COUNCIL OF PETROLEUM ACCOUNTANTS SOCIETIES

ACCOUNTS

SUMMER 2018

SUMMER FEATURES

APPLYING NEW REVENUE RECOGNITION RULES

THE IMPACT OF DIGITAL TECHNOLOGIES ON ACCOUNTING IN OIL & GAS

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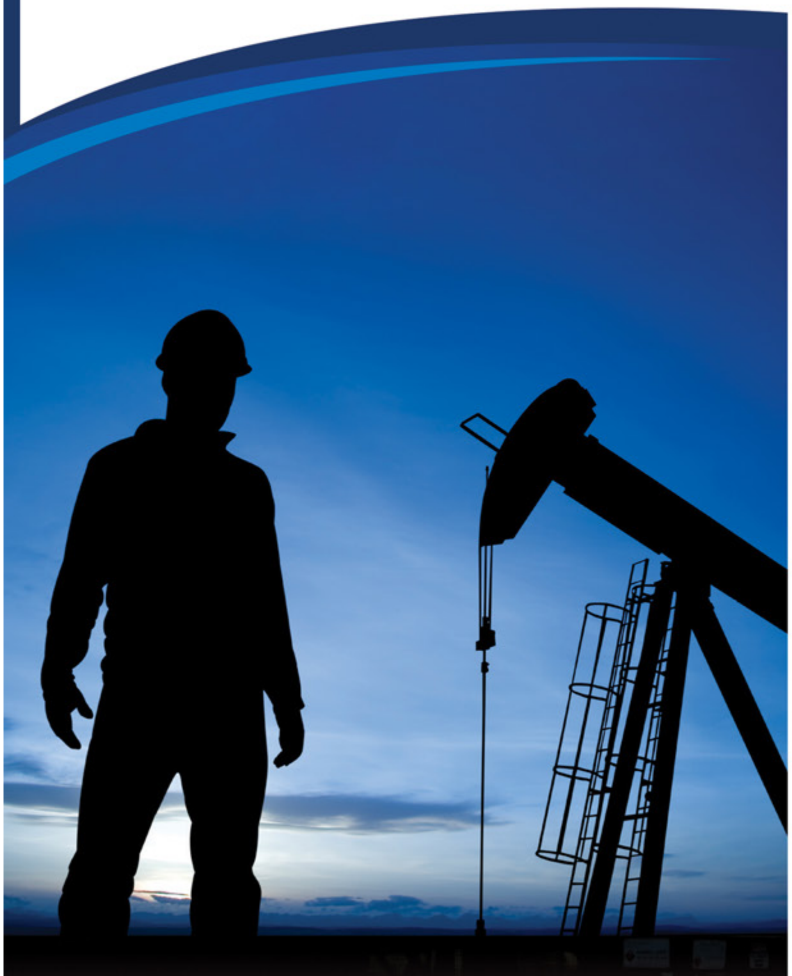
POWERING SOLUTIONS & PEOPLE FOR THE ENERGY INDUSTRY



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COPAS ADDS UP

The oil and gas industry's best, brightest and most influential accounting professionals are part of COPAS. Here's why:

Empowers Your Career

- Affordable CPE to keep your edge and grow professionally
- Build your influence and leadership
- Increase your value with your company and clients
- Petroleum Accounting Accreditation
- Knowledge Networking with seasoned peers

Advances Your Company

- Make your voice heard—have a say in industry guidance
- Effective, low cost CPE for agile and knowledgeable employees
- Targeted training—COPAS Energy Education
- A peer group full of knowledge that's easily tapped

Supports Our Industry

- Sets B2B Accounting and Auditing Standards
- Forums for innovative business and accounting solutions
- Numerous publications, guides and tools
- Publishes Economic Factors

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ACCREDITED PETROLEUM ACCOUNTANT APA®

COPAS ENERGY EDUCATION

ACCOUNTS

SUMMER 2018

CONTENT

Council of Petroleum Accountants Societies

Turning Energy Into Synergy

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FEATURED IN THIS ISSUE

APPLYING NEW REVENUE RECOGNITION RULES: PRIVATE COMPANIES-YOUR TURN!

The new revenue recognition standard (ASC 606) is effective for calendar-year private companies' year-end 2019 and 2020 interim periods. Companies can choose to use either a full retrospective or modified retrospective adoption method.

As discussed in a September 2017 article, Future of Revenue Recognition, the FASB's sweeping new rules replace all existing guidance, industry-based and otherwise, including oil and gas specific guidance. Revenue will now be recognized based on the transfer of control of goods or services to a customer in the amount of the consideration the entity expects to be entitled to receive. In other words, revenue should be recognized when a customer has the ability to direct the use of and obtain substantially all of the benefit from the goods or services provided. This concept may change the amount of revenue recognized, as well as the timing of recognition. Gone are the concepts of risks and rewards, fixed and determinable amounts, and industry-specific norms. In addition, robust quantitative and qualitative disclosures are required.

(SEE PAGE 13 FOR MORE)

THE IMPACT OF DIGITAL TECHNOLOGIES ON ACCOUNTING IN OIL & GAS

Over the last few years, new technologies have changed the face of many industries and redefined the meaning of the words efficiency and growth. Oil and gas has been no exception.

And, within the oil and gas industry, the impacts to finance and accounting has been unprecedented. As one senior financial executive told CFO Magazine: "Finance is IT. They are no longer separate items. Without IT, you can't do Finance" (source: Chris Schmidt, "The Digital CFO," CFO Magazine, March 17, 2016).

There is no doubt that digital technology is transforming the entire finance function, and particularly the focus of the accounting professional. This extends to every aspect of accounting, including planning, transactions, accounts, closing and internal audit, and financial, enterprise and management reporting. As is the case with other elements of finance, accounting is moving from a reporting and control function – largely focused on the past – to an analytical and advisory role with a much greater emphasis on the future.

(SEE PAGE 18 FOR MORE)

PRESIDENT'S MESSAGE

DOUG SMITH

The Petroleum Accountants Society of Arkansas hosted a fantastic Spring COPAS meeting in Fort Smith. This was their first opportunity to host since becoming a Participating Society in 2015, and they did an outstanding job. The conference was a week chock-full of events. We began with an excellent Leadership Conference covering the COPAS Membership Handbook, a presentation on running meetings with Robert's Rules of Order, a COPAS Energy Education demo, and finally, an informative presentation put on by our marketing company, RSM Marketing. It was an opportunity for RSM Marketing to share their campaign highlights for COPAS. It was also an opportunity for our leadership to give them feedback, and direction as necessary. At Leadership Dinner, a re-enactment of gunfights in the old wild west was enjoyed along with dinner and networking in the courtroom of "Hanging Judge Parker." The week was full of stimulating committee discussions, great speakers, golf, and COPAS Energy Education ("Knowing You COPAS Documents"). Throughout all of this activity, there was an opportunity to earn CPE depending on which meetings you attended. On Thursday, we capped the conference with a banquet and a trivia challenge which turned out to be a great evening. We finished the week with the Council meeting on Friday morning. Congratulations PAS-ARK on a job well done!

At the Spring Council meeting on Friday, April 27, the following economic factors, effective April 1, 2018, were approved by Council and can be found on the COPAS website, www.copas.org.

- Audit Per Diem Rate
- Overhead Adjustment Factor
- Loading and Unloading Rates
- Workers Compensation Manual Rates
- Excluded Amount
- Vehicle Rates

Other items approved during the Council meeting:

- Minutes of 2017 Fall Council Meeting
- 2019 Membership Assessment Rates, effective January 1, 2019
- Reinstatement of Appalachia Society as a Participating Society

We accomplished a lot during the week. Those who attended and participated in the meetings deserve a pat on the back. Thank you for taking the time to volunteer for COPAS. If you missed this conference, the next opportunity for the next full week of COPAS meetings is the Fall Conference hosted by COPAS of Corpus Christi September 17-21. Please see the meeting information starting on page 24 for more details.

Our 2018 Goals and Objectives as presented at the Spring Council meeting can be grouped into four categories:

- Advancing COPAS Energy Education
- Complete Steps to Solidify APAR Program and Certification
- Improve Membership Participation
- Publications Development

Education is at the core of COPAS, and since 2015 we have developed delivery methods for our membership and industry. We developed classroom courses followed by webinar delivery shortly thereafter. We still have both delivery methods and continue to schedule and teach CEE material with both delivery methods. However, now we are focusing on producing and delivering self-study courses that an individual can take at their own

PRESIDENT'S MESSAGE

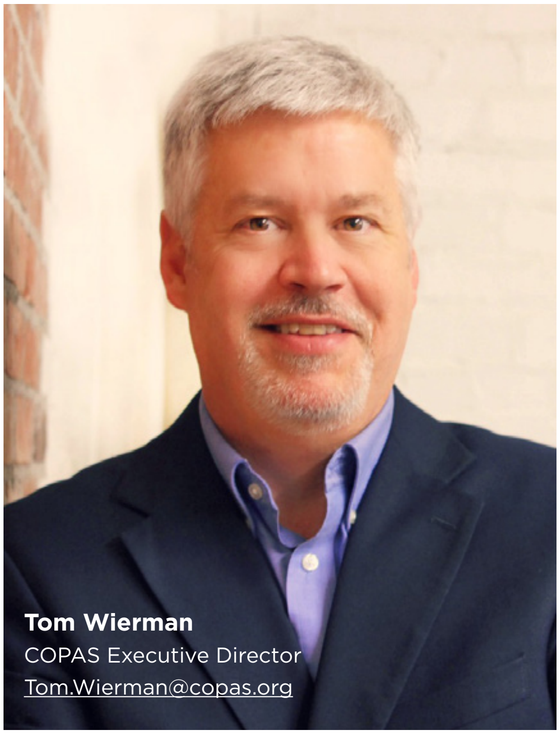
pace and time. These are much more targeted to a few learning objectives and flexible as one to two-hour courses.

The future of the Accredited Petroleum Accountant® (APA®) program is in our hands as well. As you know, since redeveloping the testing and credentialing program, we have been testing for a couple of years. Right now, we are in the process of developing a self-study course focused on preparing candidates for the APA®. We are doing this with an eye toward increasing the number of candidates sitting for the test as we boost their confidence that they have studied and mastered the curriculum. This in turn will lead to more and more credentialed APA®s and a continued bright future for the program.

Since joining the COPAS Board in 2013, I have witnessed incredible changes in our industry. Changes and advances in offshore deep-water drilling, the explosion of shale development, the disbanding of the PMTA and subsequent elimination of their vehicle survey rates, and even redefining "spud date" have had significant impacts on our accounting processes. COPAS continues to step to the plate for our industry developing new standards or refreshing old ones. This has meant we have relied on our volunteers to develop and refresh our publications on a regular basis. We continue to lean on our experienced colleges, and increasingly on newer members to fill our publication writing teams. Since our work challenges seem to never cease, we will continue to need new volunteers to participate. Ask yourself if you could be the next COPAS volunteer. You can participate in many ways. First, as mentioned above, you could join a publication writing project and meet with other members to develop or refresh it. Second, you can review and offer comments to draft proposals at your local society meeting. Just get your feet wet and come along with us. Before you know it, you'll be chairing a local or national committee; or joining a local society or national COPAS board. One day you'll look back and hardly believe all that you've accomplished.

Finally, I'd like to be sure to remind you that the Joint Interest and Audit standing committees are hosting a one-day working meeting in Denver, July 19, to discuss the two publications that we currently have in the early stages of development. I hope to see you there.

HOME OFFICE MESSAGE



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

FROM THE HOME OFFICE

COPAS OFFICE CHANGE:

There was a change in the COPAS office in January that most members probably don't even realize. On January 1, Vanessa returned to Albuquerque, and with that she became the last COPAS employee to work remotely. I say that you probably didn't realize the change because the phone still got answered, product was shipped, emails were promptly returned, etc. Very few people knew where the employees were located because the work was still getting done.

I still visit the office from time to time, but at the present time, we no longer have employees working in the Denver office on a daily basis. The office lease is still in effect, but we are seeking a sublease of the space. Everything is ready for a new tenant to move in, or to continue operations if the need were to change.

When I was hired in March 2012, I explained that I was not able to relocate to Denver. The board said that we would try a remote-work situation and then re-evaluate. In the "old days," the office moved to where the Executive Director was, but we had an office lease still in effect so a relocation wasn't possible. A move would have also been a complete staff turnover -- a disruption we didn't want to incur. The board kept that business model in place and then hired Don and Angie. Two more employees were added to work remotely.

Working remotely can have its challenges. You may know friends or colleagues that need structure to function, so a home office would be a major distraction for them. I had worked from an office setting for 30 years before I took this role. I was pretty sure I could do it, but was it really going to work? It has worked well. I find my biggest challenge is to walk away from my home office at the end of the day. (Last week I had wandered into my office "to finish up a couple things." One thing turned into another and pretty soon it was 11:30 p.m. I really DO love what I do!)

The primary reason that we made this change was to retain Vanessa, a valued employee. Initially I had to think about the impact of the change and then it became pretty obvious that we needed to at least try it. The board of directors met in a conference call to discuss the pros and cons of the decision. To be sure that something wasn't overlooked, the COPAS Research and Advisory Committee was asked to weigh in.

Indirectly, there are benefits of this change, such as reducing longer-term costs to the organization. We also looked at the obvious factors, such as how would it affect our members, and would there be any interruption to them? Our foot traffic through the door was primarily the Fed Ex delivery driver, the office cleaning crew, multiple telephone service and copier salespeople, and occasionally a member would stop by if they were visiting the Federal Center that is nearby. The door-to-door mail delivery was discontinued previously so we didn't even see him on a daily basis. When the old APA® program was in force we had a few people take the exam in the office.

If you think about it, the business model for many companies has changed and evolved. We don't need a physical "storefront" to conduct business. Technology has enabled more virtual work to be completed, with good outcomes and happy employees. About a year ago we started looking at our infrastructure. The server was functional, but aging, and it was expensive to replace it. We migrated our digital files to the cloud, improving the workflow for the employees and eliminating some other IT services. That decision ended up playing well into Vanessa's move.

HOME OFFICE MESSAGE

The change has been pretty seamless. There have been a couple minor issues with some mail being returned to sender, but that has been sorted out. Here is how you can reach the COPAS office:

EMAIL:
COPASOffice@copas.org – use this email address to contact the COPAS office with any questions, including user names and password resets. The email is directed to Tom, Vanessa and Angie. One of us will contact you as soon as possible.

CEPS@copas.org – use this email address to contact Tom or Vanessa about your CEPS user access or password reset.

GENERAL MAIL, AND VENDOR INVOICES
Council of Petroleum Accountants Societies, Inc. (COPAS)
PO Box 21272
Wichita, KS 67208-7272

IF YOU ARE PAYING COPAS INVOICES BY CHECK, PLEASE USE THE FOLLOWING LOCKBOX ADDRESS:
Council of Petroleum Accountants Societies, Inc. (COPAS)
PO Box 913168
Denver, CO 80291-3168

If you would like to pay your COPAS invoice by ACH, please send the enrollment information to the COPAS office.

Please contact me if you have any questions about how to contact us or if you have comments about the change in office status.

UPCOMING MEETINGS:
Don't forget about the Summer meeting on July 19. It is a week later than usual due to space limitations at the hotel. Information about the meeting can be found on page 16.

Please review the "Save the Date" meeting promotions for Corpus Christi (Fall 2018), Nashville (Spring 2019), and Tulsa (Fall 2019). Registration for the Fall 2018 meeting is now open.

Oklahoma City has taken the Spring 2020 meeting and is looking for a co-hosting partner if another society is interested.

Have an enjoyable summer!

MEETING SCHEDULE

EVENT	DATES	HOST	LOCATION
2018			
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
2020			
Spring	April	Oklahoma City	TBD
Fall	TBD	Permian Basin	TBD
2021			
Spring	April	Houston	TBD
Fall	TBD	Dallas	TBD

Dates beyond 2021 are available. Please contact the COPAS Office to volunteer.

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. Goal is to issue draft 1 in Q3.	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 July 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 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.			

APPLYING NEW REVENUE RECOGNITION RULES:

PRIVATE COMPANIES -YOUR TURN!

The new revenue recognition standard (ASC 606) is effective for calendar-year private companies' year-end 2019 and 2020 interim periods. Companies can choose to use either a full retrospective or modified retrospective adoption method.

As discussed in a September 2017 article, Future of Revenue Recognition, the FASB's sweeping new rules replace all existing guidance, industry-based and otherwise, including oil and gas specific guidance. Revenue will now be recognized based on the transfer of control of goods or services to a customer in the amount of the consideration the entity expects to be entitled to receive. In other words, revenue should be recognized when a customer has the ability to direct the use of and obtain substantially all of the benefit from the goods or services provided. This concept may change the amount of revenue recognized, as well as the timing of recognition. Gone are the concepts of risks and rewards, fixed and determinable amounts, and industry-specific norms. In addition, robust quantitative and qualitative disclosures are required.

While new disclosures will affect all oil and gas companies in some way, those with midstream or field service operations will potentially experience greater financial statement impacts. For all companies, the exact impact will vary based on the nature and complexity of contracts. Management must understand the new guidance and consider what it means in regards to their own contracts, revenue streams, performance obligations and payment terms. The earlier article discusses some specific potential issues faced by upstream, midstream, and field service companies.

Available Resources and Expectations

There are many resources to assist companies with their implementation efforts. These include the FASB's original guidance, as amended, as well as many published interpretations. In addition, the Transition Resource Group (TRG), formed to review implementation issues, issued numerous whitepapers addressing specific concerns. The AICPA formed 16 industry task forces to help develop a new Accounting Guide on Revenue Recognition that will provide helpful hints and illustrative examples for how to apply the new revenue standard. The task force for oil and gas entities has released various working drafts addressing specific industry issues. Management should consider the TRG and AICPA whitepapers in implementing ASC 606. TRG papers can be found at http://www.fasb.org/cs/ContentServer?c=Document_C&cid=1176168954704&d=&pagename=FASB%2FDocument_C%2FDocumentPage and the AICPA Oil and Gas Industry Task Force drafts can be found at https://www.aicpa.org/interestareas/frc/accountingfinancialreporting/revenuerecognition/rrtf-oilandgas.html.

Private companies also have the benefit of reviewing public company filings (calendar-year companies adopted as of January 1, 2018) for disclosures regarding the method chosen for adoption, the financial statement adoption impact, changes in revenue recognition policies, and additional disclosures required under ASC 606. It is important to note that not all public company disclosures are required for private

companies. SEC comments on 2018 filings will provide additional implementation and application insights for private companies.

Importantly, public company management teams have indicated that the implementation effort, including the initial scoping of contracts, assessment, quantification of adoption impact, and preparation of disclosures, took much more time and resources than initially budgeted. This same experience should be expected of private company implementation resources needs.

A review of first quarter 2018 public oil and gas company filings shows that most companies used the modified retrospective adoption method. Under this method, the adoption impact, if any, is reflected in beginning retained earnings as of January 1, 2018. Companies must disclose what the 2018 financial statements would have looked like if still following the old guidance (ASC 605). The public filings offer insights into whether there was an adoption impact affecting net income as well as the post-adoption impact on financial statement line items.

Assessment under the new guidance is applied at the contract level. The first step in implementation is to inventory all contracts and then apply appropriate scoping considering the type of commodity, nature of the contract and whether contracts are homogenous. Then, the specific contracts selected can be reviewed to determine if the criteria under ASC 606 will change the accounting and/or disclosures. When reviewing public company filings to aid in implementation efforts, it is important to remember that individual contract terms dictate the accounting. As a result, there is not a "general" rule for application, and management should perform its own analyses to support its conclusions.

Takeaways from first quarter 2018 public filings include the following (as discussed above, specific revenue contract information is essential to form conclusions):

Upstream

Upstream companies for the most part reported an immaterial or no adoption impact to beginning retained earnings (i.e., net income impact) as of January 1, 2018. Many gas producers, however, did report changes in classification of revenues and expenses in the statement of operations for the quarter ended March 31, 2018. Under the new guidance, fees and costs incurred under pipeline gathering, transportation and gas processing agreements prior to control transfer are recognized as transportation and processing expenses. Fees and costs incurred after control transfer are recognized as a reduction to revenue. It is critical that management analyze these types of contracts to determine when control transfers under the new criteria.

The new rules change the principal versus agent criteria, requiring contracts with midstream processors/gatherers to be reassessed. In many cases, companies have changed the conclusion reached under ASC 605 on whether the midstream company or the third-party end user is considered to be the "customer."

Under some natural gas processing contracts, producers may deliver natural gas to a midstream company at the wellhead or the inlet of the midstream processing company's system to be gathered and processed. The midstream company remits proceeds to the producer for the resulting sales of natural gas liquids (NGLs) and residue gas. For those contracts where the producer concludes the midstream processing entity is the producer's agent and the third-party end user is its customer (generally fixed-fee agreements), the producer recognizes revenue on a gross basis, with transportation and processing expenses presented as an operating expense in the statement of operations. Alternatively, for those contracts where the producer concludes the midstream processing entity is its customer, as it controls the product (generally percentage of proceeds agreements), the producer recognizes natural gas and NGL revenues based on the net amount of the proceeds received from the midstream processing company.

DIANE KIRK, CPA

- Director with EKS&H LLLP 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

In other cases, producers may conclude that they are the principal under ASC 606 for natural gas processing contracts when they have the ability to take-in-kind the NGLs and residue gas at the tailgate of the processing plant and market the products. In these situations, the producer delivers the NGLs and gas to a third-party purchaser. As principal, revenue is recognized on a gross basis.

Additionally, companies using the entitlements method to account for sales of natural gas under ASC 605 disclosed a change to the sales method, but the impact was not material to the financial statements.

Midstream

Many midstream companies reported an adoption impact to beginning retained earnings. The assessment for midstream companies is more difficult than for upstream companies and more often results in material changes in the timing and/or amounts of revenue recognition. Some relief was gained through discussion with the FASB following the original issuance of ASC 606 related to estimating and accounting for noncash consideration (i.e., contracts payable in product).

Many midstream companies reported changes related to accounting for producer reimbursement payments for costs to construct connections to gathering systems. Under ASC 605, these reimbursements were recorded as a reduction to the property whereas under ASC 606, these reimbursements are recorded as deferred revenue which is then amortized over the expected contractual term.

Another common change relates to accounting for timing of revenue recognized for producer deficiency payments received under firm transportation minimum volume commitment contracts for which the producer can ship the unused volumes later (if there is capacity) for a specified time period. Under ASC 605, these payments were recorded as deferred revenue and recognized upon resolution of all contingencies. Under ASC 606, these payments are still recorded as deferred revenue but they are recorded in revenue based on management's estimate of the likelihood that the volumes can be shipped or forfeited each reporting period.

As discussed in the upstream takeaways, midstream companies must also analyze contracts to determine if they are the principal or agent. This conclusion drives the amount and timing of revenue recognition.

Oilfield Services

Oilfield service companies reported both material and immaterial adoption impacts to beginning retained earnings depending on their specific revenue streams and contracts. These companies many times have service contracts with lease components as well as payments that may vary. Revenue policy disclosures discuss management estimates and judgments related to variable consideration, interaction with lease accounting guidance, and timing of revenue recognition.

Parting Thoughts

The good news is that private companies are not required to adopt the new guidance in quarterly 2019 financial statements (i.e., reporting to banks and investors) and have until the 2019 year-end financial statements to complete implementation. The bad news is that the implementation process will likely take longer and require more resources than management teams may anticipate.

Even if management concludes that there is no material change upon adoption, the subsequent accounting may be different (i.e., determining when control passes, classifying costs/expenses, and assessing timing of revenue recognition). Also, disclosures regarding the nature, timing, and uncertainty of revenue and cash flows are much more robust than existing disclosure requirements. Information needs to be accumulated and tracked to support the disclosure requirements. Many management teams have found that disclosure development efforts are very challenging.

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

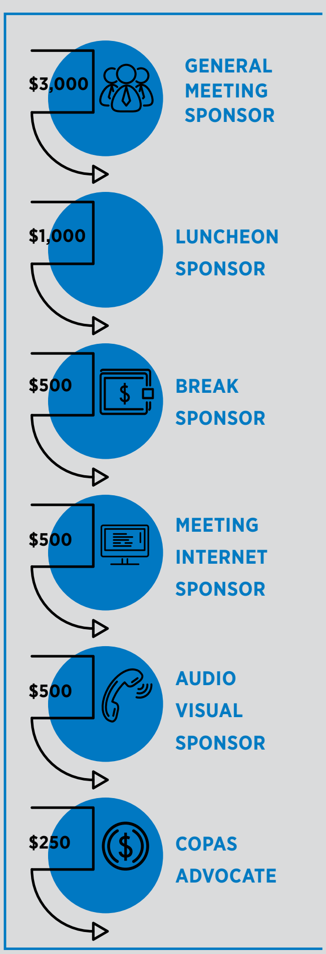
No need to rent a car. For under $10, take the Light Rail from DIA!

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. **Register here.**

The meeting Meeting agenda can be seen here.



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.

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.

THE IMPACT OF DIGITAL TECHNOLOGIES ON ACCOUNTING IN OIL & GAS

Over the last few years, new technologies have changed the face of many industries and redefined the meaning of the words efficiency and growth. Oil and gas has been no exception.

And, within the oil and gas industry, the impacts to finance and accounting has been unprecedented. As one senior financial executive told CFO Magazine: "Finance is IT. They are no longer separate items. Without IT, you can't do Finance" *(source: "The Digital CFO," CFO Magazine, 17 March 2016, Factiva, Inc. All rights reserved).*

There is no doubt that digital technology is transforming the entire finance function, and particularly the focus of the accounting professional. This extends to every aspect of accounting, including planning, transactions, accounts, closing and internal audit, and financial, enterprise and management reporting. As is the case with other elements of finance, accounting is moving from a reporting and control function – largely focused on the past – to an analytical and advisory role with a much greater emphasis on the future.

Digital Technologies are at the core of this disruption. Broadly speaking, technology is transforming accounting on three levels, although there is significant overlap from level to level. The first level includes technologies that many organizations are already using, although they have not in any way reached their full potential. In-place technologies such as cloud, big data and analytics, sensors and the Internet of Things (IoT), and online commerce have already had a significant impact on the way work gets done. Many oil and gas companies are moving finance operations to the cloud and using subscription-based cloud products such as infrastructure as a service (IaaS), platform as a service (PaaS) and business process as a service (BPaaS), which offer a way to bypass legacy technologies and gain access to sophisticated offerings on a pay-as-you-go basis.

Even as these technologies proliferate within oil and gas companies, many of these same companies are exploring emerging technologies such as artificial intelligence (AI), machine learning, robotics and blockchain, and that is the second level. On a third level, and on the near horizon, technologies such as virtual reality, quantum computing and autonomous vehicles hold considerable transformative potential.

Data and automation are at the core of digital transformation. By performing repetitive and/or simple transactions and processes, automation frees up accounting resources and augments employees' skills. At the same time, automation generates data that guides analytics and improves artificial intelligence. The result is a "virtuous circle" in which process improvement supports a better flow of information and analysis, leading to better decision-making overall.

The implications of the digital revolution for accounting are enormous, and most companies are only in the very early stages of realizing the considerable benefits associated with the implementation of digital technologies. The initial focus has been on cost savings from the

automation of manual processes, but the real value of digital extends much further. Indeed, digital technologies help oil and gas accounting teams eliminate, rather than automate, many processes.

For example, robotic process automation (RPA) can automatically generate a sale and receivable record as soon as a customer places an order, while signaling for immediate production of the order and recording the inventory transfer. Collaboration with customer systems can enable automatic payment. In effect, the entire process – from order to payment – is automated, with human intervention needed only for exceptional situations.

NEW OPERATING MODELS AND NEW SKILLS FOR ACCOUNTANTS

Technology alone won't generate all the potential benefits. It is paramount that the right support models are implemented to drive true digital transformation, spanning from sourcing and developing the right talent to implementing the appropriate operating model.

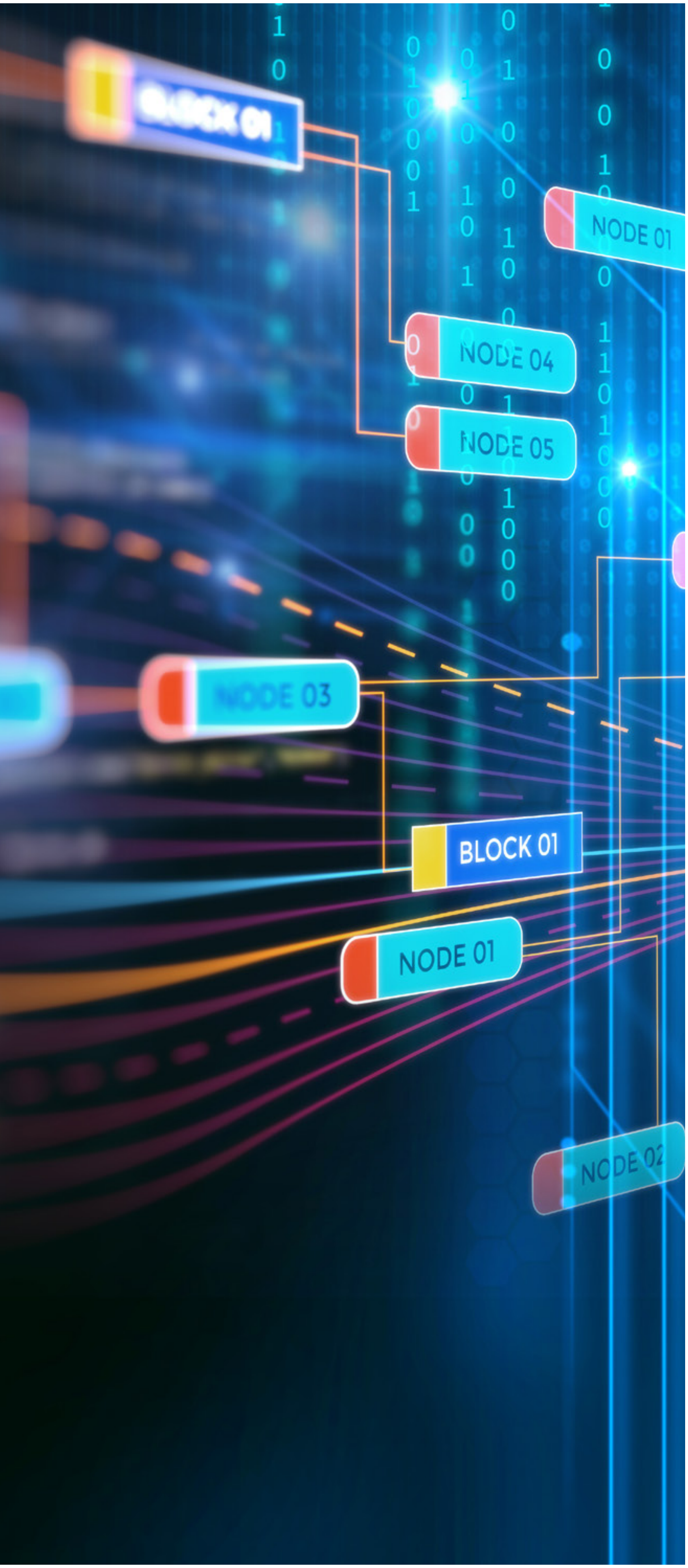
And with the right operating model in place, the implications for the finance professional are vast, with finance practitioners freed up from the tyranny of the spreadsheet, and ultimately enabled to focus on high value-added tasks as well as self-development. To flourish in this environment, accounting needs new skills and behaviors with an emphasis on business insight, and the introduction of new areas of focus, such as data science, mathematics and sociology.

With digital technology taking over routine processes and transactions, accounting's focus will shift to analysis and critical thinking, with the key objective being to help the business make better decisions. Of course, effective analysis and critical thinking are based on information, so the "accountant of the future" needs to know how to access data sources and where key data are stored.

To a greater and greater degree, accessing data sources will require the ability to operate both inside and outside the business. In this new "democracy of data", more data will be available from external sources, both in the form of "unstructured" data (from social media, customer interactions and other interactions) and from third parties compiling economic and industry data. Accountants will need to function effectively within an ecosystem that incorporates partners from outside the company.

But make no mistake, data on its own holds a limited value: it's when information, and, more importantly, insights, are extracted from the data, that the full value of the data is unlocked: finance practitioners will need to be able to develop algorithms that allow to extract those business insights from the data if they want to realize the real benefits from the newly available data.

While accountants will still need core skills such as a deep knowledge of Generally Accepted Accounting Principles (GAAP) and statutory accounting, they will increasingly need to be versed



in predictive data analysis, and, with their job focus shifting to new areas such as strategy, they will need a deeper understanding of different aspects of the business such as pricing, promotion and cost accounting.

Accountants will also need considerable technology expertise, in areas that include data visualization, statistics, engineering, RPA, machine learning and AI. This expertise will be required to tell the machines what to do, to monitor their effectiveness and to know when and how to intervene as needed.

LEAD WITH VALUE – THE BENEFITS OF DIGITAL TRANSFORMATION

A survey around digital adoption in finance revealed that senior finance executives are seeing a significant impact in crucial targeted areas: from improved forecast accuracy to better managing risk, digital will continue to change the way finance operates going forward. 86% of the surveyed population indicated that thanks to digital technologies they can better manage risk, 67% have improved their forecast accuracy, 66% report better decision making and 61% say that finance teams are dedicating more time to high value work *(source: Accenture Strategy Digital Adoption in Finance Survey, September 2016, https://www.accenture.com/us-en/insight-cfo-new-digital-apostles).*

The finance and accounting functions of oil and gas companies are right in the middle of an increasingly difficult and complex regulatory environment, and digital is going to help them weather the complexity. Think of the implications of inaccuracies in the context of reporting obligations toward state, local and Federal agencies, as well as to other entities such as Native American tribes. As an example, an operator that underpays royalties for using erroneous gas prices is subject to penalties from the Office of Natural Resources Revenue (ONRR) that can add up to 25 times as much as the underpayment amount, driving multi-million disbursements generated by a few hundred thousand-dollar underpayments. The first major benefit from digitization is the delivery of a streamlined accounting function able to address these requirements efficiently and with accuracy: automation helps eliminate mistakes and reporting errors, leading to significant reductions in penalties and fines, with a significant impact on compliance.

Digitization yields cost savings in other areas, as well. For example, analytics can help accounting functions obtain much greater visibility into costs in a variety of areas such as initiatives undertaken with joint venture partners. Getting increasingly accurate analytics and automation solutions is helping operators better identify costs that should be charged to JV partners, impacting profitability and decreasing JV audit costs.

Overall, a digitized accounting function gets its required workload done better than before, and does so at lower cost. For accounting professionals, however, the benefits of digitization extend far beyond efficiency and effectiveness. Digitization opens new doors for finance and accounting, helping the accounting team plot the future while reporting on past performance. Through digitization, accounting becomes a trusted, valued partner to the business and a key element of the company's future growth.

GIULIO CATTOZZO

accenture

MANAGING DIRECTOR,
DIGITAL FINANCE INNOVATION LEAD

Giulio Piero Cattozzo is a Managing Director at Accenture and runs the Digital Finance Innovation practice, a position he has held since 2015.

Giulio focuses on complex finance transformation projects for Accenture's oil and gas clients leveraging digital technologies including SAP S/4HANA, robotic process automation, artificial intelligence and advanced analytics. During his career, he has worked globally with IOCs, NOCs, independents, midstream and oilfield services companies.

Giulio earned a bachelor's degree in business administration from Luigi Bocconi University in Milan in 1999. He joined Accenture in Italy in 2000 and moved to North America in 2010. He now lives in Houston, Texas, with his wife Susan and their twins Layla and Olivia, born in February of 2017.

Giulio can be reached at giulio.cattozzo@accenture.com.
Updated: March 2018

GETTING FROM HERE TO THERE

While most CFOs acknowledge the need for digital transformation, less than half have developed a strong digital plan *(source: Accenture Strategy Digital Finance Survey, March 2016, https://www.accenture.com/us-en/insight-cfo-new-digital-apostles).*

As mentioned, automation is a key element in digital transformation, but it is only one step. Oil and gas finance functions can use RPA to streamline routine tasks while improving the internal customer experience, reducing costs and shortening timelines. The next step is to use the lessons learned (along with the information and knowledge gained) from process automation to create the framework for driving value from more sophisticated automation technologies that incorporate machine learning and AI.

The idea is to work up through layers of complexity, tackling simple, non-discretionary tasks first, and then moving on to activities involving more judgment and complexity. Candidates for the first stage of automation include rule-based reconciliation and financial report generation, while automating an accounts payable help desk would have greater complexity.

As complexity increases (along with the need for judgment) emerging technologies such as AI and machine learning come into play and can be used to streamline and improve processes such as collection and dispute resolution. And, throughout the evolution towards automation, accounting teams should keep analytics at the forefront, leveraging internal and external data to generate insight while improving the efficiency and effectiveness of processes.

WRITE IT RIGHT

HONING YOUR HOMOPHONES AND OTHER PROOFREADING TIPS

WRITTEN BY **MOLLY WIERMAN**

A little background on the idea behind this installment of "Write It Right": I have a book I bought from the clearance bin at Barnes & Noble called *The Wicked Wit of Jane Austen.* (In case you're curious, quotations in this book from Austen's letters include "My black cap was openly admired by Mrs. Lefroy, and secretly I imagine by everybody else in the room" and "My hair was at least tidy, which was all my ambition.") While I was flipping through this book, I remembered something one of my English professors back at the University of Dallas said about Austen, that she was a master architect of paragraphs. More specifically, she made each of her paragraphs a miniature essay, with the components every high school student has memorized: an introduction with a thesis statement, a body supporting that thesis, and a conclusion showing the ramifications of the argument or further applications thereof.

Such methods of structure, with components that all link together, are central to effective communication, which is especially important for informative pieces, such as reports, or persuasive pieces, such as proposals. Even if we largely left behind the academic essay at our college graduations, we can still look at its components to help learn how to craft clear paragraphs. I will accordingly focus on these three parts—the introduction, the body, and the conclusion—and show you how to write pieces as polished and tidy as Jane Austen's hair.

1. THE INTRODUCTION

A good introduction reflects back on the ideas of the previous paragraph, usually by employing some means of repetition or restatement, and sets the course for how this new paragraph will expand on the preceding ones. The first sentence of a paragraph is often called the *topic sentence*. Together, the topic sentences create the skeleton of the entire work. It is therefore important to make sure they fit together properly (imagine if all the bones in your skeleton had loose connections). One way you can ensure a proper fit is by writing your topic sentences out next to each other, with nothing in between. You want the result to have a logical flow and look like an outline of the document you're working on.

In order to create this mini-outline, you'll want the topic sentences to build on each other. You can achieve this by making sure they briefly restate the ideas of the preceding paragraphs. I used to refer to previous ideas as simply "this," which is vague and does nothing to establish a connection between paragraphs. For instance, I might have written a paragraph explaining why my employer's submission guidelines are unclear and then begun a new paragraph by stating, "This has caused our editors problems." It's unclear exactly what "this" refers to. The transition is weak. A stronger topic sentence might be, "The unclear guidelines, resulting from a lack of standardization, have consequently caused problems for our editors." This sentence reiterates the ideas of the preceding paragraph, establishing a transition between the two.

A bonus tip: transition words (such as "consequently" in the above example) will help you move from one paragraph to the next. Keep a list handy next time you need to write something.

2. THE BODY

The body of a paragraph has two functions: to support the claims of the topic sentence and to maintain the logical flow from one sentence to the next. The paragraph body is analogous to the body of an essay, which supports the claims of the thesis. In both cases, the introduction sets the stage, so to speak, for the rest of the body, which acts as a bridge between the beginning and ending of the paragraph.

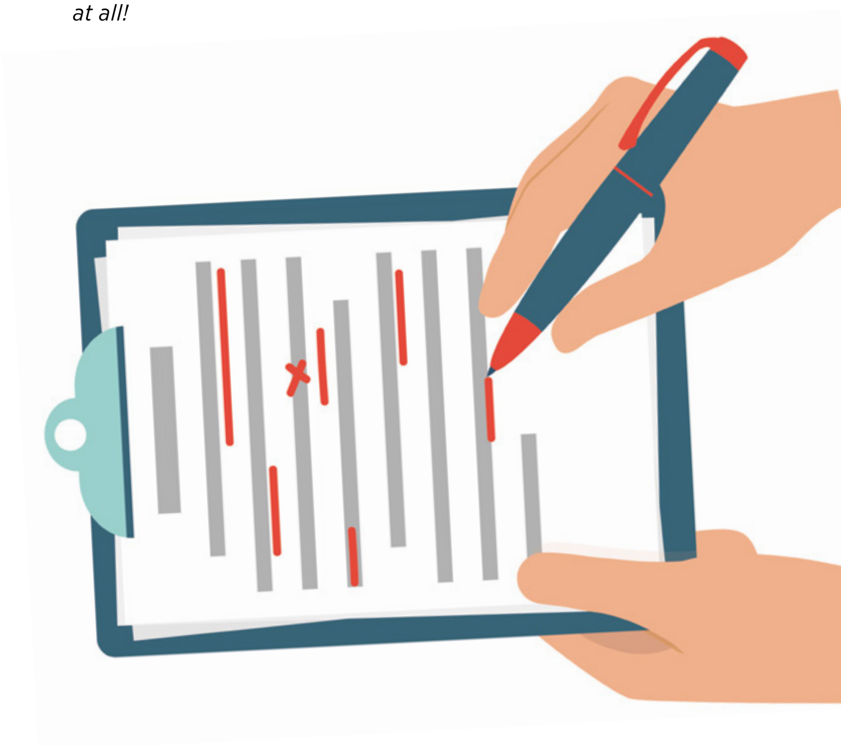
To maintain this structure, it is important that you keep each sentence in the body organized. Remember those questions on standardized tests that asked you how to improve paragraphs? Frequently, the correct answer was to rearrange the order of the paragraph body, moving one sentence to the beginning or another to the end. This is often the best way to tighten up the structure of a disorganized paragraph.

3. THE CONCLUSION

A good conclusion does multiple things. It summarizes the entire paragraph, showing how the ideas of the topic sentence have been demonstrated, and it suggests ways in which the rest of the piece may move forward. The first function is responsible for why conclusions can be so hard to write. Summarizing without repeating yourself takes practice. Some strategies include using transitions such as "in short," "to summarize," or "in other words." You can also format your concluding sentences so that they pull double duty. For instance, write a sentence that combines two independent clauses, separated by "and," like the second sentence in this paragraph. The first clause can summarize, while the second speculates on how the whole work may move forward.

For an example, given the inspiration for this installment, I might as well turn back to Jane Austen. This sentence concludes a paragraph in *Emma* in which the heroine realizes that she loves (spoiler alert) Mr. Knightley, and not Frank Churchill:

She saw that . . .she had been totally ignorant of her own heart—and, in short, that she had never really cared for Frank Churchill at all!



The first part of this conclusion cleverly, in only a few words, summarizes the entire paragraph, which demonstrates that Emma has been deceiving herself all along. The second part both states the logical conclusion of Emma's love for Knightley—she does not love Frank Churchill—and, by emphasizing Emma's lack of self-knowledge, lays the groundwork for the next several paragraphs (which discuss her self-deception).

As always, I hope you've learned a little something from this column. I hope, too, that that "little something" is in fact useful. Until next time!

ABOUT THE AUTHOR:
Molly Wierman

Molly Wierman is currently employed at Sophia Institute Press and resides in Nashua, New Hampshire. She enjoys reading the poetry of T.S. Eliot, writing fiction and traveling whenever she can.

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

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MEETING INFORMATION

Please join us in our sparkling city, Corpus Christi, Texas, September17-21, 2018 for the Fall 2018 COPAS National Meeting. Each OmniHotel 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 debatesas well as enjoying our beautiful Bayfront while attending theLeadership Dinner, Reception, Banquet and during your free time.

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.

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- Valet and self parking

CORPUS CHRISTI ATTRACTIONS

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- 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

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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, Small Oil & Gas and Education

COPAS Energy Education Afternoon – "Understanding the Landman" taught by Salomon Tristan. What is a Landman & why you need to know! Salomon will cover Minerals & Ownership, Land & Leasing, Terminology, Division Orders, Lease Analysts, Royalty & Working Interest Owners along with other Land topics.

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 and 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.

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.

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

FRIDAY

General Council

2018 COPAS FALL MEETING - Hosted by COPAS of Corpus Christi
Hotel – Omni Corpus Christi, Corpus Christi, Texas - September 17-21, 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, Sept 17	
☐		8:00 a.m. – 5:00 p.m.	Board of Directors Meeting
		Tuesday, Sept 18	
☐	☐	8:00 a.m. – 9:00 p.m.	Registration Desk
☐		8:00 a.m. – 12:00 p.m.	APA Board of Examiners *
☐		1:00 p.m. – 5:00 p.m.	Leadership Conference
☐		3:00 p.m. – 10:00 p.m.	Hospitality Suite Open
☐		6:00 p.m. – 9:00 p.m.	Leadership Dinner *
		Wednesday, Sept 19	
		7:00 a.m. – 5:00 p.m.	Registration Desk
☐		7:00 a.m. – 8:00 a.m.	First-Timers Breakfast *
☐		8:00 a.m. – 12:00 p.m.	Emerging Issues Sub-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.	COPAS Energy Education Class: Understanding the
			Landman ($175 additional fee)**
☐		1:00 p.m. – 5:00 p.m.	Revenue Committee
☐		1:00 p.m. – 5:00 p.m.	Financial Reporting
☐		1:00 p.m. – 5:00 p.m.	Small Companies Committee
☐		1:00 p.m. – 4:00 p.m.	Education Committee
☐		1:00 p.m. – 5:00 p.m.	Board of Directors Meeting
☐	☐	3:00 p.m. – 5:00 p.m.	Hospitality Suite Open
☐	☐	6:00 p.m. – 9:00 p.m.	Reception – Fajitaville on the Beach
		Thursday, Sept 20	
☐		7:00 a.m. – 12:00 p.m.	Registration
☐		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.	Boat Port of Corpus Christi Tour ($70 fee/limited space)**
☐	☐	1:00 p.m. – 5:00 p.m.	Bus Tour TPCO Plant ($25 fee)**
☐	☐	3:00 p.m. – 6:00 p.m.	Hospitality Suite Open
☐	☐	6:30 p.m. – 9:00 p.m.	Banquet – Omni Bayfront Hotel
		Friday, Sept 21	
☐	☐	7:00 a.m. – 8:00 p.m.	Breakfast
☐	☐	8:00 a.m. – Conclusion	General Council Meeting

* Closed event – limited to eligible participants only ** Indicates a additional fee required for activity

APA Board of Examiners Meeting – open to Board of Examiners only

Leadership Dinner – Open to Society Presidents or Presidents-Elect, National Committee Chairs or Vice-Chairs, and National Board of Directors – One representative from each Society and National Committee

First-Timers Breakfast – Open to National Board of Directors and members attending their first National Meeting

INDUSTRY NEWS

A COLLECTION OF PUBLISHED NEWS ARTICLES

Electricity generated by wind farms is on the rise, with 14 U.S. states getting more than 10% of their power from wind in 2017. Wind generated more than 30% of the electricity in Iowa, Kansas, OK, and S. Dakota. Texas remained the No. 1 state for installed wind power capacity, with more than 20 gigawatts installed, far more than any other state.

The Permian may become the world's largest oil patch over the next decade. Output was forecasted to reach 3.2mmbopd in May, the highest since records were compiled in 2007. By 2023, the basin may produce 4mmbopd. This is due to the size of the oil deposits, coupled with increased technology and efficiencies. The Ghawar field in Saudi Arabia is currently the world's biggest oil field, with capacity of 5.8mmbopd.. Top-producing members of OPEC such as Iran and Iraq pump less than 5mmbopd. Iran produced 3.81mmbopd in March

If the Permian Basin was part of OPEC, it would be the fourth-largest OPEC member, right behind Saudi Arabia, Iran, and Iraq, ahead of Kuwait. By the end of 2019, the Permian probably overtakes Iran

Selling more than 2mmbopd of U.S. crude overseas may soon be the new normal. The U.S. will likely expand its share in the world crude market to 18% from 12% in the next couple of decades. Once the world's largest importer of crude, the U.S. now is closing in on Russia to become the world's largest producer. The U.S. exported 2.33mmbopd a day in March, the highest on record going back 25 years

U.S. refineries may already be at their limits in terms of consuming local shale oil which is almost entirely light, low-sulfur crude; plants in the country's main refining belt along the U.S. Gulf Coast are designed to use mainly heavy, high-sulfur crude and their intake of light, low-sulfur crude is at most a third of their capacity

Enterprise Products Partners is testing crude supertanker capabilities at its Texas City dock in a move that could make it the second major company in the U.S. that can handle such vessels. The U.S. lifted a 40-year ban on oil exports in late 2015 and since then tankers filled with U.S. crude have landed in more than 30 countries. The Nave Quasar, a Very Large Crude Carrier (VLCC), is berthed just off Texas City as part of a test run to confirm that the facility can accommodate a VLCC ship. VLCCs are the largest oil tankers and can ship 2mmbo. So far, only the Louisiana Offshore Oil Port (LOOP) can handle incoming VLCCs. Most U.S. shipping channels are too shallow, although Port Corpus Christi, TX, is deepening its channel to accommodate large vessels

Shell is authorizing the multibillion-dollar Vito project in the deepwater GOM after cutting the Vito cost estimate by 70% from the initial project design and designed Vito to remain profitable at $35 oil. The project is expected to come online in 2021 at 100,000boe and is estimated to contain more than 300 million boe

The top 10 Permian Basin companies by acreage are Oxy (2.5 million net acres), Exxon Mobil (1.8 million), Chevron (1.7 million), Apache (1.6 million), ConocoPhillips (1 million), Devon (670,000), Pioneer (660,000), Concho Resources (642,000), EOG Resources (559,000), and Cimarex (380,450)

COMMODITY SPOT PRICING COMPARISON

CRUDE OIL WTI (CUSHING) PER BBL					HENRY HUB NATURAL GAS SPOT PRICE DOLLARS PER MILLION BTU			
MONTH	2015	2016	2017	2018	2015	2016	2017	2018
January	47.22	31.68	52.50	63.70	2.99	2.28	3.30	3.87
February	50.58	30.32	53.47	62.23	2.87	1.99	2.85	2.67
March	47.82	37.55	49.33	62.72	2.83	1.73	2.88	2.69
April	54.45	40.75	51.06		2.61	1.92	3.10	
May	59.26	46.71	48.48		2.85	1.92	3.15	
June	59.82	48.76	45.18		2.78	2.59	2.97	
July	50.90	44.65	46.63		2.84	2.82	2.98	
August	42.87	44.72	48.04		2.77	2.82	2.90	
September	45.48	45.18	49.82		2.66	2.99	2.98	
October	46.22	49.78	51.58		2.34	2.98	2.88	
November	42.44	45.66	56.64		2.09	2.55	3.01	
December	37.21	54.97	57.88		1.93	3.59	2.81	
YTD Average	48.69	43.14	50.88	62.88	2.63	2.52	2.98	3.08

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.

Linn Energy will break off into two new companies, Riviera Resources and Roan Resources. Linn came out of bankruptcy in 2017 and already spun off another subsidiary, Berry Petroleum, into a separate company. Riviera will oversee Linn's East Texas, LA, Midwest and Mid-continent assets and the Blue Mountain Midstream pipeline subsidiary. Linn's primary assets in OK will stay under Linn as the company converts into the Roan Resources name

ConocoPhillips acquired 35,000 net acres in Canada's Montney play, adjacent to its existing footprint. With the $120mm acquisition, COP now has 140,000 net acres in the Montney

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.

Concho Resources will acquire RSP Permian in a $9.5 billion deal, including $1.5 billion in debt. The deal values RSP Permian at $80,000 per acre. Concho will now have an overall position of 640,000 net acres and will operate 27 rigs as the largest shale driller in the Permian. The deal was done primarily to allow Concho to pick up 100,000 net acres contiguous to its holdings to allow drilling of more and longer wells from a single location, reducing expenses on oilfield services such as rigs, hydraulic fracturing crews, water, sand and chemicals

QEP Resources will sell its 115,000 acres in the Williston Basin in ND and its 110,000 acres in the Uinta basin in Colorado and Utah. It also plans to sell its 48,900 acres in the Haynesville/Cotton Valley in TX and LA to focus on Permian Basin assets. In 2017, QEP said it would sell two natural gas assets in southwest WY for $777.5mm and buy 13,800 net acres in the Permian in Martin County, TX for $732mm

The Bureau of Land Management (BLM) began the first administrative step toward allowing oil and gas drilling in Alaska's Arctic National Wildlife Refuge (ANWR) by starting the "scoping" process for an environmental review to examine the impact of leasing drilling rights to companies in ANWR's 1.6 million-acre coastal plain. The BLM will take public comments for 60 days and hold four meetings in Alaska to inform the public how it will conduct the environmental review. The law requires the BLM to hold at least two drilling rights lease sales in the next 10 years; the first sale could be as early as 2019.

Production in Canada rose 8% in 2017 to a record 4.2mmbopd, but shipping bottlenecks are becoming severe. Full pipelines and a rail car shortage have made it difficult for drillers to ship oil out of Canada, with an increasing amount of oil trucked hundreds of miles across the U.S. border into Montana, where the oil is transferred to pipelines and rail cars, where there is more capacity and rates are cheaper. A truck can only carry 200 barrels, compared with 60,000 barrels in one unit train, or 600,000 per day on the Keystone Pipeline - the equivalent of 3,000 trucks. The bottlenecks are frustrating because heavy crude is in great demand from U.S. Gulf of Mexico refineries, which are designed to process it, and have faced shortages of Venezuelan and Mexican heavy crude.

Private equity firms have raised more than $200 billion in funds for energy investments since 2014, including $50 billion set aside for shale drillers, according to research firm IHS Markit. They have stakes in more than 350 privately held U.S. oil producers, including 73 companies launched last year with $12.4 billion in investments

Texas Railroad Commission data shows the Permian Basin led in terms of oil output in January, producing 32.2 million barrels, with preliminary output for the whole state jumping to 80.6 million barrels of crude. The Eagle Ford Shale was No. 1 in terms of natural gas production, accounting for 46% of total output from the top producing counties, with the state's average gas production in January at 18.5bcfpd

RIG COUNTS

LOCATION	WEEK OF:						
	11.4.16	2.3.17	4.28.17	8.4.17	10.10.17	2.9.18	5.11.18
Gulf of Mexico	21	21	17	16	18	16	20
Canada	154	343	85	217	203	325	79
North America	723	1072	955	1171	1110	1300	1124
Oil	450	583	697	765	738	791	844
Gas	117	145	171	189	169	184	199
Directional	52	66	63	74	74	73	72
Horizontal	459	596	730	807	776	832	918
Vertical	58	67	77	73	57	70	55
Major State Variances							
Alaska	9	10	6	6	6	5	8
Arkansas	1	1	1	1	0	0	1
California	6	6	9	13	14	14	15
Colorado	18	26	29	37	37	33	30
Louisiana	48	52	58	67	58	61	62
New Mexico	32	46	55	60	69	88	89
North Dakota	37	36	44	53	47	49	56
Oklahoma	76	102	127	132	123	118	138
Pennsylvania	27	33	34	34	31	37	39
Texas	262	355	437	466	442	479	523
West Virgiana	10	8	12	14	12	19	17
Wyoming	17	20	20	26	22	30	26

Source: Baker Hughes at www.bakerhughes.com

INDUSTRY NEWS

ConocoPhillips Alaska announced a North American drilling landmark by setting the continent's land-based record with a 21,478-feet "horizontal lateral," an extension branching off a vertical well, in its CD5 field, the first commercially producing field within the National Petroleum Reserve-Alaska. The record beat a 19,500-foot horizontal lateral in Ohio announced in 2017 by Eclipse Resources

California Resources (CRC) has secured 100% ownership in the Elk Hills field in California by buying Chevron's interests. The field holds an estimated 8.5 billion BOE of original oil and has 32 identified major producing zones. The field is 20 miles SW of Bakersfield and spread over 75 square miles. Discovered in 1911, the field has produced more than 2 billion BOE. In 2017, the field produced from 3,000 wells

In an auction of Cobalt International's properties, Total added to its GOM position in a $300mm offer for Cobalt's holdings. Total becomes the operator of the North Platte discovery and will begin development and becomes a non-operator in the Chevron-operated Anchor discovery

Pioneer Natural Resources is selling 10,000 acres of its non-core Eagle Ford leases as part of a $102mm deal with Sundance Energy Inc., the American subsidiary of Sundance Energy Australia Ltd. Earlier, Sundance bought 21,900 acres from Pioneer in a separate $221mm deal. Pioneer is selling all of its Eagle Ford, South Texas, Raton and West Panhandle assets to become a "pure play" company in the Permian Basin. Pioneer plans to have as many as 20 rigs in operation there by the end of 2018

TPG Pace Energy Holdings Corp., to be renamed Magnolia Oil & Gas will acquire 360,000 net acres in the Eagle Ford and Austin Chalk from EnerVest Ltd. for $2.66 billion of stock and cash.

Norway-based Statoil ASA is changing its name to Equinor as part of a shift to become a broader energy company. The new name combines "equi" - evoking words like "equal," "equality" and "equilibrium" - with "nor," a nod to the company's Norwegian origin

Oil companies are building two major pipelines from the Permian Basin to reach Corpus Christi, but virtually all of the crude headed to Corpus will be consumed overseas, not domestically. U.S. refiners are outfitted to process heavy crudes from the Middle East, Canada and elsewhere and have become saturated with the kind of light, sweet crude that comes from U.S. shale plays. Through 2022, U.S. exports to Europe will likely climb to 1.6 mmbopd, where American oil producers will have lower transportation costs than in Asia. But after U.S. exports reach their peak in Europe, companies will start sending more crude to Asia, up to 1.3 mmbopd in 2023, with half that amount going to China

FERC authorized construction of Valley Crossing Pipeline's 2.6bcfd Border Crossing project to set up natural gas deliveries to Mexico. The cross-border pipeline would be 1,000 feet of 42-inch-diameter line in the GOM from a point near Cameron County, Texas, to the international boundary with the state of Tamaulipas in Mexico

Fieldwood Energy filed for Chapter 11 bankruptcy protection, and part of its restructuring plan includes a multimillion-dollar deal to acquire Noble Energy's GOM assets,interest in six producing fields and all undeveloped leases. Noble will receive $480mm in cash and Fieldwood will assume all P&A obligations, making the deal worth $710 million. Noble could receive up to $100mm in contingent payments through 2022

Shell's 350-foot tall, 3,000-ton Cougar platform in the GOM has become an artificial reef, after producing more than 31 mmboe over 20 years. Shell donated the steel frame supporting Cougar's deck and topside to the State of LA's Artificial Reef program and made a $619k contribution to the Louisiana Wildlife and Fisheries Department to help maintain and monitor the reef; Shell installed the Cougar fixed-leg platform in 1981

Marathon Oil acquired more than 250,000 net acres in several new plays, among them a largely contiguous position in the Louisiana Austin Chalk at a cost of less than $900 per acre. ConocoPhillips also announced its position in LA's portion of the Austin Chalk, acquiring 85,000 acres from Amelia Resources for $87mm. The Chalk stretches across Texas through the middle of LA. The formation had little leasing activity for 20 years until recently when EOG Resources said it had leased 130,000 acres and drilled a test well. A challenge facing the Austin Chalk is the formation is more difficult to drill in LA than in Texas, as drillers have to work harder to find suitable areas of the formation for drilling


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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

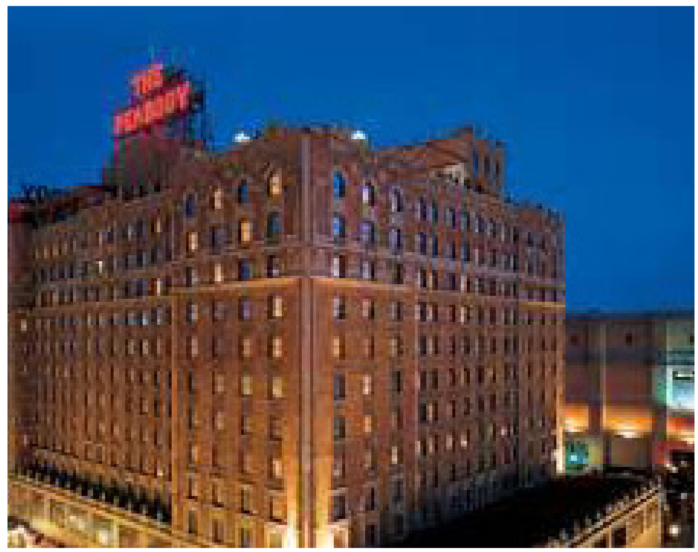
FRIDAY

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

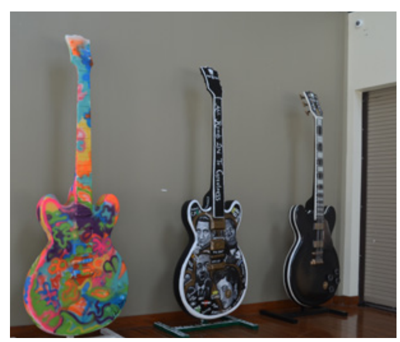


"The Mississippi Delta begins in the lobby of The Peabody Hotel and ends on Catfish Row in Vicksburg. The Peabody is the Paris Ritz, the Cairo Shephard's, the London Savoy of this section. If you stand near its fountain in the middle of the lobby, where ducks waddle and turtles dowse, ultimately you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



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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
September, 2018	NOW OPEN	July 16, 2018
November, 2018	August 1, 2018	September 17, 2018

CONGRATULATIONS TO JACQUE BATEMAN, APA®.

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 charges on unpaid balances are being accrued. If you have not reported your CPE and paid your annual assessment, please contact the office for assistance. Continuing Professional Education (CPE) hours are to be reported to Vanessa Galindo (APAAdministrator@copas.org) or directly to Vanessa.Galindo@copas.org.

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

REVIEW COURSE COMING

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

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

Stay tuned for this exciting development!

COPAS ENERGY EDUCATION WEBINARS 2018

This year COPAS Energy Education introduced several webinar series to the educational programs we offer. The webinars have been popular and we will continue to introduce new programs to the roster as the year progresses. Monthly webinars are underway for the Principles of Revenue Accounting, Principles of Joint Interest Accounting, Gas Balancing, and Introduction to Oil and Gas Exploration, Production, and Upstream Operations courses. We are striving to make education as accessible as possible for you and we are excited to announce that the Joint Interest Audit webinar series will be starting this summer. You can register for any individual webinars, but there are also full series subscriptions available for significant discounts. Please visit the Events section of the COPAS.org website for more details and regisitration links.

ACHIEVE YOUR EDUCATIONAL GOALS FROM THE COMFORT OF YOUR OWN DESK! OUR CONVENIENT, EASY TO USE, AFFORDABLE WEBINAR SERIES SESSIONS ARE IDEAL FOR YOU. CPE AVAILABLE FOR ALL COURSES.

Council of Petroleum Accountants Societies (COPAS), Inc. is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be submitted to the National Registry of CPE Sponsors through its website: www.nasbaregistry.org.

PRINCIPLES OF REVENUE ACCOUNTING SERIES

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

PRINCIPLES OF JOINT INTEREST ACCOUNTING SERIES

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

GAS BALANCING SERIES

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

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

• Drilling the Well (1credit)	Mon June 11	12 PM (CT)
• Casing Cementing and Logging (1 credit)	Mon July 30	12 PM (CT)
• Completing the Well & Special Drilling Situations (1.5 credits)	Mon September 10	12 PM (CT)
• Horizontal Drilling, Fracturing and Completing & Producing the Well (1.5)	Tue October 9	2 PM (CT)

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

COMING SOON! JOINT INTEREST AUDIT

Audit Rights , Audit Preparation - The Auditor, Audit Preparation - The Host, COPAS Pubication References on the Audit Trail, Auditing Tips and Tools, The Practical Side of Reconciliations, and Industry Trends . Check for registration details coming in June.

COPAS

SEPT 16 - 20, 2019

PASO - TULSA 1929-2019

90 YEARS OF LIVING ON PASO-TULSA TIME

WHAT YEAR WAS IT?

The 1st color TV demo was performed by Bell Laboratories in NYC.

The 1st Academy Awards took place at the Roosevelt Hotel in LA.

Babe Ruth becomes the 1st pro baseball player to hit 500 homers.

Amelia Earhart becomes spokeswoman for predecessor of TWA following her transatlantic flight the previous year.

The St. Valentine's Day Massacre occurred in Chicago, where 7 gangsters were killed, allegedly on Al Capone's orders.

The "Great Depression" was triggered when the Wall Street Stock Market crashed on "Black Tuesday".

John D. Rockefeller commissioned the building of Rockefeller Center in NYC the day before the Stock Market Crash.

Frank Phillips started the Museum at his Woolaroc lodge in the Osage Hills of OK for his collections.

The USA's 1st ever well log is performed in Kern County, CA.

Petroleum Accountants Society of Oklahoma – Tulsa formed.

LEGISLATIVE & REGULATIVE UPDATE

MIKE FOSTER

MikeFoster@copas.org

NATE WOLF

NateWolf@copas.org

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 and adjourned sine die on May 12. Several oil and gas tax bills were considered during the session, but none passed. **HB288** would have increased the gross minimum severance tax rate to 7% from the current 4% based on the average price per barrel for Alaska North Slope crude oil for the month. **HB399** would have eliminated the flow through of federal corporate income tax credits to the Alaska state corporate income tax unless those credits were generated by activity in Alaska. **HB411** would have restructured the severance tax to eliminate the per barrel credits and change the base tax rate from a single 35% rate on Production Tax Value (PTV = revenue less lease expenditures) to a 10% base rate with six additional tax brackets above $10 per barrel PTV, for a net tax of 34% at $100 ANS West Coast.

One change to the overall severance tax system that did pass was **HB331** where the state approved a bonding program to allow a voluntary option for holders of outstanding severance tax credit certificates (which were discontinued last year) to immediately cash in those certificates at a discount rather than awaiting the statutory payment schedule.

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 site facility diagrams; and (7) guidelines for off-lease measurement. Early in 2017, the BLM sent notice they are not able to accept electronic applications for FMP numbers, and they extended the due dates of the applications by 4 months. 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 Bureau of Land Management (BLM) published in the Federal Register a final rule entitled, "Waste Prevention, Production Subject to Royalties, and Resource Conservation" ("2016 final rule"). The 2016 final rule replaced the BLM's existing policy, NTL-

LEGISLATIVE & REGULATIVE UPDATE

4A, which governed venting and flaring from BLM-administered leases for more than 35 years. On December 7, 2017, the BLM announced it would suspend or delay certain requirements of this rule until January 17, 2019. On February 22, Judge William Orrick of the U.S. Northern District of California Court issued a preliminary injunction against the BLM's suspension, which in effect means that the 2016 rule is still in effect. On April 4, U.S. District Judge Scott W. Skavdahl in the US District Court for the District of Wyoming stayed the compliance deadlines of the Venting and Flaring rule while and until the new proposed rule (see information below) becomes finalized.

On February 22, the BLM revised the 2016 final rule finding that the rule imposed excessive costs on industry and saying that a regulatory framework similar to NTL-4A can be applied in a manner that limits waste without unnecessarily burdening production. The 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 (Leak Detection and Repair) requirements

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.

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

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

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

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

Unavoidably lost is redefined in new section 3179.4 as "oil or gas that is lost due to line failures, equipment malfunctions, blowouts, fires, or other similar circumstances…unless that loss resulted from operator negligence, the failure to take all reasonable measures to prevent or control the loss, or the failure of the operator to comply with applicable lease terms and regulations, appropriate provisions of the approved operating plan, or prior written orders of the BLM." Lists the following

LEGISLATIVE & REGULATIVE UPDATE

operations or sources from which lost oil or gas would be considered "unavoidably lost": Well drilling; well completion and related operations; initial production tests; subsequent well tests; exploratory coalbed methane well dewatering; and emergencies. Removes normal operating losses from pneumatic controllers and pumps from the list of unavoidably losses since the use of gas in these devices is already royalty free.

The ONRR published a Dear Reporter Letter, dated April 09, 2018, providing new OGOR-B disposition codes for reporting Vent and Flare volumes on which royalties are due. These are to be effective with July 2018 sales date and to be reported to the ONRR with the September 2018 OGOR report submissions. Disposition code 08 (Spilled and/or Lost -Avoidable-Royalty Due) may continue to be used thru June 2018 production. The new Codes are Disposition code 33 (Flared Gas – Royalty Due) and Disposition code 63 (Vented Gas – Royalty due). Non-Royalty Bearing Flared and Vented gas volumes will continue to be reported on OGOR-B using disposition codes 21 (Flared Oil-well gas – Royalty Not Due), 22 (Flared Gas-well gas – Royalty Not Due), 61 (Vented Oil-well Gas – Royalty Not due), 62 (Vented Gas-well Gas – Royalty Not Due).

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

Communitization Agreement Approval Process: The General Accounting Office (GAO) released a report stating it was taking too long to approve Indian CA's. The report acknowledged the streamlined process that was developed in 2016 and says there are no controls on how long it should take to approve a CA and recommends the DOI 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 Zinke's announced his vision for reorganizing the Interior Department by dividing management of millions of federal acres into 13 multistate regions along boundaries of watersheds and basins. One map, which sources said was developed by the U.S. Geological Survey, outlines the boundaries of 13 regions stretching across the continental United States and Alaska, as well as the Pacific islands, Puerto Rico and the U.S. Virgin Islands. The regions, in many cases, split states like Colorado, Nevada and Wyoming into multiple sections. After receiving input from Governors, local governments and stakeholders on February 23, the DOI revised the draft unified regional boundary map. The new draft unified regional boundary map follows state lines, with few exceptions, but also follows the intent of these boundaries being organized along watersheds and ecosystems. See Exhibit A.

EXHIBIT A

LEGISLATIVE & REGULATIVE UPDATE

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

COLORADO

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

The Colorado Secretary of State's Title Board approved Initiative #94 for the November ballot at their hearing on January 3. 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 among other things. 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 the effective date will be January 1, 2019.

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

HB18-1071 "Regulate Oil Gas Operations to Protect Public Safety". 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. The bill bounced between various committees and was indefinitely postponed by the Senate Committee on Agriculture, Natural Resources & Energy on March 7.

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 and 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. The bill was postponed indefinitely on April 18.

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". The bill was postponed indefinitely on April 19.

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

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

HB18-1289 – Exempt Local Government School Districts from Forced Pooling - The bill exempts local governments and school districts that own mineral rights from being forced pooled but maintains their ability to engage in voluntary pooling. The bill was aassigned to Transportation & Energy Committee on March 8. The bill was postponed indefinitely on May 2.

ENERGY INFORMATION ADMINISTRATION (EIA)

The EIA has expanded their 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.

The EIA published a *Federal Register* notice on April 4, requesting comments on a new survey Form EIA-806, Weekly Natural Gas Liquids

LEGISLATIVE & REGULATIVE UPDATE

Report, to collect data on the production and stocks of natural gas liquids (NGLs) on a weekly basis. The proposed survey will impact reporting that is completed by gas plant operators. Written comments are being due by June 4, 2018. The report will augment current monthly Form EIA-816 "Monthly Natural Gas Liquids." We anticipate this report being problematic for industry as most companies track and account for their inventories monthly not weekly.

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (USEITI)

On November 2, 2017, Mr. Gregory Gould, Director of the DOI ONRR sent a letter to Mr. Fredrik Reinfeld, Chair of the EITI Board. 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 and adjourned March 29. **HB205** is a committee substitute bill carried over from 2017. It includes groundwater monitoring and notification requirements and imposes a state severance tax on oil and gas production ($0.03/bbl and $0.01/MCF) and allows local governments to also tax production (not to exceed an additional $.09/bbl and $.02/MCF). Both taxes would be collected by the Department of Revenue. **HB205** has passed both chambers and is awaiting the Governor's signature.

KANSAS

Kansas opened their legislative session on January 8 and adjourned in late May. Their first adjournment was April 6 where lawmakers took a break until veto sessions which ran through April 26.

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

LOUISIANA

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

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

HB331 provides that the oilfield site restoration fee charged on the production of oil is payable upon the initial disposition of each barrel of oil and condensate by the producer. This bill will be retroactive to July 1, 2017, as well as prospectively. It is currently in the Natural Resources and Environment Committee.

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

MISSISSIPPI

Mississippi convened their General Assembly on January 2 and adjourned April 1. **HB1350** deletes the repealing language of July 1, 2018 that establishes a reduced rate on the initial oil and natural gas produced from horizontally drilled wells and horizontally drilled recompletion wells. Throughout the legislative session, this bill was amended to extend, rather than repeal, the severance tax exemption until July 1, 2023. This Bill was approved by the Governor.

NEW MEXICO

New Mexico's legislative session opened January 16 and ran through February 15.

On March 7, representatives of the oil and gas industry met with members of the New Mexico Tax and Revenue Department (TRD), including several

TAP system contractors in Santa Fe to discuss several implementation concerns based on accuracy and completeness surrounding the TRD's new TAP system. The meeting was productive as TRD, including its contractors, gained a better understanding of industry's concerns and committed to working with industry throughout this transition.

TRD provided explanations to some of industry's concerns, but also admitted that the communications regarding many characteristics of TAP were unclear, confusing or insufficient. As a result of the meeting, TRD and its contractor agreed to provide detailed explanations for several different scenarios developed by industry. Accordingly, during the following week industry provided TRD several fact patterns-based lingering concerns with the transition. TRD (including their contractors) were then to review the fact patterns and to provide detailed explanations for dealing with these different scenarios. TRD is also to produce a 'Quick Tip' fact sheet to be distributed to industry showing both the scenarios and their explanations.

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

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

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

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 the House Memorial 51, above).

LEGISLATIVE & REGULATIVE UPDATE

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. Bill was signed by Governor on February 28.

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.

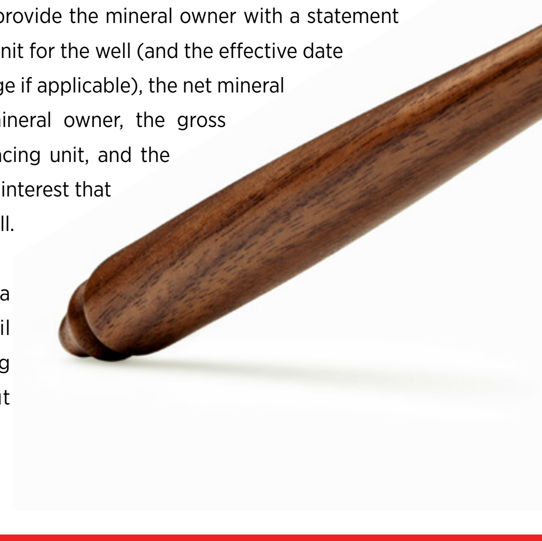
The North Dakota Industrial Commission’s (NDIC) published on December 4, 2017 new owner payment rules that remain problematic for industry. The rule changes (except those involving royalty statements) will go into effect April 1. The rule change pertaining to royalty reporting will go into effect July 1, 2019. The royalty reporting changes can be summarized into two major categories:

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

The North Dakota Petroleum Council is coordinating information and input



LEGISLATIVE & REGULATIVE UPDATE

from industry members and working with the NDIC to fully document and understand requirements for the new check stub detail and Ownership Interest Information Statement.

OFFICE OF NATURAL RESOURCE REVENUE

<u>RESCINDED 2017 Federal Valuation Rule:</u>

On July1, 2016, the ONRR published the Consolidated Federal Oil and Gas and Federal and Indian Coal Valuation Final Rule (2017 Valuation Rule) in the Federal Register to be effective January 1, 2017. On August 7, 2017, the ONRR repealed this final rule and reinstated the valuation regulations that were in effect before January 1, 2017. This repeal was effective September 6, 2017. The States of California and New Mexico filed suit in the California Northern District Court on October 17, 2017 challenging the ONRR's repeal of the July 1, 2016 Rule, see State of California, et al., vs. United States Department of the Interior, et al. On April 06, 2018, the National Mining Association, Wyoming Mining Association and American Petroleum Institute filed a request to Intervene in the October 17, 2017 suit.

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

<u>ROYALTY POLICY COMMITTEE (RPC):</u>

- Initially Launched October 4, 2017 at the Department of Interior Offices in Washington D.C.
- Committee Chair is Vincent DeVito of the Department of Interior
- Comprised of 27 primary members (seven ex-officio (representing BLM, BOEM, ONRR, BSEE, BIA, ALM, an Asia) six State representatives, four tribal representatives, six industry representatives and four from academia/public interest organizations.
- The RPC has been divided into three Primary Sub Committees and those into topical work groups:

1. **Tribal**

2. **Fair Return & Value (focusing on valuation), Chaired by Matthew Adams, Cloud Peak**
   - Marketable condition
   - Audit processes
   - Payor handbook update
   - Index pricing
   - Coal benchmark

3. **Planning, Analysis & Competitiveness (aka "Economics Team") (to look at steps that could be taken to make the Department of Interior a better business partner to its investors) – Co-chaired by Colin McKee (State of Wyoming) and Randall Luthi - National Ocean Industries Association (NOIA)**
   - Alaska
   - Onshore Oil & Gas
   - Offshore Oil & Gas
   - Studies Analysis

RPC second formal meeting – February 27-28, Houston Texas – All subcommittees and work teams reported their progress and initial recommendations to director DeVito. After two days of discussions, all recommendations (detailed below) were approved by unanimous consent:

LEGISLATIVE & REGULATIVE UPDATE

1. **Tribal Affairs:**
    - Name of Team Formally Changed to "Tribal Energy Subcommittee".
    - Tribal Energy team has been focused on strengthening Tribal sovereignty and independence to promote continued development of oil and gas assets on Tribal lands. Other than name change, no other formal recommendations were presented, but the following was provided as a status on areas of sub-team focus:
    - TERA (Tribal Energy Resource Agreements) – to address changes the DOI needs to provide for additional guidance on activities within Tribal and Federal control.
    - Work with Congress to build an entirely new working statute to dictate interactions between the Federal and Tribal governments.
    - 1938 Working Group - considering congressional changes to the 1938 Act so that tribes can take control over mineral leasing.
    - Taxation Working Group – exploring eliminating the rights of States and Federal governments from collecting taxes on Indian lands. This could conceivably preclude States from collecting severance, conservation and property taxes on Tribal oil and gas production.

2. **Fair Return and Value:**
    - Index Pricing Work Group: Pursue rulemaking to define a simplified index price rules for Federal Gas
    - Payor Handbook Work Group: Department of Interior (DOI) should create separate Federal and Indian Payor Handbooks
    - Payor Handbook Work Group: DOI should invest in a process by which 'evergreen' Handbooks can be created and updated as regulations change.
    - Marketable Condition Work Group: DOI should reexamine federal regulations to remove the ambiguity related to Boosting Compression. This recommendation will apply to Federal Gas only and will have no impact upon Indian Gas valuation.
    - Coal Work Group: DOI should reinforce its consistent principle that arm's length transactions are the best indication of market value for benchmark one.
    - Coal Work Group: DOI issue a Secretarial Order indicating that a lessee's own arms-length sales are preferential under valuation benchmark four.
    - Coal Work Group: DOI should update the Solids Minerals Reporting Handbook in accordance with two recommended Coal changes above.
    - Audit Work Group: With ONRR's efforts to develop and implement their OMT tools and processes, the workgroup will have no recommendations for RPC at this time.

3. **Planning, Analysis, & Competitiveness:**
    - Onshore Work Group: Reduce timelines for project approvals, including Applications for Permit to Drill (APD), Right-of-Way (ROW), sundries, lease nominations and unit agreement.
    - Onshore Work Group: Limit the federal nexus for wells without a majority federal interest, i.e., reducing the situations in which the full gamut of federal approvals is required.
    - Onshore Work Group: Improve land use planning and NEPA (National Environmental Protection Act) approvals.
    - Onshore Work Group: Revise and simplify Onshore Orders 3,4, and 5 to insure more equitable and timely implementation.
    - Alaska Work Group: Conduct a lease sale in the 1002 Area of the Arctic National Wildlife refuge as soon as practicable and ahead of the statutorily required timeline.
    - Coal Work Group: Agrees with Onshore NEPA recommendations, no formal recommendations currently.
    - Offshore Work Group: Set future lease sale thru 2024 at a royalty rate of no more than 12.5%.
    - Offshore Work Group: Revise, clarify and simplify process for granting varying royalty rate for declining or particularly costly fields.
    - Offshore Work Group: Increase offshore acreage available for oil and natural gas leasing.
    - Studies Work Group: The DOI should contract for a study to compare the U.S. GOM, Guyana and Mexico of royalty rates, total revenue, block size and recent lease sales over the last 3 years.
    - Studies Work Group: The DOI should contract to update the HIS-CERA 2011 study, for both onshore and offshore data.

On January 22 in the Federal Register, the ONRR published a Repeal of Regulatory Amendment and Restoration of Former Regulatory Language Governing Service of Official Correspondence. ONRR's "official correspondence" includes significant documents sent to industry, such as invoices, notices of audit, orders, and notices of enforcement. Historically, Department of the Interior (Department) regulations authorized ONRR to serve official correspondence by conventional means—U.S. mail, personal delivery, or private mailing service, such as FedEx or U.P.S. On August 23, 2013, ONRR published in the Federal Register a direct final rule amending its regulations to include electronic service, so long as the electronic service was secure and provided for a receipt. The January 2018 rule, which is effective immediately, repeals the defective 2013 direct final rule and restore the former regulatory language governing service of official correspondence.

OKLAHOMA

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

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

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

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

HB1033XX was a House bill for the 2017 Second Extraordinary Session introduced February 6. This Bill provided for a cigarette, little cigar, smokeless tobacco, gasoline and diesel fuel, gross production tax incentives, and wind tax levy and incentives. This Bill established that production of oil, gas, or oil and gas from wells spudded between July 1, 2015 and the effective date of this act to 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 was to be taxed at 4%. Production from wells spudded on and after the effective date of this act would have been 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 would be subject to a reduced gross production tax rate of 4% for 36 months. Production Enhancement definition changed and removed "workovers" and "field compression". It would have included 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. The Senate proposed a floor substitute which would have raised the gross production tax (GPT) on old and new wells to 4% for the first 36 months of production and included a 1% sales tax increase, a 1% use tax increase and a 1% tax increase on utilities. This floor substitute was never heard, however. Another floor substitute was heard by the Senate. This second floor substitute would have raised the GPT on old and new wells to 4% for the first 36 months and included a $1.00 cigarette tax increase and a $0.06 tax increase on gasoline and diesel. The bill failed to reach the 75% threshold required of revenue-raising measures.

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. HB2775 set the interest rate for proceeds from an oi land gas lease not paid due to unmarketable title at the prime interest rate reported in the Wall Street Journal, beginning November 1, 2018. HB2775 has passed and was approved by the Governor on April 9.

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.

LEGISLATIVE & REGULATIVE UPDATE

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 $0.04.2/MCF when gas is at $3.00 or less to $0.074 as gas rises above $6.00/MCF. Recently Pennsylvania Senator John Yudichak circulated a memo on April 9 seeking support for legislation reflecting Governor Wolf's proposed volumetric severance tax. The Bill will include reforms supported by the Governor such as multi-year and multi-well permitting and wellbore deviation. Representatives Jake Wheatley and Bernie O'Neill circulated a memo seeking cosponsors for a House version; their memo is silent on any reform measures. As a result, **HB2253** proposes a progressive tax structure based on the price of gas from the preceding calendar year. The graduated tax rate is $0.042 per MCF when the price of natural gas is between $1.00 and $3.00; $0.053 when the price of natural gas is between $3.01 and $4.99; $0.064 when the price of natural gas is between $5.00 and $5.99; and $0.074 when the price of natural gas is greater than $6.00. This bill was referred to the Environmental Resources and Energy committee on May 3, 2018.

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 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, PA's Attorney General Josh Shapiro says he will not be forced into settling a royalty case against a PA producer. In December 2017, 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 AG 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. Shapiro, in a letter to the Judge 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. This bill has passed.

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

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

WEST VIRGINIA

West Virginia convened their legislative session on January 10 and adjourned March 10.

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

LEGISLATIVE & REGULATIVE UPDATE

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

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

It was another successful meeting in Fort Smith, Arkansas. The personal touch and extra effort put in by the Arkansas society did not go unnoticed!

The Emerging Issues subcommittee conducted a very lively discussion on relevant topics on April 25. Striving to achieve the goal of minimizing industry-wide audit disputes and proactively identifying areas where COPAS provide recommended actions, Kevin Launchbaugh, the subcommittee chair, presented five case studies with assistance from Craig Buck, the new subcommittee vice chair. Cases included non-consent operations and payout accounting, rig mobilization cost allocations, temporary abandonments, drilling overhead on swabbing operations for completion, and operator-owned equipment. Ideas were exchanged among the group and there was much discussion surrounding each case study.

Bill Hanna, CEO and Chairman of the Board, Hanna Oil & Gas, speaks about "The Social License to Operate."

The Audit and Joint Interest Committees met on April 26. Karla Bower provided an update on the progress of the anticipated 20XX Model Form Accounting Procedure and associated Model Form Interpretation. Karla indicated that the team is still leaning towards including language for both onshore and offshore operations. She mentioned the team's main focuses is to improve the document's clarity, and to simplify it. An example of this goal is to possibly include the major construction overhead exclusions in one place, rather than spread throughout the document. Other provisions or issues the team is attempting to clarify are clarification of workover operations and spud date, environmental claims which do not fit "into a bucket" easily, various transfer pricing methods, overhead on shut-in wells due to overproduction, and inventory clarifications.

Larea Arnett led a discussion of the Technology Team's work on the future MFI for Real Time Operations Centers (RTOC), integrating the current AG-28 document. Larea presented the feedback the team has received from societies and individuals, dealing with chargeability of labor within an RTOC. Larea then provided the team's approach on chargeability as it relates to the 1984 model form accounting procedure. Janice Edmiston provided a comparative analysis of chargeable items under the 1995, 1998 PTAP and 2005 accounting procedures. There was spirited discussion among the group concerning monitoring activities versus control which is a challenge the team is currently working through. Deb Retzloff presented the other challenges the team is facing. These challenges included the following issues: does the Section II (Labor) provision take precedence over the facility aspect of RTOC costs, and how does this relate to offices being covered by overhead per MFI-44. These matters continue to be important issues in our industry, and the Committee and Technology Team both look forward to a great working session during the Summer Meeting on July 19.

Ryan Woolery reported on the tariff and market fluctuations that the CEPS panel is closely watching. The CEPS panel will update CEPS users as prices change. Further, per user requests, the panel is looking into adding additional materials to those already priced by CEPS.

The Petroleum Motor Transport Association (PMTA) stopped producing rates after 2013. Since then, the COPAS vehicles committee has published rates for operators to use in place of PMTA rates. Mike Cougevan recapped the historical journey of PMTA and educated the group as to why COPAS stepped in to publish rates and how those rates are determined.

The group was delighted to have three speakers during the meeting. The first was Mr. Bill Hanna, CEO and Chairman of the Board of Hanna Oil and Gas. Mr. Hanna presented "The Social License to Operate," which presented an interesting perspective of the responsibilities an

COMMITTEE NEWS

Operator has to its employees, stakeholders, vendors, landowners, and community. Mr. Hanna explained how much of an impact an operator can have and why they have to earn their "social license" within their community. Mr. Ron Robbins, the operations and exploration manager for Hanna Oil and Gas then gave an interesting history of operations in the Anadarko Basin, including the current trends for operators, and the long-term outlook on production.

Kevin Gregory, Partner - Robotic and Cognitive Automation at Deloitte, gave a fascinating presentation on the growth of system robotics and accounting automation used within the oil and gas industry. Mr. Gregory gave a real-world example of a 24-hour human exercise cut down to just 1.4 hours by using robotics and automation. Robotics and automation are becoming more prevalent due to advances in technology and continuous efforts to reduce costs. Several areas where some companies are already utilizing the new technologies include production and revenue accounting, joint venture accounting, and joint venture auditing.

All in all, it was another successful meeting. Our continued and earnest thanks to everyone who helped to make this meeting a success. Further, it sets us up well to meet again soon. Remember the Summer meeting will be held in Denver, Colorado. Mark your calendars now; we look forward to another great working session!

FINANCIAL REPORTING STANDING COMMITTEE

KEN NOLLSCH,
COMMITTEE CO-CHAIR

LARISA FIALKOVA,
COMMITTEE CO-CHAIR

The Financial Reporting committee is excited to announce that Ken Nollsch and Larisa Fialkova will be serving as the committee chairs for the Financial Reporting Committee. Ken is a Manager in the Complex Financial Reporting practice of Opportune in Denver. He has over 13 years of experience in technical accounting, SEC reporting and IPO readiness. Larisa is an Accounting Manager for High Point Resources. Her comprehensive background combines industry and public accounting experience with emphasis on financial reporting, auditing and quantitative analysis for private and public entities in the oil and gas industry.

Recently, a survey was sent to all COPAS members about their interest in the Financial Reporting Committee. Survey results indicate there is strong interest in the committee and a desire to attend meetings/ trainings via webcast as well as outlining several topics which COPAS members desire the committee to address in future trainings. It

COMMITTEE NEWS

was also noted that attendance at the spring meeting is difficult for those involved with financial reporting. Based on the results of the survey, we are proposing to hold three meetings a year which would include two meetings via webcast and one in-person at the COPAS fall meeting (this year in Corpus Christi from September 17 to 21). Three topics receiving the most interest will be covered in the upcoming meetings: 1) implementing the new revenue recognition standard, 2) implementing the new lease accounting standard and 3) update on standards and trends affecting petroleum accounting. Exact dates, topics and presenters will be determined shortly.

We look forward to serving as co-chairs of the COPAS Financial Reporting Committee. Please contact us with any questions.

REVENUE STANDING COMMITTEE

REBECCA PARIS,
COMMITTEE CHAIR

The Revenue Committee always has a lengthy agenda, meeting for one and a half days on April 25 & 26 in Fort Smith.

Mike Foster gave an enlightening chemistry presentation geared towards accountant, complete with Styrofoam balls and pipe cleaners.

Trey Thee provided a presentation focusing on the industry economic status.

Peter Christnacht, representing the US Department of the Interior, Office of Resource Revenue, provided updates on requested topics.

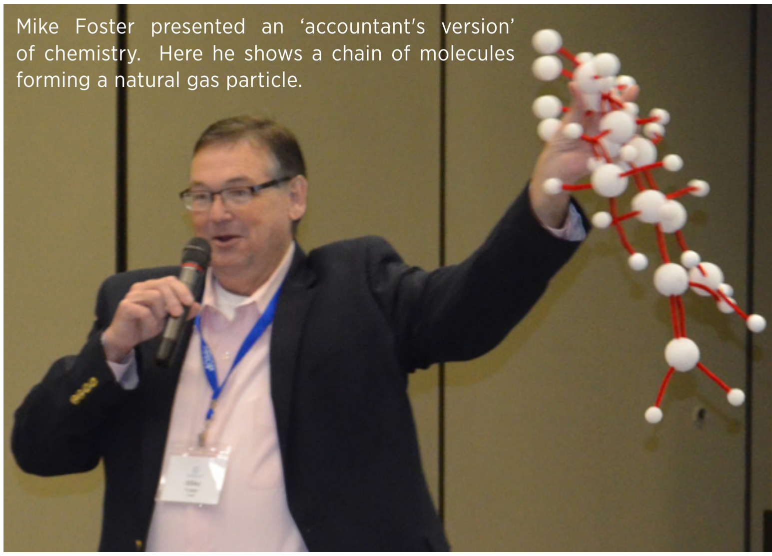
Wade Hopper, Mike Foster, and Nate Wolf tag teamed the Legislative and Regulatory Update.

We had a great discussion on Emerging Issues and an update on the Secretary of the Interior's Royalty Policy Committee from Stella Alvarado.

Nate Wolf shared his expertise in both Texas marketing deducts and New Mexico royalties owed on slop oil.

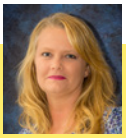
Congratulations to Pam Akpotaire on the election of Revenue Committee vice chair. Other newly elected subcommittee chairs are:

Federal Regulatory Subcommittee – Jeremy Norton
State Regulatory Subcommittee – Nate Wolf
Emerging Issues and Non-Regulatory Subcommittee – Amanda Allen



Mike Foster presented an 'accountant's version' of chemistry. Here he shows a chain of molecules forming a natural gas particle.

COMMITTEE NEWS



SMALL OIL & GAS COMMITTEE

NANCY BROWN, COMMITTEE CHAIR

The Small Oil & Gas Companies Committee met April 26 in Fort Smith, Arkansas.

We had two speakers and offered two hours of CPE. The first speaker was Jana Gardeva with BKD who presented State Sales Tax Changes. The second presenter was Tom Seng, who is a professor at the University of Tulsa. Tom gave an overview of the US Oil & Gas Energy Markets.

Our next meeting will be at the Fall Conference in Corpus Christi. We will post the agenda and times on the COPAS website prior to the meeting. I will also circulate an email with the meeting details. If you would like to be added to the distribution list, please send me an email at nbrown@stephenspro.com. I hope to see everyone in Corpus Christi.

Tom Seng, University of Tulsa, provided an overview of the US Oil & Gas Energy Markets.

CEPS CONTROL PANEL

RYAN WOOLERY, COMMITTEE CHAIR

The first quarter 2018 saw increases in OCTG stockpiles for the first time in a couple years. Since the January pricing implementation, there has been a slow but continual increase in the OCTG and Line Pipe market prices with a major jump in March due to market panic over the tariffs, resulting in adjustments to the CEPS prices. Effective April 5, 2018, OCTG prices increased 10.9%, and ERW and DSAW line pipe increased 15.2%, and seamless line pipe increased 11.8%.

The Panel will continue to monitor the market as the South Korean "KORUS" Free Trade Agreement comes into play and summer drilling increases. As the market fluctuates the Panel will make the necessary adjustments to stay in line.

The CEPS Panel is in the process of analyzing new equipment to potentially be added to the CEPS system. Letters were sent to all CEPS users requesting recommendations for equipment additions and any selected new equipment will be added to the annual survey.

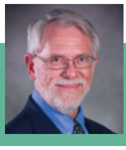
The Panel is still seeking an additional member of the Panel who works in the procurement/supply chain of large production equipment (i.e. tanks, separators, treaters, pumping units). If anyone knows of an individual who works in this area and would be interested in joining the CEPS Panel please have them contact or the COPAS office.

If your company is not utilizing CEPS for handling material transfers, but are interested in doing so, please contact Tom Wierman at the COPAS Office for more details and a possible trial usage.

The Panel will continue to monitor OCTG and line pipe prices and make adjusts as prices fluctuate.

SOCIETY NEWS

COPAS OF **ABILENE**



KEN POYNOR,
PRESIDENT

COPAS of Abilene met Tuesday, April 10 at the Abilene Country Club. Fifteen members were present, including two new members.

The society voted to change the meeting schedule so that society input can be obtained on Council voting items. Our next meeting will be June 12, and quarterly after that.

Heather Adkisson, Wolfepak Software, discussed unclaimed property and the escheat process for each state. It was interesting to hear about the different requirements per state, and how it can vary state to state. Her slide presentation helped to make sense of this very involved issue.

PETROLEUM ACCOUNTANTS SOCIETY OF **ARKANSAS**

RICK JONES,
PRESIDENT

The PAS-ARK society was pleased to host the Spring 2018 conference in the beautiful city of Fort Smith, Arkansas. The event was held April 23 – 27 and was attended by more than 160 members and guests from around the country; including 31 "First Timers!" Committee meetings were informative and well attended with topics ranging from chemical plant dehydrogenation, to accounting process automation throughout the industry. Daily activities showcased the history and resurgence of the downtown Fort Smith area. A few included the National Historic Site tour, Belle Grove Historic tour and the Hardscrabble County Club Golf Tournament into their busy week.

PAS-ARK would like to thank the numerous sponsors and vendors that made the conference such a success. It would not have been possible without your support and generosity.

The society met May 16 at the Fort Smith River Park Events Building. The guest speaker was Murray Williams, Tax Director at Southwestern Energy Company. The presentation covered a "Tax Overview" for the oil and gas industry. One hour of CPE was offered.

SOCIETY NEWS

COPAS OF COLORADO

MEGHAN HENDERSHOT, PRESIDENT

COPAS-Colorado concluded another successful year hosting our annual Education Day on May 21. The theme was The Economics of a Comeback. The day was full of great content and our members received 8 hours of CPE fully covered in their annual membership dues. Our speakers were

Mike Cougevan – Martindale Consultants
Joint Interest

Patty Errico, SM Energy
Look Beyond

Ryan Witz, Deloitte
Tax Reform

Matt Lausten, Betzer, Call, Lausten & Schwartz
Accounting/Financial Reporting

Helen Sharkey
Keynote – Ethics and Accountability

Jordan Whitten, Moss Adams
Revenue Recognition

Angie Binder, Colorado Petroleum Association
Regulatory

Our annual meeting was held April with the election of two new board members: Brian Gates of Encana and Don Clark of SM Energy. Danielle Dobratz and Patrick Lytle are completing their board terms. Andrea Kewley of EKS&H was re-elected to the board and will serve as President for the next fiscal year.

We hope everyone has a safe and fun summer and we look forward to meeting up again in September.

Kelly Blaha, Reporter

COPAS OF CORPUS CHRISTI

WES LEWIS, PRESIDENT

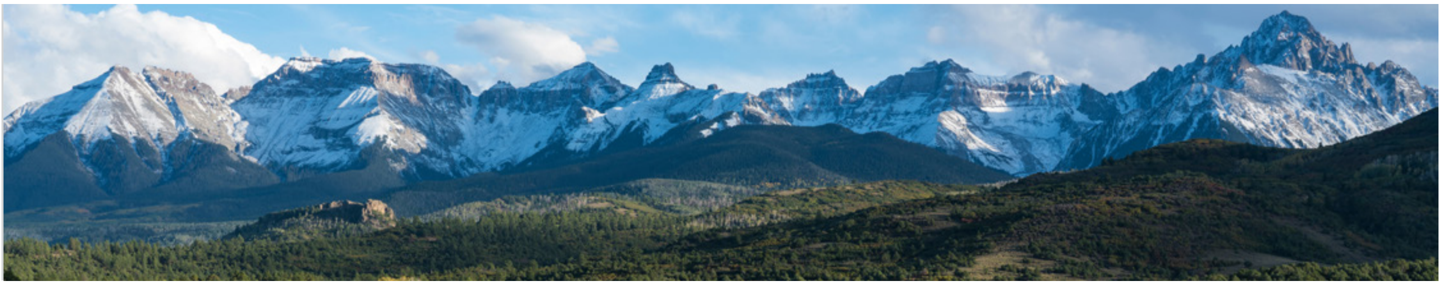
COPAS of Corpus Christi concluded a successful 2017-2018 meeting schedule with a fun Social in May. Our last two speakers were very interesting, with presentations on Texas Railroad Commission activities and Business Ethics.

We are excited to report that our membership has increased in size over the past two years. We elected new officers for this upcoming year, as follows: Anita Reed, President; Charlie Stovall, Vice President; Erica Nix, Secretary; Gabriela Manciu, Treasurer; Brenda Hottell, Assistant Secretary; and Donna Lawson, Assistant Treasurer. We appreciate Wesley Lewis' service as our president for the past two years.

The National Meeting Hosting Committee is meeting over the summer as we get very close to hosting the fall meeting in Corpus Christi, the week of September 17.

Charlie Stovall, Reporter

From left: Jane Russell, Craig Schkade, Brenda Hottell, Charlie Stovall, and Cindy Barton.



SOCIETY NEWS

PETROLEUM ACCOUNTANTS SOCIETY OF FORT WORTH

APRIL WELLS, PRESIDENT

Another great year is in the books for the Fort Worth COPAS Society. Over 100 members represented various companies throughout the Fort Worth Metroplex this season. Our society offered monthly committee meeting sessions which featured discussions such as Vendor Fraud, The Current Pulse of Oil & Gas Deals, How Petrochemicals are used in Everyday Life, and Insights from a Career Coach. Members enjoyed the variety of topics we offered that are both relevant to our industry in oil and gas, as well as to the accounting industry. Technical sessions were offered before and after each of our general session lunch meetings. These sessions provided our members additional opportunities for CPE credit and exposure to various topics in the oil and gas business. Some of the areas covered this season included Revenue Recognition, Worker's Comp, Sales Tax, and Surviving the Audit. We are pleased to provide our members with sessions that they look forward to attending.

This year we focused on involving more members, and it paid off! We had several new faces volunteer to assist on our board. We appreciate the new ideas and differing perspectives each of them brought to the Fort Worth Society. The new social chair position that we added last year continued to keep our members updated on our upcoming meetings, social events, as well as any industry related news through our social media sites. The happy hour events that we started last year were a hit and we plan to continue these opportunities for our members to network and socialize with other members. The Fort Worth Society partners with local businesses to host the happy hour events. We hope to host an event to push a drive for membership before our first fall meeting. We are excited to see what the 2018-2019 year will bring!

PETROLEUM ACCOUNTANTS SOCIETY OF HOUSTON

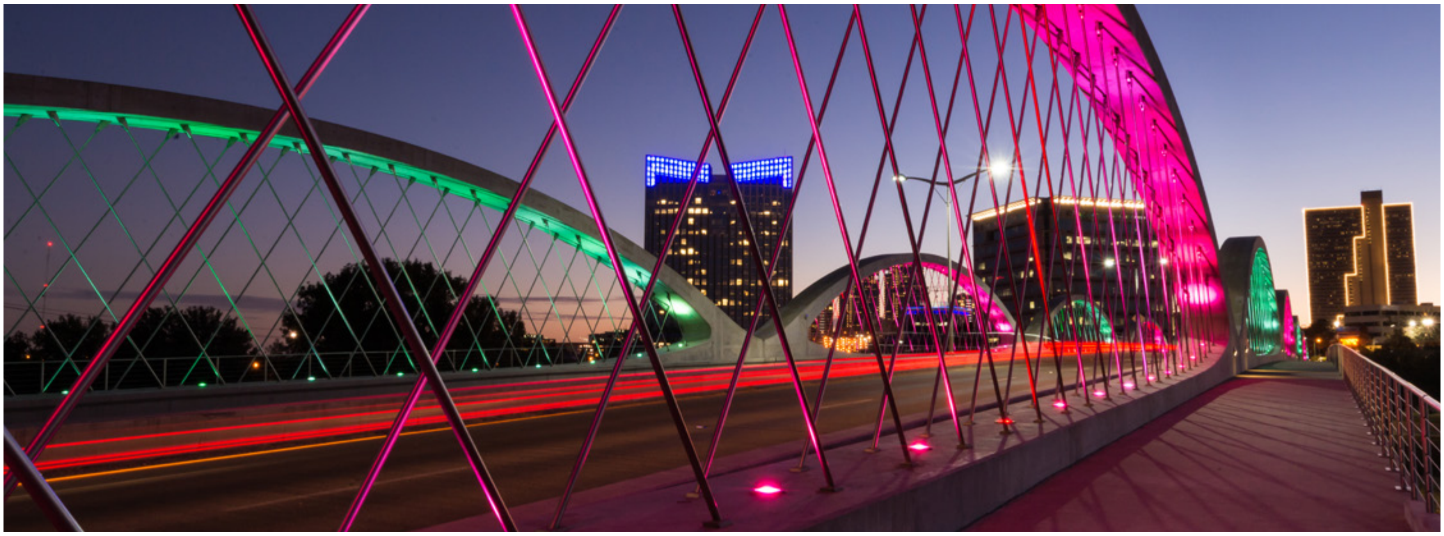
KEN MORRIS, PRESIDENT

The Houston Society began 2018 with a full agenda. The Board of Directors continued the tradition of honoring society Past Presidents in February. Place cards, with fun facts about the president, were randomly placed on the tables, allowing past and present leaders to share conversation.

The society continues to host the CPA Ethics Course for members. Society members receive a substantial difference to attend. This can also be extended to guests and the employer as a way of demonstrating the value a PASH/COPAS membership offers.

Our April dinner meeting is reserved for a time of thanks and awards. President Ken Morris thanked all the Board of Directors and Committee Chairs for their service to PASH for the past year. Special thanks were given to Bill Moye and Jill Coble for the completion of their three-year term on the PASH Board of Directors.

From the net proceeds received from the 2017 Education Day, the society awarded funds to Houston area Colleges and Universities and their students in the forms of Grants, Sponsorships and Scholarships. PASH's Education Committee was able to award 7 Grants ($750 each), 11 Sponsorships ($150 each), and 13 Scholarships ($750 each) for a total of $16,650. Grants are awarded to the schools that have Petroleum Accounting curriculum with the funds to be used to assist in the development and continuation of the program. Sponsorships are provided to the schools "accounting club" and "honors society". Scholarships are awarded to a student, nominated by their professor who has successfully completed or is currently enrolled in an oil and gas accounting class. Each student was selected based on not only academic achievement, but on their demonstrated leadership.



SOCIETY NEWS

Thank you to the following committee members for your hard work and dedication to the PASH Education committee: Jennifer Holt-McKellar (Chair), Mona Hilliard (Vice-Chair), Billy Moye, Charline Townsend, Chris Odom, David Rebeles, Ilene Grygar, Jonathan Goodwin, JR Folwarczny, Karen Mueller, Karla Zawodny, Marjorie Saibara, Mark Gibennus.

We share with you the various speakers and topics that we have enjoyed in early 2018:

JANUARY

- CEE-in-a-Box: Gas Plant Accounting
- Revenue Committee
- Jesse Arellano and Alex Sanders, Texas General Land Office, "GLO GIS Land and Lease Interactive Web Mapping System."
- Technical Session
- Deb Retzloff, "Remaining Relevant in a Challenging Energy Market"
- Meeting Speaker
- Tom Ramos, "Valuing Oil & Gas Properties in Today's Economic Environment."

FEBRUARY

- Revenue Committee
- Sandy Dhariwal, "Implementing the New Revenue Standard: A Focus on Energy".
- Technical Session
- Lary Sides "International Joint Operations Auditing and Accounting."
- Meeting Speaker
- Wade Hopper, "Severance Tax and the Current State of Affairs."

Twenty-one past presidents were in attendance at the February meeting.

MARCH

- CEE-in-a-Box: Auditing Tools & Tips and Audit Rights
- Technical Session
- Hector Pena, "Hydraulic Fracturing and Use of Proppants."
- Meeting Speaker
- Dorothy Haraminac Fillipov, "Introduction to Cryptocurrency."

APRIL

- Revenue Committee
- Esther E. Jimenez, Gas Handling Agreements

PASH gives a hearty Thank You to PAS-ARK for a great spring meeting in Fort Smith, AR. It was the perfect blend of education while having fun and networking.

Marjorie Saibara, Reporter

SOCIETY NEWS

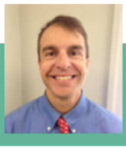
COPAS OF MICHIGAN

DREW MARTIN, PRESIDENT

The Michigan COPAS membership held their spring meeting in May as Traverse City, Michigan was finally showing its beautiful spring weather. The group had a great turnout with the focus on emerging issues, as presented at the COPAS Spring meeting in Fort Smith. We also had an excellent presentation covering the impact of the most recently passed tax legislation.

The membership also took some time to enjoy beverages and camaraderie as the meeting concluded! COPAS of Michigan has continued to focus on maintaining its membership numbers and is pleased with the results so far in 2018.

The next meeting will be the membership field trip later this summer.



PETROLEUM ACCOUNTANTS SOCIETY OF NEW ORLEANS

KRIS SCHAUMBURG, PRESIDENT

COPAS of New Orleans has concluded another exciting year. We are again thankful to all of our members and their employers.

Highlights of our spring meetings included our annual crawfish boil in April and awarding two $1,000 scholarships to deserving local accounting majors at our May meeting. We will break for the summer and look forward to seeing everyone in the fall.

COPAS OKLAHOMA CITY

MANDI PHILLIPS, PRESIDENT

Oklahoma City concluded the membership year with our annual Member Appreciation Luncheon. Our meeting was held May 15. Members invite their managers/supervisors so that we can show them our appreciation for allowing their employees to participate. Dr. Betty J. Simkins, Williams Companies Chair, Professor of Finance, and Head of the Department of Finance at Oklahoma State University's Spears School of Business, was our technical speaker. She gave a presentation titled "Financial Strategies for Oil and Gas Companies in Challenging Times". Dr. Simkins was quite energetic and very informative.

We had another successful year. We look forward to increasing our membership and offering beneficial education and networking when we begin again in the fall. We will kick off our annual membership campaign beginning in July. Our first meeting will still be held in September, but we are encouraging our members to get a jump on their membership benefits early.

Oklahoma City also announced our intention to host the Spring 2020 National Meeting. We have begun work on the planning for the event. Look for details in the future.

SOCIETY NEWS

PETROLEUM ACCOUNTANTS SOCIETY OF OKLAHOMA-TULSA

KEVIN LAUNCHBAUGH, PRESIDENT

During our March luncheon, Jerry Simmons, Executive Director for the National Association of Royalty Owners, did an excellent job on "What Everyone Receiving Oil and Gas Income Should Know."

In April, we had our annual Past Presidents Dinner at the River Spirit Casino where we enjoyed wonderful food and tried our luck at the private tables. Joel Mendez, Audit Senior Manager at Grant Thornton spoke about the new revenue standard and impacts on oil and gas companies at our May luncheon.

In June, we had our PASO Family Event at ONEOK field that included food, baseball and fireworks!

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

Heather Polson, Reporter

PETROLEUM ACCOUNTANTS SOCIETY OF SAN ANTONIO

BRIAN RAYGON, PRESIDENT

PASSA President - Brian Raygon opened the February and March luncheon meetings and welcomed all members and guests.

Brian introduced the February discussion topic, "Mitigating Fraud Risk, using Analytics and Ongoing Monitoring," and the speaker from BDO Consulting-Houston, Jeffrey T. Harfenist CPA, MBA.

Reid Brooks, Opportune – Tulsa, was the March 2018 discussion leader. His topic was "Lease Accounting Overview (ASC 842)."

Vice President David Garza thanked the guest speakers for their time and efforts speaking to the members and presented them each with token gift cards. Brian and Kirk Foreman (PASSA Treasurer) briefly disclosed and discussed PASSA's financial activities, some changes to future fiscal year period. Brian also announced the Coalition Blowout's donation of $3,300 to the Scholarship Fund and thanked Tania Maher for her effort and support with PASSA and Coalition Blowout activities.

David Garza, Reporter

From left: Kirk Forman, Cindy Stapleton, Kim Goodwin, Reid Brooks, David Garza and Brian Raygon.

SPRING 2018 MEETING
Fort Smith, Arkansas | April 23-27, 2018

Ryan Woolery (Oklahoma City) and Kevin Launchbaugh (Tulsa) pick up their golf prizes at the banquet.

Who says Chemistry isn't part of our meetings? Mike Foster (Tulsa) presented a lesson on the molecular structure of natural gas and gas liquids during the Revenue Committee meeting.

Attendees listen to the case studies presented as part of the Emerging Issues subcommittee.

Carolyn Sczepanski (Dallas) and Kim Goodwin (San Antonio).

Jason Poteet (Colorado), Mark Meador (Arkansas) and Jenny Mao (Houston) look over the Scavenger Hunt rules.

Melissa Gruenewald and Carole Tear represent Oklahoma City in the Emerging Issues subcommittee meeting.

John Banas, a vendor from My Compliance Manager, held a prize drawing for a big screen TV.

First Time Attendees participated in a Scavenger Hunt.

Bennie Westphal, Westphal Investments, gave a history lesson about Fort Smith during the general session.

Doug Smith (Tulsa) networks at the First Timers Breakfast.

Bill Hanna, CEO Hanna Oil and Gas, addresses the Audit and Joint Interest Committees.

Jim Pruden (Houston) was the winner of the My Compliance Manager big screen TV.

Winning the Scavenger Hunt were: Cindy Stapleton, Lisa Sifuentes, Mark Meador, Cody Cormier, and Jenny Mao. Also pictured is Mike Cougevan and Tammy Miller-Davison.

Wade Hopper (Houston), reviews activities for the week with his mentee, Anthony Aner (San Antonio).

Rebecca Paris (Tulsa), Gina Scott (Oklahoma City) and Amanda Allen (San Antonio).

Kim Goodwin (San Antonio) tests her firearms ability before the banquet.

Michael Harrell, Amanda Allen, Patty Workman and Gina Scott.

Trey They is congratulated for serving as Revenue Committee Chair. Pictured with Trey are Rebecca Paris, and Doug Smith.

Executive Director, Tom Wierman, served as the team captain for a Trivia Night team. From left Jackie Jamison, David Dickson, Brian Medley, Johnathan Dahlin, Tom Wierman, Michelle Cameron, Jim Pruden, and Cecil Sprague.

Meetings are an excellent opportunity to grow your knowledge network.

We are fortunate to have great speakers update our committee meetings.

SPRING 2018 MEETING

Fort Smith, Arkansas | April 23-27, 2018

VOTING RESULTS

- Minutes of Fall 2017 Meeting **APPROVED**
- 2019 Membership Assessments **APPROVED**
- Reinstatement of Appalachia Society **APPROVED**
- Audit Per Diem Rate Effective April 1, 2018 **APPROVED**
- Overhead Adjustment Factor Effective April 1, 2018 **APPROVED**
- Loading & Unloading Rates Effective April 1, 2018 **APPROVED**
- Workers Compensation Insurance Manual Rates Effective April 1, 2018 **APPROVED**
- Excluded Amount Effective April 1, 2018 **APPROVED**
- Automotive Rates Effective April 1, 2018 **APPROVED**

JON GEAR PERFORMS ONE OF HIS FAMOUS MAGIC TRICKS.

Jon Gear was named fourth Executive Director in Ruidoso, New Mexico, October 23, 1993. After being selected as the new Executive Director, Jon worked with Jack Westbrook, retiring Executive Director, until March 1994 when Jack fully retired.

The custom at the time was to move the COPAS office to the city where the Executive Director resided. Jon moved the office from Dallas to Denison and continued there until his retirement in December 2004. Jon is the longest-serving Executive Director to date.

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Turning Energy Into Synergy

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