxed at a rate equal to the average of the rates that would otherwise be applicable to surrounding states at the beginning of the calendar year less .25%.

HB2892 / HB2989 / HB3056 These bills are nearly identical and authorize the Corporation Commission to assess fees on each barrel of crude oil and each MCF of natural gas, including casinghead gas for the regulation of the oil and gas industry in the state of Oklahoma. The initial fees assessed shall be $0.024 on each barrel of crude oil and $0.004 on each MCF of natural gas, including casinghead gas.

An economic study released by RegionTrack (available at OKOGA.com/SneadStudy) revealed in the current fiscal year, Oklahoma ranks fifth in the overall effective tax rate among 15 major energy-producing states, when considering the four largest tax sources. Previous evaluations of the industry’s tax burden often failed to consider the two largest sources of state government revenue – personal income taxes and sales taxes. Those studies were typically restricted to ad valorem and gross production taxes. This new study incorporates all four of those measures to provide a more accurate comparison of the tax burden on energy companies.

SB974, SB1205, 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 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. **SB1143** Modifying certain proceeds to become non-interest accruing where proceeds are not paid because the title thereto is not marketable such proceeds shall not earn interest. Previous statute required interest at 6% per annum, compounded annually.

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SB1257 Authorizing municipalities to enact certain ordinances. A municipality, county or other political subdivision may enact reasonable ordinances, rules and regulations concerning road use, traffic, noise and odors incidental to oil and gas operations within its boundaries, provided such ordinances, rules and regulations are not inconsistent with any regulation established by the Corporation Commission.

SB1407, HB2890, HB3052 Creating the Vertical Well Damage Act; A new section of law to be codified in the Oklahoma Statutes as Section 88.1 to Section 88.11 of Title 52, to provide a specific procedure for vertical wells operators to be compensated when their wells are damaged by the drilling, completion, operation and maintenance of horizontal wells.

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. Along with the governor, the Democratic Governors Association supports the severance tax. In addition, both the House and Senate Democratic caucuses have included a severance tax as part of their 2018 agendas. As part of the 2018-2019 proposed budget, the governor called for a volumetric severance tax with a scaled rate that adjusts with the price of natural gas. The rate varies from $0.04/MCF when gas is at $3.00 or less to $0.07/MCF as gas rises above $6.00.

Pennsylvania's House adjourned December 2017 without acting on a stand-alone severance tax bill, **HB1401**. As the House and Senate prepared to resume their session on January 2, severance tax bill **HB1401** remained on the House calendar. The proposed volumetric severance tax of $0.02/unit to $0.035/unit (graduated based on average annual natural gas price) is in addition to the local impact fee. The bill also seeks to guarantee that a minimum royalty payment for shale well production would not be less than 12.5% of gross proceeds. Approximately 50 amendments remain to be considered on this bill. In December 2017, the chairman of the House Environmental Resources and Energy Committee recently came forward and promised to host hearings on severance taxes. 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 run in the near future.

Minimum Royalties Under pressure to resolve the issue, Pennsylvania Attorney General Josh Shapiro says he will not be forced into settling a royalty case against a PA producer. Last December, the producer reached a class action settlement with landowners in the state over improper deductions from royalty payments. However, the company told a federal judge in the case that the settlement was contingent upon resolving the attorney general's case as well. The attorney general has accused the producer of violating the state's unfair trade practices law by inflating transportation prices and then passing the costs on to royalty owners. Last week, in a letter to the judge, Shapiro, called the company's position a pressure tactic.

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.

WEST VIRGINIA

West Virginia convened its legislative session on January 10. The following two bills are nearly identical. **SB289** / **HB4205** provides for an economic opportunity tax credit to natural resource producers to be applied to their severance taxes. The aggregate annual credit allowance for the current taxable year will be applied to and in this order: business and occupation taxes, severance taxes, business franchise tax, corporation net income taxes, and personal income taxes. This bill is in the Senate Finance committee.

SB413 levies a 0.5% annual privilege tax on Marcellus, Utica, and all other deep sand gas, as well as all future cracker plants. All tax collections will be dedicated to retired public employees. This Bill is in the Senate Energy, Industry, and Mining committee.

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.

HB4356 Point of Sale for Oil and Gas Royalty - to require oil and gas royalties be based at the point of sale between the lessor and an unaffiliated bona fide purchaser in an arms-length transaction, or, in the alternative the amount that would have been received in an arms-length transaction; to require the sales price to be the highest value without costs; requiring the lessee to bear post-production costs incurred by the lessee; and barring the use by lessee of the netback method of calculating the amount to be paid to the owner of the working interest.

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SB360 Disallowance of Flat Rate Royalties - 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.

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.

COMMITTEE NEWS

AUDIT AND JOINT INTEREST

STANDING COMMITTEES

DALIN ERROR,
AUDIT COMMITTEE CHAIR

JONATHON BEENE,
JOINT INTEREST COMMITTEE CHAIR

The Audit and Joint Interest Committees held a very productive combined session during the COPAS Winter 2018 meeting at the Doubletree by Hilton in Houston, Texas, on Thursday, January 25, 2018. The meeting was well attended, with 114 members in attendance representing 13 societies and 52 companies.

Dalin Error, Audit Chair, and Jonathon Beene, JI Chair, welcomed attendees to the warm Houston weather.

Congratulations to Patricia Ellington, who was approved as Joint Interest Standing Committee Secretary.

Dustin Ernst, Manager of Integrated Operations for ConocoPhillips, gave a fascinating presentation on ConocoPhillips's integrated operations and operations of the future. It was clear from the start of the presentation that the industry is making a big move in the area of technology. For ConocoPhillips, Mr. Ernst explained this has resulted in more wells drilled per rig, more production per well and higher uptime, and lower lifting cost all driven from the integrated operations center (IOC). Some of ConocoPhillips's integrated operations center highlights include:

- Staffing with experienced personnel; an "engineer" without a degree. Data is gathered and analyzed in real-time, creating an integrated perspective for the field for better decision making.
- Including well curtailment systems that can shut-in or curtail production instantly from the IOC.
- Field operators now are only in the field for operations that must be physically done from the field. Measurement, setting changes, and other optimization can now be performed entirely in the IOC.
- Field communications systems allow Conoco to communicate two-way with field employees. This allows for accurate study of routes to ensure the field operations are as efficient as possible. Further, it provides a safety net, notifying remote personnel more quickly if employees are not active.

Mr. Ernst also gave a few examples of possible future operations, such as drones for pipeline inspection, autonomous vehicles, data analytics and machine learning.

Ryan Woolery presented the CEPS (Computerized Equipment Pricing System) report. Ryan explained the purpose of CEPS and why and how operators use it. Ryan also explained the pricing of materials and what triggers the mid-term price adjustments. The panel met in November and reviewed 23 survey responses to develop the HPM pricing adjustments, effective January 1, 2018. Currently, the panel does not see any near-term changes in the materials market.

The Winter and Summer meetings are intended to be work sessions, with a significant part of the time spent on the COPAS Publication Review Initiative (PRI). This meeting was no exception, continuing to focus on the work of the Technology Team regarding the Team's rework of AG-28, *Real Time Operations Centers*. Deb Retzloff and her team continued the momentum and put on a great presentation on the status of the AG-28 rewrite project. Deb summarized past progress and laid the groundwork for their current status. As the team has worked through the document, there seem to be two clear camps: The "it benefits the Joint Property and is fair and equitable" camp, and the "where in the contract does it say it is chargeable?" camp. The team is balancing these viewpoints as they wrestle with current and future operations in Remote Technology Centers (RTCs) and how they relate to the language in the current model form accounting procedures. Deb also pointed out that although it is a possibility that BSEE may no longer require real-time monitoring for deepwater operations, the industry still needs guidance on the chargeability of RTCs, as they are the new standard; so the team will carry on.

COMMITTEE NEWS

Chris Copeland gave an operational overview of RTC functions and uses, and how it falls under each phase of operation: drilling, completion, production, and other functions such as drones. Chris provided an overview of functions in the oil and gas industry, which are moving towards automation and remote operations, such as real-time analytics, real time safety monitoring, and drone inspections and site surveys.

Janice Edmiston presented an RTC scenario to the group and fielded questions related to chargeability of technology/equipment, labor and facility components. The scenario mainly focused around onshore producing operations, since producing operations have not been addressed in prior meetings. The majority of Janice's scenario and chargeability questions focused on the chargeability of labor. Attendees pointed out that labor is usually included as a component in a "usage" rate for operator-owned or third-party facilities. Therefore, it was suggested that all labor could be included in the rate - thereby making it chargeable. This is consistent with how an operator would charge out usage for a SWD facility.

This brought us to a question the team has wrestled with: "If a contradiction exists between the Section II.2 Labor provision, and the Section III Overhead provision, which prevails? For example, if off-site technical labor is to be covered by overhead, but it is also part of the cost to operate the operator-owned RTC, would such off-site technical labor be chargeable?

Terry McMurray presented the team's current conclusions under the 1974 model form and most previous vintages, concluding that, generally-speaking, labor is not chargeable because it is not performed "on-site." This view contradicted several of the comments from the group regarding the facility rate.

A straw poll was taken; A majority agreed that RTC labor should be chargeable as a component of an RTC Facility Rate, and the team agreed to take this determination under consideration in its continuing work. The team hopes to have a draft MFI by the Summer 2018 meeting. Our continued gratitude to them for all their hard work.

Also as part of the Publication Review Initiative, Karla Bower provided an informative and efficient update on the Model Form 20XX Accounting Procedure project. Karla walked through the teams thoughts on Section I and II; highlights of the update are:

- The new model form will cover both onshore and offshore.
- Team is still discussing whether or not MFIs should be directly referenced from the accounting procedure. The team will draft different versions for everyone for review and comments.
- The Equipment and Facilities Furnished by Operator now includes definitions for Remote Technology Centers, and the team is considering rig-related equipment.
- The Affiliates section currently includes a provision stating the Operator should handle affiliates as if it were an operator charge. The team understands that affiliates come in different shapes and sizes.

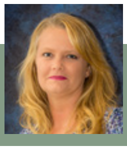
COMMITTEE NEWS

Kevin Launchbaugh and Charlie Zahl led the emerging issues discussion. As usual, the cases were relevant and spurred a lot of lively discussion. Cases considered included:

- Material Transfer Pricing. What pricing options does an operator have and what documentation is required?
- Producing Overhead Application. Is producing overhead tied to the issuance of monthly JIBs?
- Proppant (Sand) Reconciliations. Is the operator required to reconcile and track?
- Rig Cancellations (follow up to previous cast study). Can rig cancellations be passed to the Joint Account?
- Wellbore Mitigation. If a well is shut-in while another well is drilled, which well should be charged for the shut-in costs?

The meeting was a successful one, well-attended by both frequent contributors and first-timers. Conversation was lively, participation was meaningful, educational opportunities were plentiful, and the provided lunch was tasty. If you didn't make it, we hope to see you at the Spring Committee Meeting on April 26. There will be more of the same. Roll up your sleeves and be ready to get your hands dirty. There's a lot to do!

SMALL OIL & GAS COMMITTEE



NANCY BROWN,
COMMITTEE CHAIR

The Small Oil & Gas Companies Committee (SOGC) will meet Thursday, April 26 in Fort Smith, Arkansas. We will have two speakers during the meeting. Please check the COPAS website for the committee agenda. It will also be emailed to committee members prior to the meeting. Please contact me to be added to the distribution list.

Nancy Brown, chair, and Howard Hong, vice chair, both participated in the San Antonio Society online forum on February 27 and 28. This forum was an opportunity for COPAS committee chairs to interact with local society members. The SOGC section was held on February 28 and was attended by members of the California, Canada, Denver, Dallas and San Antonio societies. Brian Raygon, San Antonio Society President provided a guest speaker. Jay Smith, Chief Marketing Officer for Factom.com discussed Bitcoin and other cryptocurrencies and how they relate to Small Oil and Gas. It was exciting to be a part of this forum.

April 2018 isn't very far away. I hope to see everyone in Fort Smith.

PROJECT STATUS REPORT

COPAS MODEL FORMS

COMMITTEE	PROJECT	STATUS	COMMENTS BY	ANTICIPATED COUNCIL VOTE
Joint Interest	Accounting Procedure	Team working on initial draft of the model form. Update will be provided at April meeting. Goal is to issue draft 1 by Q2.	n.a.	

COPAS MODEL FORMS MODIFICATIONS AND INTERPRETATIONS

COMMITTEE	PROJECT	STATUS	COMMENTS BY	ANTICIPATED COUNCIL VOTE
Joint Interest	Real Time Operations Centers	Team has commenced work on revising AG-28 to include producing operations and address chargeability. Draft 1 expected by April meeting.	n.a.	
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.			

SAVE THE DATE

2019 SPRING MEETING: APRIL 22-26, 2019

WALKING IN MEMPHIS
HOSTED BY PASM | PEABODY HOTEL MEMPHIS, TN

REGISTRATION RATE

Don't miss out on this Special **Group Rate of $209** at the Historic Peabody Hotel. Come early and plan to stay after to enjoy the many local attractions.

TENTATIVE AGENDA

MONDAY
Excursion/Tours

TUESDAY
Excursion/Tours
Board of Directors Meeting
APA Testing
Energy Education/CPE
Leadership Dinner

WEDNESDAY
Committee Meetings
Leadership Conference
Excursion/Tours
Roof Top Party

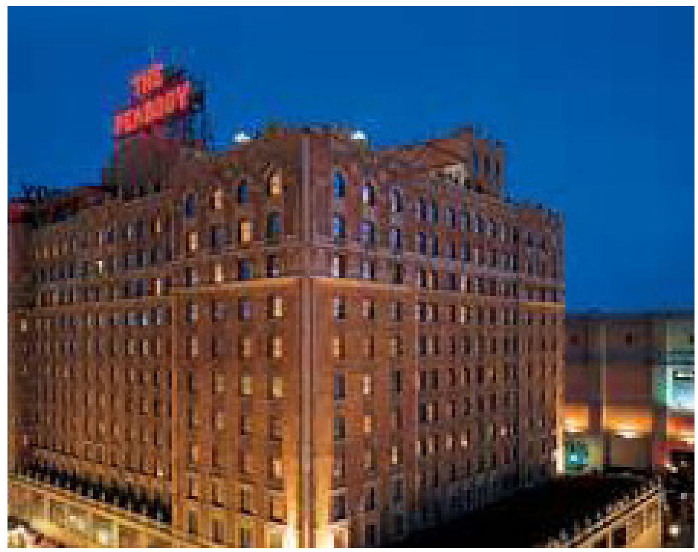
THURSDAY
Committee Meetings
Board Meeting
Excursion/Tours
Blues Night Dinner

FRIDAY
General Council Meeting
Excursions/Tours

ABOUT THE HOTEL & LOCATION

JOIN US AT THE SOUTH'S GRAND HOTEL

- The Peabody offers 464 completely renovated guest rooms, including 15 suites. True to their historic landmark tradition, each of the guest rooms and suites are architecturally unique, yet includes all the features you would expect in the most modern hotels.
- Flourishing since 1869, The Peabody is a AAA Four Diamond Hotel listed on the National Register of Historic Places
- Be part of history from the unparalleled view of the Mississippi River atop the Plantation Roof to the unsurpassed elegance and Southern hospitality that is here every day.
- Gould's Day Spa and Salon
- Easily accessible from Memphis International Airport
- 2 blocks from Beale Street
- Close to major attractions
- Short Trolley ride to the $100 million Bass Pro megastore

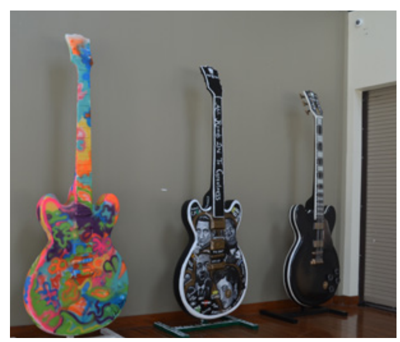


"The Mississippi Delta begins in the lobby of The Peabody Hotel and ends on Catfish Row in Vicksburg. The Peabody is the Paris Ritz, the Cairo Shephard's, the London Savoy of this section. If you stand near its fountain in the middle of the lobby, where ducks waddle and turtles dowse, ultimately you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

Author-historian David Cohn, 1935

HIGHLIGHTS TO BE SEEN:

- Beale Street
- Sun Studios
- Stax Records
- Graceland
- Rock 'n' Soul Museum
- Memphis Zoo
- Blues Trail
- Civil Rights Museum
- Bass Pro in the Pyramid

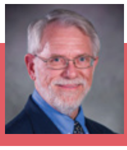


PEABODY HOTEL MEMPHIS

149 Union Ave
Memphis, TN 38103
901.529.4000

SOCIETY NEWS

COPAS OF ABILENE



KEN POYNOR, PRESIDENT

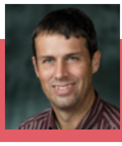
The Abilene Society met Tuesday, January 9. Thirteen members and one guest were in attendance.

Richard Wolfe, CPA (Wolfe & Company) was the presenter. He discussed the Tax Cuts and Jobs Act of 2017, touching first on the tax changes affecting individuals and then discussed corporate tax changes.

Ken Poynor discussed the dates and location of the next COPAS meeting.

The next society meeting will be in April, with a date to be announced.

PETROLEUM ACCOUNTANTS SOCIETY OF ARKANSAS



RICK JONES, PRESIDENT

The society met January 17 with 22 members present. There was a joint meeting of the Joint Interest and Revenue committees. Rick Jones and Nancy Brown presented "An Overview of Payout Accounting." One hour of CPE was offered.

Dr. Linda Nichols, a professor of Energy and Accounting with the School of Energy Economics, Policy and Commerce at the University of Tulsa was our guest speaker. Dr. Nichols gave an in-depth presentation which outlined the current "Transparency Reporting" requirements. Reasons why transparency reporting is here to stay were detailed along with information related to project disclosure practices impacting international agreements. One hour of CPE was offered.

Our next meeting is May 16.

The Arkansas Society looks forward to the Spring 2018 COPAS Meeting, which we are hosting in Fort Smith. We continue to solicit any last-minute sponsors and vendors that wish to be part of the event. We have finalized all our event venues which will showcase the history and resurgence of downtown. The conference will be held April 23 – 27 at the Doubletree City Center in Fort Smith, Arkansas. We are very excited to share our city with the members of COPAS. Registration is open. We hope to see you there!

SOCIETY NEWS

PETROLEUM ACCOUNTANTS SOCIETY OF CANADA

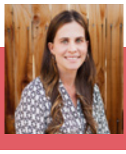
CODY AUSTIN, PRESIDENT

As the industry begins to show signs of recovery, 2018 is going to be a very busy year for the Petroleum Accountants Society of Canada (PASC). This year the society is focused heavily on creating value for our members and increasing our presence in the industry. Our key areas of focus have been creating new educational opportunities and working with local associations to increase our presence.

PASC hosted its first technical focused education opportunity in March called *Industry Insights*. *Industry Insights* was designed to provide a cost-effective way for members to gain four hours of verifiable continuing education credits while attending timely and relevant presentations on industry hot topics. The concept was designed to have the session during the morning, so attendees could return to work in the afternoon. The rapid-fire education event featured a talented roster of industry speakers such as Kody Carroll (President, Integrity Audit and Accounting) who presented on the new PASC Joint Venture Audit Protocol Bulletin and Lynda MacNeill (Ember Resources) who presented on Joint Venture best practices. *Industry Insights* also covered topics such as "Current Insolvency Developments from the Legal Perspective" and "Taxation: PST-Saving your Company Money by Avoiding Penalties." The event was very well attended and will become an annual spring event.

Our second major initiative is to increase our presence in industry through collaborations with other industry associations. We have started a joint luncheon initiative where PASC hosts luncheons with members of another industry discipline. For example, our May luncheon was hosted with the Petroleum Joint Ventures Association of Canada (PJVA) with invited guests from the Association of International Petroleum Negotiators (AIPN) and Canadian Global Exploration Forum (CGEF). We are also actively working to create joint events with both the Institute of Internal Auditors (IIA) and the Canadian Association of Petroleum Landmen (CAPL). Through strategic partnerships with other industry associations PASC has been able to increase attendance at luncheons and events and provide a greater value and knowledge base to our members.

COPAS OF COLORADO



MEGHAN MCFARLAND, PRESIDENT

COPAS-Colorado hopes everyone had a wonderful holiday season and we wish everyone the best 2018 has to offer!

Our membership numbers are currently just over 675, and monthly luncheon attendance has been between 250 to 300.

In January, our speaker was Tim Green with Wells Fargo. Tim gave an update on the lending environment in the industry. In February, Kathleen Sgamma, with the Western Energy Alliance, presented the details of a regulatory update. Our March speaker will be Michael Brown, an economist with Wells Fargo. We plan to round out our season with our April speaker, Sarah Sandberg from COGA (Colorado Oil and Gas Association), who, as usual, will provide a lively presentation on the overall regulatory and industry update.

In addition to our general meeting each month, each committee hosts a technical session prior to the luncheon. The committees have all done a fantastic job, and we've had some great workshops ranging from an update on the Dodd-Frank Act to current trends in oil & gas software. Our committees also continue to hold their monthly meetings and bring

SOCIETY NEWS

in speakers to continually educate our members. It's a lot of a work and all our volunteers have been doing an excellent job.

The Education Committee continues to plan for the 2018 Education Day scheduled for May 21. The 2018 theme is "Accounting for Change." Many great speakers have been confirmed and it's sure to be another success. There are very few places that offer so much CPE in a single day for such a low cost. As a member, there is no cost to attend Education Day. Nonmembers pay just $200 for eight CPE credits.

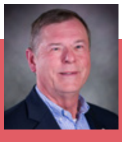
Reporter - Kelly Blaha,
Director at Large

PETROLEUM ACCOUNTANTS SOCIETY OF **FORT WORTH**

APRIL WELLS, PRESIDENT

Fort Worth has hosted several successful luncheons this year! We are pleased to provide our members with interesting topics each month that are relevant to our industry today. Members enjoyed a look into vendor fraud cases with Bill Anderson, Financial Security Manager of COG Operating, LLC, at our January general meeting. Mr. Anderson offered insight into various techniques vendors use to deceive companies and how to look out for overbillings. Jeff Schilling, Chief Security Officer at Amor Defense, provided a discussion on the cyber security trends we face today as well as the evolution of ransomware. We also offered several technical sessions for our members with a wide variety of topics in addition to our general lunch sessions. We look forward to the next few months at FWPAS!

PETROLEUM ACCOUNTANTS SOCIETY OF **HOUSTON**



KEN MORRIS, PRESIDENT

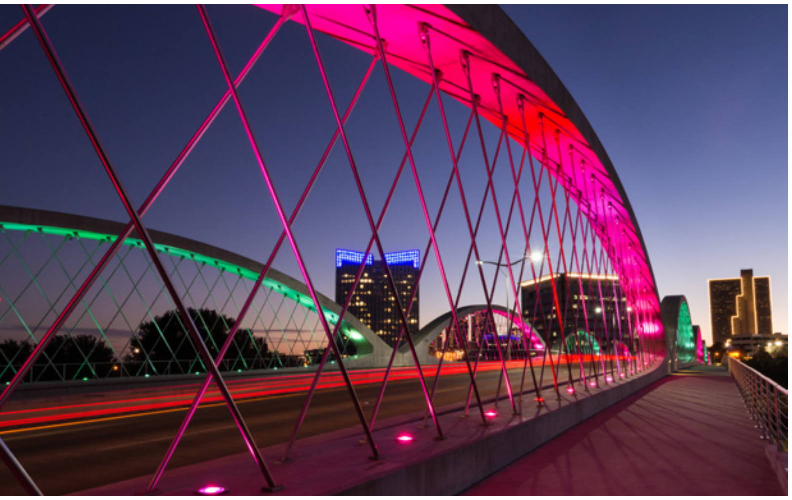
Neither floods, fires, nor freeze could keep the Houston Society from getting off to a good start of another successful year.

As the Board and committee members were preparing for the kickoff of the 2017-2018 year, Hurricane Harvey blew into Houston. Our city was gridlocked for the month of September 2017, but despite many obstacles, we were able to host a successful September meeting which included a full agenda.

Our society hosts a compliment of committee meetings prior to the dinner meeting. For the past several months, our committees have been actively meeting and discussing topics and providing input on the active COPAS projects.

Our technical session and committee meeting presentations have included:

- "Joint Interest Agreements" – a CEE-in-a-Box presentation.
- "How Do I Account for That?," an interactive review of how to account for a few unique situations created by the current trends in oil and gas.
- "2017-2018 Legislative and Regulatory Update" focusing on Production Taxes and Royalties.
- "Navigating the Risks of Procurement Fraud," covering common fraud and the risks related to the procurement cycle, common third-party vendor fraud risks, vendor selection, and management override of controls.
- "Joint Interest Accounting Allocations," a CEE-in-a-Box presentation.
- "Deciphering Joint Interest Issues" presented by Sanjiv Jain.



SOCIETY NEWS

- "Related Party Transactions and Related SEC and PCAOB Enforcement Actions" presented by George Qin and Sarah Berel-Harrop (MaloneBailey, LLP). Their presentation provided an overview of Auditing Standard 2410 Related parties, formerly Auditing Standard No. 18.
- "Today's Career Environment - How Do I Compete?" Nichole Karaca provided insight into the constantly evolving career environment.
- "Texas General Land Office Royalty Reporting and Controls system" by Susan Wauer and Sonya Barguiarena. The presentation included how to search and view of previously filed GL01, GL02, and GL03 reports; to search and view of report submission and research of batch file history; how to look up of GL01 and GL02 Production Report ID's as needed for amended reports; to understand and navigate the new RRAC website interface.
- "Gas Plant Accounting," a CEE-in-a-Box presentation.
- "Incentive Pay, Drilling Contracts, and the 24 Month Rule," which was presented by Sanjiv Jain.
- "Texas GLO GIS Land and Lease Interactive Web Mapping System" by Jesse Arellano. Many of the PASH members shared their experiences of how they have accessed this system to obtain valuable information helpful to their work.
- "Remaining Relevant in a Challenging Energy Market" presented by Deb Retzloff. Deb discussed industry trends and downturns with impacts to the economy, challenges and opportunities for energy industry professionals and how COPAS is dealing with those challenges as an industry organization.

Our recent dinner meeting presentations included:

- "Wings of Freedom" presented by Rich Welsh, Commemorative Air Force member, and Airshow Pilot.
- "Self Care," a motivational presentation on how to change lives for the better and to improve engagement and morale of your organization was given by Paul Espenan, Vice President – Environmental, Health & Safety at Linn Energy.
- "Fair valuing oil and gas properties in today's economic environment," given by Tom Ramos, BDO.

COPAS Vice President, Wade Hopper, presented the COPAS Ring of Honor award to Howard Blunk. Byron and Michael Blunk, new members of PASH, were present to accept the award on behalf of their father.

The society held its annual Christmas social and luncheon in early December. Members were again very generous donors of gifts and cash to a local charity.

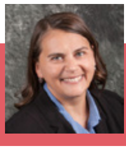
It also snowed in Houston in December, and the snow stayed on the ground long enough for photographs. For some it was a once in a lifetime opportunity for a snowball fight. Snow is quite an anomaly and a welcomed change if you are a native Houstonian like me; but when the Big Freeze came as we were welcoming in the new year, it was not good for H-town as everything in our City came to a halt.

The Picnic Committee held a meeting and Joe Leal was happy to announce that the committee agreed to name the Calcutta, The Blunk Calcutta, in memory of Howard and Laura's many years of service on the Picnic Committee, especially chairing the Calcutta games.

Mark your calendar for the annual PASH Education Day – May 31!

Marjorie Saibara, Reporter

SOCIETY NEWS



COPAS OF **OKLAHOMA CITY**

MANDI PHILLIPS, PRESIDENT

COPAS of Oklahoma City held our annual Christmas luncheon December 12. Jon Rogers, Continental Resources, IT Security Manager and Gary Thornberry, Continental Resources, Corporate Security Director, discussed physical and cyber security. Their presentation was both informative and interesting. They shared photos taken from some of the well sites with vandalism along with photos of criminals in the act.

Our February speaker, Joe Dancy, Executive Director and Instructor for the Oil & Gas Natural Resources and Energy Center at the University of Oklahoma College of Law, shared a presentation titled "How technology has made the Permian Basin and SCOOP/STACK the new frontiers for oil and gas exploration". It was an informative session with several points for those in attendance to share with others.

We started a new committee this Fall. The Young Professionals Committee met for the first time at our October meeting. They decided they would prefer it to be a relaxed gathering where they can socialize and network. Some of their meetings will be held on the same dates as our society meetings, but there was concern that they might miss the other committee meetings that relate directly to their job responsibilities. Therefore, they will have a mixture of on-site and off-site meetings.

Please visit our website at www.copasokc.org to see our meeting schedule and other upcoming events and topics discussed.

PETROLEUM ACCOUNTANTS SOCIETY OF **OKLAHOMA-TULSA**

KEVIN LAUNCHBAUGH, PRESIDENT

The PASO-Tulsa society continues to have a very productive year. In December, the society delivered the donations and toys collected to the Laura Dester Emergency Children's Shelter.

Tim Wigley, President of Oklahoma Independent Petroleum Association (OIPA), gave an excellent presentation titled "Challenges for the Industry in 2018". Kelly Rigs, Cofounder of Counter Mentors, spoke on "The Leadership Dilemma: How to Unlock the Potential of the 4-Generation Workplace" and also spoke in February.

We are continuing to prepare for the Fall 2019 National Conference held here in Tulsa and look forward to a wonderful event. *H*

Heather Polson, Reporter

PETROLEUM ACCOUNTANTS SOCIETY OF **SAN ANTONIO**

BRIAN RAYGON, PRESIDENT

Society President, Brian Raygon, opened the November 14, 2017 lunch meeting and welcomed new and returning members and recognized attending guest students from St. Edward's University, Texas State University and University of Texas-San Antonio. PASSA Officers and members also welcomed Veronica Reyes (Texas General Land Office) as the Revenue Standing Committee Chair and Sonya Barguiarena (Texas General Land Office) as the Education Standing Committee Chair.

SOCIETY NEWS

Brian announced the topic "E & P Financial Statement Audit Overview & Audit Issues to Consider" and introduced the guest speakers: Randy Vogel and Howard Hong. Randy leads the BKD's National Resources Audit Practice and offers 35 years of experience in accounting, consulting, and tax services to a variety of clients. Howard (an Energy & Natural Resource Audit Director in BKD Dallas Office) offers more than 11 years of assurance in both public and private companies, primarily focused on oil & gas and energy funds.

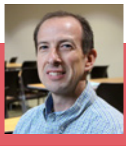
PASSA Officers announced the Coalition Blowout, the COPAS 2018 Winter Meeting in Houston, the Spring Meeting in Fort Smith and the Fall Meeting in Corpus Christi. They encouraged members to attend these national meetings and represent PASSA for any upcoming activities.

On January 11, Brian Raygon met with Women's Energy Network (WEN)-South Texas Chapter's President and Board Member to discuss future collaboration and events such as "Lunch and Learn" and/or CEO Forum Panel to increase members' benefits.

PASSA officers met with COPAS societies from Canada, California, Colorado and Dallas and, WEN-South Texas in an Online Forum on February 27 – 28. The group discussed questions, comments and topics in Audit, Joint Interest, Revenue, Small Business and Education Committees. Jay Smith (Chief Marketing Officer, Factom) discussed questions from Bitcoin and other Cryptocurrencies. Howard Hong (Director, BKD CPAs & Advisors) provided discussion on the recent Tax Reform.

ROCKY MOUNTAIN
PETROLEUM ACCOUNTANT SOCIETY

JOHN WILKEY,
PRESIDENT



The Rocky Mountain Petroleum Accountants Society (RMPAS) was fortunate to enjoy a presentation in November from the Utah State Tax Commission (USTC). Several RMPAS members work for the USTC, so it was interesting and informative to learn more about their oil and gas royalty auditing process.

In January, Tom Wierman, COPAS Executive Director, joined us as our presenter. He gave a general update on the APA® program as well as COPAS Energy Education. Tom navigated through the new website and shared some of COPAS' future plans and goals. He also encouraged RMPAS members to take full advantage of attending the COPAS conferences. It was encouraging to our members to have him join us and to gain better understanding of how COPAS is evolving to better address the needs of its societies.

Reporter, Andrea Fuentes, Secretary

A TRIBUTE TO **PRESIDENT** DAN TRIEZENBERG

Dan, you were a phenomenal President. I enjoyed getting to know you better when I joined the board. Your dedication and loyalty to COPAS is honorable and undeniable.

Tammy Miller-Davison

Dan, it has been quite a year for COPAS. Many things have been accomplished due to your insight and determination to meet the challenges that we face. You set a high mark for us to strive to meet the goals that we set out to accomplish. Your steadfast leadership brought the entire leadership team into focus and allowed us to move forward even when our mission seemed impossible. Your ability to propose new ideas and use out of the box solutions provided the needed spark to challenge historical ways of thinking and embark upon new paths to success. COPAS has been and will continue to be strengthened and poised for future success because of your leadership and devotion to the organization. Thank you!

Wade Hopper

Thank you, Dan for your dedication to COPAS and your strong leadership as president in 2017. I've learned much from you as I followed you through the officer ladder. Although we've had our challenges, you've guided the board and organization to achieve some great accomplishments. I look forward to working closely with you in 2018 as well.

Doug Smith

Dan, thank you for your leadership and guidance during your COPAS presidency and throughout your prior years on the board. Your commitment to the board, staff, and the entire membership is much appreciated.

We are especially grateful for your support of COPAS Energy Education, particularly as our more seasoned members retire and the need for training and mentoring becomes so important.

Charlie Stovall

Dan, thank you for your untiring work and dedication to COPAS as President in 2017 and in years prior as a member of the Board. Your leadership in forming the COPAS Energy Education Foundation and ensuring the CEE initiatives kept moving forward was invaluable. It has been a true pleasure and honor to serve with and get to know you these past six years and I couldn't have had a better Vice-President to keep me on track in 2016. All that AND you'll go down in history as the greatest Pickleball COPAS President of all time.

Jeff Wright

Thanks Dan, for your ongoing dedication to COPAS over the years, and for providing leadership as President of the COPAS board. You actively challenged our thinking and provided a vision of sustainability to the board and for the members. Your experience with COPAS helped to provide a greater perspective for the board while helping to move the needle on the educational initiatives impacting our industry. I am grateful to have served under your direction and appreciate all you've done and continue to do for COPAS.

Deanna Duell

Dan - In reading all the kudos from other BOD members, it makes me realize "Gee, I wish I had more time with Dan on the BOD." As president, I found you to be very forward thinking, always well-organized, motivational and a great representation of COPAS. You brought many "out-of-the box" ideas and suggestions on how to continue moving COPAS, its leadership, societies and members forward during the recent industry downturn. I am thankful to have shared the last year on the BOD with you and for my new enlightenment regarding Pickleball. Once this sport is sanctioned by the International Olympic Committee, I expect to see you competing on the Olympic stage and at which time I will be able to say, I knew him back when...

Thanks for your continued guidance and commitment to COPAS.

Carolyn Sczepanski

HISTORY

In honor of the 2018 Winter Olympics, we look back to our own Olympic "experience" when we visited the Park City, UT Olympic training site.

2010 FALL MEETING

Salt Lake City, UT

September 20-24, 2010

Rocky Mountain Petroleum Accountants Society Host

VOTING ITEMS

- ☐ Minutes of Fall 2017 Meeting *(MAJORITY)*
- ☐ 2019 Membership Assessments *(MAJORITY)*
- ☐ Reinstatement of Appalachia Society *(2/3)*
- ☐ Audit Per Diem Rate Effective April 1, 2018 *(MAJORITY)*
- ☐ Overhead Adjustment Factor Effective April 1, 2018 *(MAJORITY)*
- ☐ Loading & Unloading Rates Effective April 1, 2018 *(MAJORITY)*
- ☐ Workers Compensation Insurance Manual Rates Effective April 1, 2018 *(MAJORITY)*
- ☐ Excluded Amount Effective April 1, 2018 *(MAJORITY)*
- ☐ Vehicle Rates Effective April 1, 2018 *(MAJORITY)*

The meeting is a great place to network during breaks.

The meeting was well attended.

Terry McMurray presents a section of the Technology Team project.

Tim Henken talks with Carlisa Sanders and Dominique Brister during a break.

Jane Schulte (left) hands her business card to Gayla Baker and Debbie Cornwell.

Guest speaker, Dustin Ernst.

The technology team pauses for a break during their working meeting.

Jim Pruden waits to ask his question.

Wally Trevino shares a comment with Joe Leal.

From left: Terry Davis, Vince Harris, Adeline White, Krystal Parker and Nick Malinowski.

Carlisa Sanders, Dominique Brister, Jim Pruden and Terry McMurray.

From left: Alan Fitzgerald, Todd Smith and Jerry Byrd.

First time attendee, Doug Offerman, talks with Larry McIntyre prior the meeting.

Attendees study the Emerging Issue case studies.

Chris Copeland presents as part of the Technology Team.

Debra Carter, Kelsey Krol, and Alicia Bernal.

From left, Karla Zawodny, Olga Nesic, Andrew Hemphill, Kip Othold, Pete Simon.

Chris Copeland shares a thought with Chad Nguyen.

Janice Edmiston pauses for a question during her Technology Team project presentation.

WINTER 2018 COMMITTEE MEETING

Houston Texas | January 25, 2018

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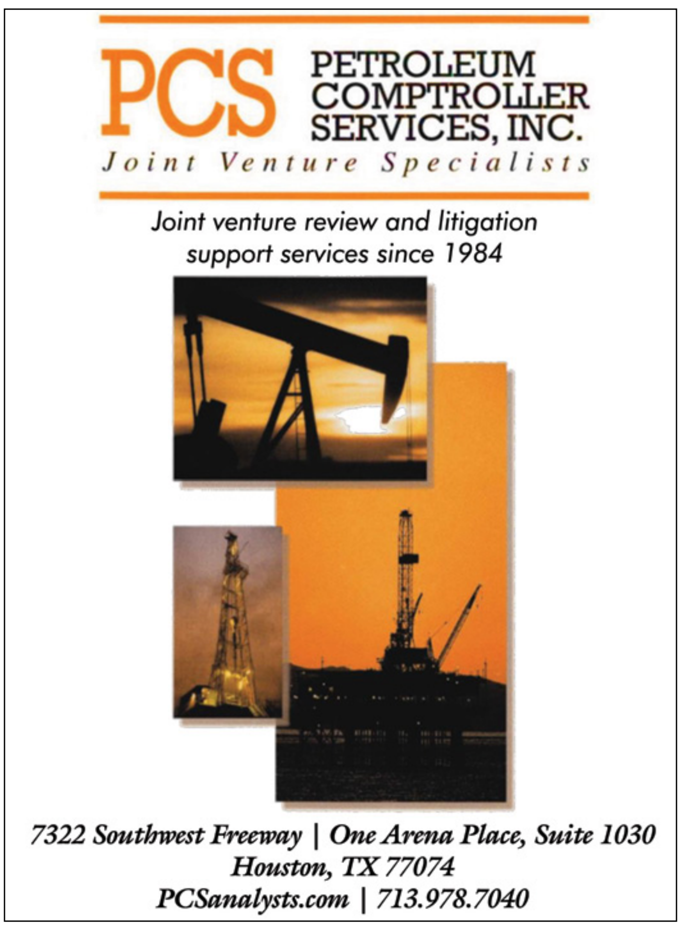

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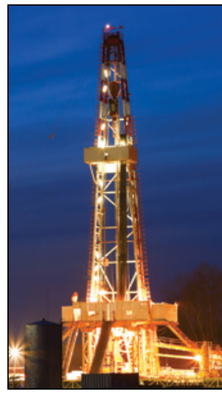

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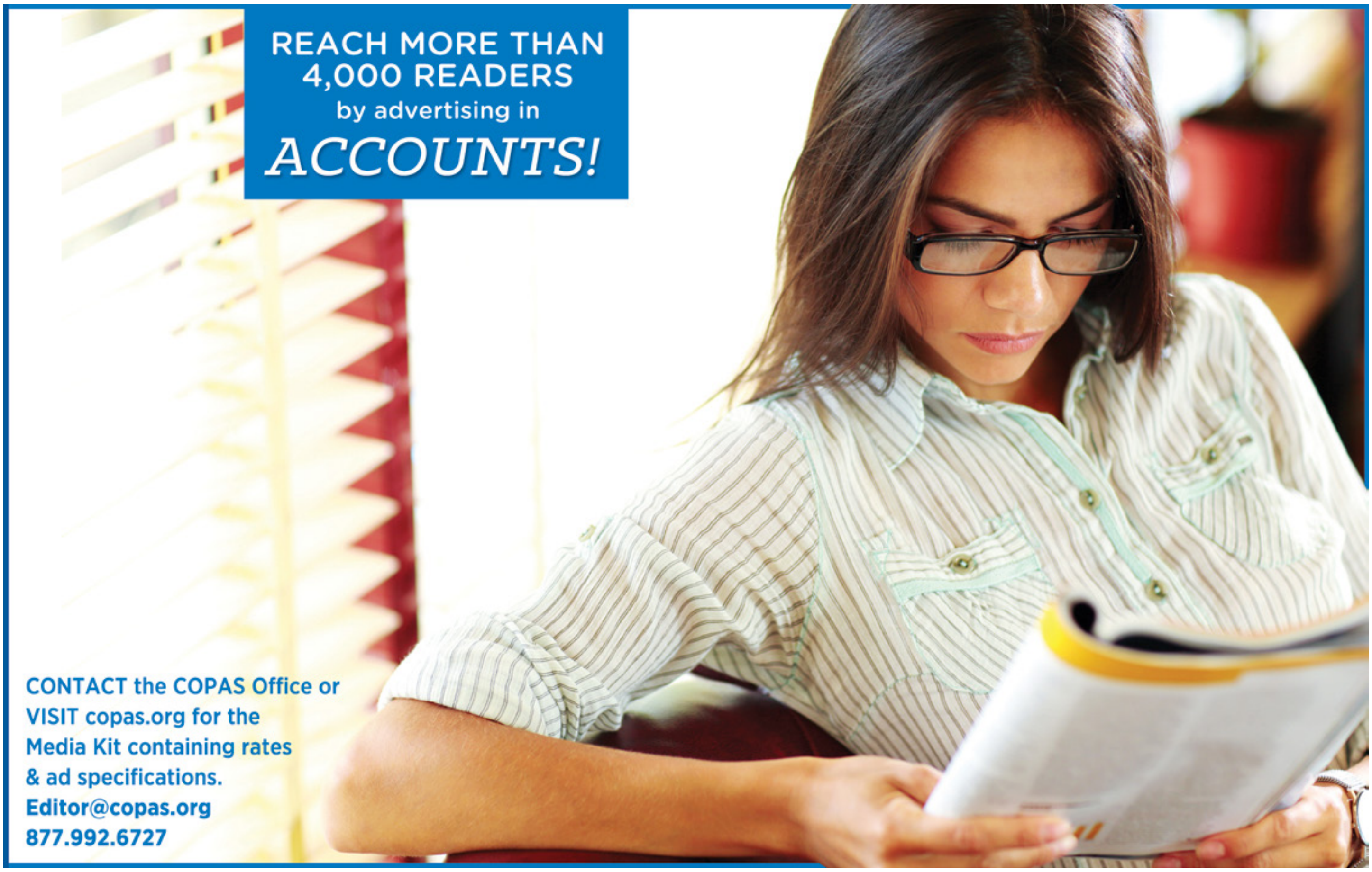
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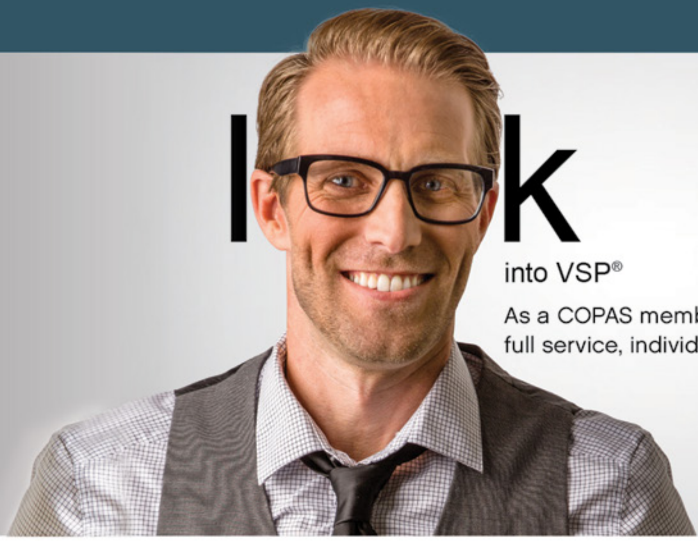

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