COUNCIL OF PETROLEUM ACCOUNTANTS SOCIETIES

ACCOUNTS

SUMMER 2019

Education to Build Your Career

THE FOUNDATION SCHOOL

- Page 30

copas
Council of Petroleum Accountants Societies

ISSUE FEATURES

Applying Artificial Intelligence

Maximizing Sales Tax Savings

ACCOUNTS
SUMMER 2019

FEATURES

12 **Applying Artificial Intelligence to Finance Operations**

24 **Maximizing Sales Tax Savings for Oil and Gas Producers in Top Producing States**

CONTENT

2 President's Message

6 Home Office Message

8 Meeting Schedule

10 Project Status Report

15 Member Log-In FAQ

20 Industry News

34 Committee News

38 History

38 Voting Results

40 Legislative & Regulative Update

52 Society News

58 Photo Pages

copas
Council of Petroleum Accountants Societies
Turning Energy Into Synergy

COPAS OFFICE

PO Box 21272
Wichita, KS 67208-7272
Phone: (303) 300-1131
Email: copasoffice@copas.org

EXECUTIVE DIRECTOR
Tom Wierman
Tom.Wierman@copas.org

DIRECTOR OF TRAINING AND EDUCATION
Angie Knipe
Angie.Knipe@copas.org

OFFICE MANAGER
Vanessa Galindo
Vanessa.Galindo@copas.org

President's Message

WADE HOPPER

Wow! The Petroleum Accountants Society of Mississippi certainly provided a great venue for the Spring meeting in Memphis. The location was very interesting and provided a historical adventure into southern hospitality for all attendees with a week full of activities for members and guests. It also provided an opportunity to participate in the work of COPAS. Each committee meeting was well attended as were the many other events of the week. The Mississippi Society really exceeded all expectations.

The week began for the Board of Directors on Monday afternoon and continued on Tuesday morning. The leadership conference on Tuesday afternoon provided a detailed look into the marketing aspects of COPAS' marketing firm RSM and some of the initiatives that are being employed to promote COPAS and its programs and publications. Attendees were also treated to a presentation on effective leadership and how participants might improve their leadership capabilities to continue the work of COPAS and their own professional careers. Group discussion by the attendees concentrated on recruiting and maintaining membership within COPAS and promoting leadership within the organization. It also allowed attendees to compare the needs of different societies to maintain effective succession and knowledge transfer as local officers and committee chairs change. It was shared with attendees that COPAS has many tools available for societies to use in form of officer's desk guides, committee chair guides and other leadership publications on the COPAS website. All societies are encouraged to use these tools and to contact the COPAS office if they do not find the information they need. The day concluded with a reception for those attending to provide additional time for members to network and get to know one another.

Wednesday began with an upbeat and interesting speaker on the history of Memphis and the Peabody Hotel who happened to also be the resident "Duck Master". Attendees were treated to a special march of ducks by the Duck Master. Following the opening speaker, attendees broke into their respective committees and began the real business of the week's activities. To no one's surprise the Emerging Issues discussions were before a full house with current and intriguing issues being examined. The day concluded with a roof top reception at the Peabody Hotel providing attendees another opportunity to network and reconnect with friends. On Thursday committees met to continue their agendas with many committees providing speakers on relevant and timely topics. Audit and Joint Interest committees continued their work on a new accounting procedure and remote technology center documents. These important documents are prime examples of the work that COPAS performs to benefit our industry by providing accounting guidance and standards to enable the orderly and consistent accounting methodologies used

by each of our companies. The Thursday evening banquet was a great success and exposure to some of Memphis' music and hospitality.

The Council meeting on Friday morning was well attended by council members and guests as well as a few societies that have not been able to attend recent council meetings. The council approved the application of the East Texas Society for membership as a COPAS society. It is always an honor to welcome a new society to COPAS and we look forward to having their participation in future meetings. This new society is based in Tyler, Texas with members from the surrounding area which is rich in historically significant oil and gas development. The council also approved the following economic factors which 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

Following the approval of these rates, Mike Cougevan was recognized for his service to COPAS in assisting in the development of the vehicle rates. Mike has been and continues to be an active and dedicated member of COPAS and has contributed his expertise and knowledge in the development of many accounting procedures, model form agreements, articles and most notably the series "Know Your COPAS Documents". Thank you, Mike, for your many contributions to COPAS.

Also recognized at the council meeting was Carole Tear for her many years of participation and leadership of the Education Committee. Carole accepted the challenge of leadership and has served COPAS as a dedicated member.

Other items approved at the Council meeting included the Fall 2018 meeting minutes and the 2020 membership assessment rates. It should be noted that the assessment rates for 2020 remain at the 2019 rate.

The 2019 Goals were presented to the Spring Council and may be summarized as follows:

- Increase COPAS membership
- Increase APA Program Participation
- Continue COPAS Education Development
- Develop Foundation Funding

COPAS membership is currently increasing slowly. With the admission of the East Texas Society it is anticipated that additional membership will occur. There is also interest in the formation of a society in the Austin, Texas area and meetings are underway to assist this group in forming a new society. Although the addition of new societies is encouraging, it is still incumbent that each society continue to grow. Consider asking a co-worker or member of your management team to participate in your local COPAS society and its activities.

The APA® program continues to expand with the Board announcing at the Council meeting a new exam study tool which is currently being piloted and hopefully available for broader distribution at the Fall meeting. The Board is hopeful that this new tool will enable exam candidates to feel better prepared for the exam and encourage more participation in the APA® program. The APA® designation is yet another example of COPAS dedication to the education and knowledge base of our members.

The "Knowing Your COPAS Documents" series continues to be a focus for continuing education and the Board has approved the development of additional documents for this series and the recording of these documents for electronic delivery. Since there appears to be more demand for online or electronic delivery of education, some classroom courses are being considered for conversion to electronic delivery. The need for intermediate and advanced topics for education offerings has also been identified as a priority.

The COPAS Education Foundation continues to work toward defining its mission and developing avenues for funding. The Board has set a lofty goal for funding by the Foundation and is working to assist in seeking out potential funding sources.

The Spring meeting is another example of the success of COPAS and its membership. Each of us as members and volunteers have something to contribute to the future of COPAS as well. COPAS mission, as the leader and supplier of accounting guidelines and standards for the petroleum industry, is a lofty goal but one which COPAS has continued to fulfill. We are fortunate to work in an industry where industry representatives develop the rules and standards by which we communicate and determine our accounting policies and methodologies. This could not be accomplished without your direct and continuing participation and dedication. COPAS provides benefits to each individual member and to each represented company much beyond the cost of membership. I encourage you to be an active and participating member. Many of us are reaching the end of our careers and there is a great need to educate and promote the next generation of COPAS members and leaders. Won't you join us to embrace the future and continue the success of COPAS?

HOME OFFICE MESSAGE

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

FROM THE HOME OFFICE

It's suddenly time for another ACCOUNTS issue. I hope you are enjoying the return to the printed issues. This will be our third hard copy format after a three-year run as a digital only magazine.

I recently had a 'big' birthday, turning 60 in early May. It's hard to believe in some ways, but I was looking forward to the milestone. I've never had a 'bucket list,' but I did set a goal this year for a personal accomplishment, to deadlift 400 pounds before I turned 60. Some of you may know that I found weightlifting about 5 years ago. My gym membership was a 55th birthday gift. I had refereed soccer for more than a decade. While I love the game of soccer, the thought of stepping onto the pitch again in my referee uniform was becoming far less appealing. The parents and fans were ruining the game for me, so I knew my time had come to stop. I needed to find something else to fill the physical activity void, so the gym membership was timely. I remember going to a personal fitness assessment on my initial gym visit. I could barely do 10 pushups. Greatly embarrassed, I resolved that I'd do something about that. With the help of my trainer, Justin, I've met several new milestones in the last five years. Not only have I obtained that 400-pound deadlift (April 19), I hit over 300 pounds on the bench press and squat rack. Time for some new goals!

Back from the Spring meeting in Memphis I'm reflecting on all that happened, and all that was accomplished. Every meeting hosted by a society group blows me away with all the little details, culture, and location history they seem to weave into a meeting. I know much of what goes on as they prepare for the meeting because the COPAS office often consults with them on various details. Some meeting details aren't revealed so there is an element of surprise as well. Approximately 225 members, guests and vendors were present in Memphis for a top-notch meeting. Wade Hopper provides a great recap of the proceedings in his President's Message on pages 2 and 3. Many thanks to the Mississippi Society for their efforts!

A COPAS meeting isn't about social events, but rather the important work that we do on our publications and the learning that takes place from various speakers and from each other. Time spent in the evening activities is also packed with learning and networking. We may not have a CPE presentation, but in interacting with other members and companies, we get to know each other better and are building our knowledge networks, which will come in handy down the road. I'm energized by these meetings. Not just because I get to see members that I've come to know well over the years, but because of the energy they bring with them. I think our members go home energized too, because of the discussions and learning.

Another energetic group recently met in Austin to begin forming a new society there. The meeting that I hosted, along with President Wade Hopper and Vice President Tammy Miller-Davison, was well attended. They were making plans to meet agaiwwn in June to continue the formation process. If you know of anyone or a company in the Austin area that we should contact, please let me know. I'll pass the contact on to the group so they can be included in future meetings.

Congratulations to the East Texas Society. They were admitted to Council as a Participating Society on April 26. They worked hard this past year to meet the membership admission requirements.

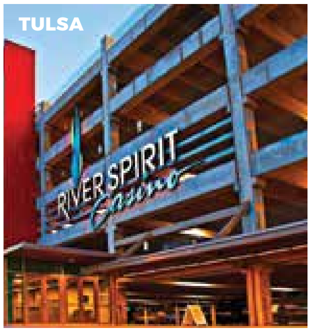
Registration is open for the July 11 Summer meeting in Denver. Please visit the website to complete the registration form. Registration for the Fall 2019 meeting in Tulsa will open in July. An email announcement will be sent when registration is ready. Don't forget that we have some great upcoming meeting locations in 2020 and 2021; Washington, DC, St. Petersburg, Florida, Galveston, Texas, and Las Colinas/Irving, Texas. Colorado has volunteered for Fall 2022, and a society has a tentative hold on Spring 2022. Contact the COPAS office if your society is interested in hosting a future meeting date.

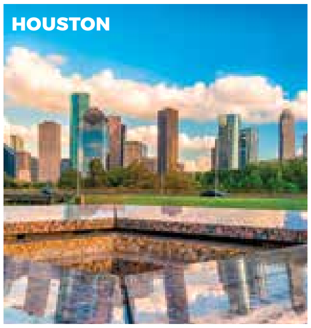
Lastly, I want to thank all the contributors to my St. Jude's fundraising efforts. The lucky winner who tossed a pie in my face was Oscar Hartman. He said he'd never done that before, but I'll tell you he seemed to know what he was doing. Oscar got me good. It was all for fun, and for a really great cause as we heard at the Council Meeting on Friday.

I hope you have a great summer, and I hope to see many of you in Denver on July 11.

MEETING SCHEDULE

EVENT	DATES	HOST	LOCATION
2019			
Fall	September 16-20	Tulsa	**Creek Nation River Spirit Casino and Convention Center** Tulsa, Oklahoma
2020			
Spring	April 20-24	Oklahoma City	**Westin City Center Hotel** Washington, DC
Fall	September 21-25	Permian Basin	**Sirata Beach Resort** St. Petersburg Florida
2021			
Spring	April	Houston	**COPAS 60th Anniversary Meeting** San Luis Resort Galveston, Texas
Fall	TBD	Dallas	**TBD**
2022			
Spring	TBD	TBD	**TBD**
Fall	TBD	Colorado	**TBD**





Dates beyond 2022 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	Draft 2 expected late Q2 or in Q3.	TBA	

COPAS MODEL FORMS MODIFICATIONS AND INTERPRETATIONS

COMMITTEE	PROJECT	STATUS	COMMENTS BY	ANTICIPATED COUNCIL VOTE
Joint Interest	Remote Technology Centers	Draft 2 distributed for comments	August 2	
Joint Interest	MFI to accompany new model form Accounting Procedure	MFI to be issued later, when Accounting Procedure contents are more certain.	n.a.	

COPAS ACCOUNTING GUIDELINES

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

COPAS TRAINING & REFERENCE

COMMITTEE	PROJECT	STATUS	COMMENTS BY	ANTICIPATED COUNCIL VOTE
Revenue	TR-7, Severance Tax Guide	Project to commence in Fall. Contact Revenue Committee Chair to volunteer.		

Applying Artificial Intelligence to Finance Operations

BY RACHNA HANRAHAN AND
CHRISTIAN SCHALL, ACCENTURE

Artificial Intelligence (AI) is impacting our lives daily. From the voice assistant on a smartphone to targeted social media feeds and navigation apps, AI operates seamlessly in people's lives. How does this technological advancement translate to Finance operations in the oil and gas industry? In general, today's personal life of a Finance team member is often more digitally advanced than the Finance processes they manage and execute in their daily work. However, the level of office innovation is changing rapidly as Finance organizations explore the value of AI and how to incorporate it into their programs to leverage automation, data analytics and other digital technologies.

Finance operations are already on a dynamic journey along the automation spectrum. Robotic Process Automation (RPA) programs are embedded and implementation is underway for rule-based, high-volume tasks. In parallel, Finance operations are pivoting towards understanding the power of AI. In 2017, Accenture conducted an Upstream Oil and Gas Digital Trends Survey. The results show that over the next three to five years, AI and Machine Learning will be within the top three growth areas in digital investments, alongside Blockchain, Robotics and drones.

To understand the potential value AI unlocks in Finance operations, it's important to understand the technology's underlying capabilities. AI is a collection of combined technologies, which allow the software to sense, comprehend, act and learn, acting as "AI advisors". Through these capabilities, complex and unstructured processes that present a challenge for traditional automation can be managed. The AI advisors provide value through process automation, insight into real-time visibility and improved accuracy. In our 2018 report, "Reworking the Revolution," Accenture estimates that organizations that fully commit to AI and invest in human-machine collaboration could achieve a 38 percent revenue boost in the next five years and generate higher levels of profitability and employment. The processes that can be enhanced with AI are continuously evolving as use cases that rapidly move from theory to proven, successful implementations in global organizations.

An example of an AI advisor that has been implemented, delivering value in both productivity and business insight, is the "Intelligent Invoice Advisor". The focus of the Intelligent Invoice Advisor is to identify invoices which may result in financial leakage. The advisor uses machine intelligence, profiling techniques and advanced algorithms to identify problematic invoices well in advance and predict a confidence score for six unfavorable kinds of outcomes at an invoice level (early/late payment, dispute, erroneous invoice, late payment penalties and lost discount). The advisor recommends real-time or on-demand proactive actions to the Finance team to mitigate unfavorable outcomes, and therefore prevent working capital leakage and/or improve the bottom line. This AI advisor augments the outcomes that a Finance team can achieve and provides detection of financial leakage 20-25 days in advance and a reduction in early payments by more than 50 percent.

AI as part of the broader ecosystem

Finance processes should not be reviewed within the confinement of only one type of technology. Rather, the skills and capabilities required to enhance a process should be defined. These may include both RPA and AI, amongst other capabilities such as analytics and the enterprise resource planning (ERP) system, working alongside a skilled workforce to deliver an appropriate and lasting solution. Distilling a business process to common core components — Document Retrieval, Deep Document Understanding, Reconciliation, Remediation, Stakeholder Engagement — can identify the appropriate capability to deliver value at each step.

An example of an end-to-end process that has been enhanced, using both AI and RPA, is the process of reconciling the General Ledger through to identification of the required correcting entries into the source ERP. The Reconciliation and Journal Entry Validation Advisor reads both structured and unstructured data to provide an accurate, real-time reconciliation. Open items are matched using decision tree modelling. Required Journal Entries for unmatched items, such as department and account for the entry, are suggested. Self-learning algorithms allow the advisor to continually improve the accuracy of the predicted data. Business and process outcomes achieved include a reduction of aging items by approximately 10 percent, more than 30 percent stretch reduction during peak periods and more than 10 percent improvement in journal accuracy and standardization.

AI as a partner

While there is some level of job displacement with the introduction of AI, the most significant impact of AI on the workforce will be the content of the work. Accenture's "Reworking the Revolution" report was a global study spanning 1,200 CEOs and top executives. Nearly half believe that current job descriptions are obsolete with AI. As routine tasks move from a Finance member's hand to an automation process, the Finance team can redirect their focus on high-value projects, contextual insights and complex business support. Indeed, the Finance team will work alongside the automations and AI to deliver outcomes provided by the technology; as well as having additional capacity to drive new projects to deliver business value. The study found that almost all executives (97 percent) intend to use AI to enhance workers.

Another example of AI partnering with the Finance team is the Accounts Payable Help Desk Advisor. This advisor augments the Accounts Payable Help Desk by classifying incoming requests, performing routing, creating tickets and enabling automated resolution. The advisor detects over 55 languages, can read unstructured data requests and uses natural language processing and machine learning algorithms to understand the requester's intent. For simple requests, the advisor provides an automated response and for medium-to-high complexity requests, it augments case processing and routes the requests to the Accounts Payable team. This AI advisor has resulted in more than 25 percent productivity benefits, 3-5 percent increase in customer satisfaction and 20-30 percent reduction in Turn Around Time.

How to get started?

Finance leaders should understand Artificial Intelligence and its potential to transform business processes as an integrated part of the company's digital strategy. It works as one tool in the toolbox to improve end-to-end processes and create value for the company.

Innovation readiness varies amongst enterprises, and a phased adoption approach typically allows for proof-of-concepts and benefit realization early on, while gradually building capabilities and allowing time for the organization to adapt. This gives Finance team members the chance to familiarize themselves with AI as a new partner and how it works side-by-side with the team to execute processes. In addition, pilots and proof-of-concepts help to identify the potential business value and confirm the technical feasibility for AI.

Once a broader understanding of AI as technology has been established companies will go through a similar thought process compared to automation technologies answering some key questions to define the strategy. Do we want to partner with a third party or do we want to build the capability in-house? How do we scale AI? What are the next use cases we want to implement?

Finance functions have been fast movers in automating their processes and now it is time to bring in AI to create additional value and innovate even further. The possibilities with AI will only be limited by the willingness of companies to experiment and use it. Embedded with a growing range of technology enablers as part of the overall digital strategy, Artificial Intelligence can be a cornerstone for innovation in Finance operations and create significant competitive advantages for an oil and gas organization.

Rachna Hanrahan

Rachna Hanrahan is a Senior Manager with Accenture Consulting. She focuses on global transformation programs for Accenture's oil and gas clients, leveraging digital technologies including SAP S/4HANA, robotics process automation, artificial intelligence and advanced analytics to drive optimization and insight alongside operating model and business services implementations. She has worked with IOCs, oilfield services and chemical companies.

Rachna earned a bachelor's degree in business administration from the University of Texas at Austin. Prior to joining Accenture in 2015, she worked with oil and gas, mining and freight companies in the US and Australia. She now lives in Houston, Texas with her husband Sean and their toddler son Savan.

Rachna can be reached at
rachna.hanrahan@accenture.com

Christian Schall

Christian Schall is a Senior Manager with Accenture and leads the Management Consulting CFO & Enterprise Value practice for Accenture's chemical, energy, metals, mining and utilities clients in the Southwest.

Christian has extensive experience in finance transformation with a focus on operating and process model design, the setup of process governance concepts and the implementation of shared services organizations leveraging the full spectrum of digital technologies from SAP S/4HANA to intelligent automation, artificial intelligence and advanced analytics.

Christian earned a Diploma in Business Informatics from the University of Corporate Education in Stuttgart and a bachelor's degree in Business Administration from the Open University in London. In addition, he holds an Executive Master of Business Administration from the ESCP Europe in Paris.

He joined Accenture in Germany in 2005 and transferred to the United States in 2015. He now lives in Houston with his wife Silke and their children Marvin and Luisa.

Christian can be reached at:
christian.schall@accenture.com

COPAS MEMBER LOGIN:

Frequently Asked Questions

1

Q: HOW CAN I ACCESS THE MEMBERS AREA OF THE COPAS WEBSITE?

A: Click on Login, located on the far right of the main menu, or from the following direct link: https://www.copas.org/my-account/. Once you input your username or email address and password, a Members menu option will appear on the far right. Click on Members to bring up the Members menu.

2

Q: WHAT TYPE OF INFORMATION WILL I FIND UNDER THE MEMBERS AREA?

A: The Members area is where you'll find the national member directory, the COPAS Leadership Handbook, committee meeting presentations and minutes, draft and voting publications, and more. You'll also find a description of the many great discounts available exclusively to COPAS members.

3

Q: WHAT IF I LOST MY PASSWORD OR MY EMAIL ADDRESS HAS CHANGED?

A: To reset your password, click the Lost Your Password? link located on the Login page. If you don't receive the password reset email, or if your email address has changed, contact the COPAS office for assistance at copasoffice@copas.org.

4

Q: HOW DO I UPDATE MY PASSWORD, MAILING ADDRESS OR PHONE NUMBER?

A: Once you log in, a My Account menu will appear on the left. You may change your password under Account Details and you may change your address and phone number under Addresses. If your email address has changed, please contact the COPAS office for assistance.

COPAS
SEPT 16 - 20, 2019

PASO - TULSA 1929-2019
90 YEARS OF LIVING ON PASO-TULSA TIME

SAVE THE DATE

RIVER SPIRIT®
CASINO RESORT

8330 Riverside Pkwy
Tulsa, OK 74137
http://www.riverspirittulsa.com/
(800)299-2738

ROOM RATE

Standard Room $109/night

MEETING RATE

Member Rate $325
Guest Rate $285

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

SAVE THE DATE

TENTATIVE AGENDA

MONDAY

Board Meeting

TUESDAY

COPAS Energy Education offering

Leadership Conference

Leadership Dinner at
Jimmy Buffett's Margaritaville

WEDNESDAY

Committee Meetings

Optional Afternoon Activities:

- Golf Tournament at Forest Ridge
- Woolaroc Tour
- Art & Dessert at Pinot's Palette

Welcome Reception & Networking Games at Main Event

THURSDAY

Committee Meetings

Roarin' Reception & Casino Night at Hotel
Featuring Guest Speaker
Major Dan Rooney, CEO & Founder of
The Folds of Honor Foundation

FRIDAY

General Council Meeting

**CALLING ALL
JOHNSON BROTHERS
& BLUE NOSES**

SAVE THE DATE

WEDNESDAY OPTIONS

Limited Availability

GOLF TOURNAMENT AT FOREST RIDGE

$70/person includes Lunch & Transportation

Enjoy an afternoon at Forest Ridge Golf Club located in Broken Arrow, OK. This beautiful par 72 course challenges every golfing ability with mature trees and well placed bunkers. Club rentals will be available in advance at registration for an additional fee.

WOOLAROC TOUR

$45/person includes Lunch & Transportation

Tour the museum and wildlife preserve that started as oilman Frank Phillips' ranch retreat. Don't miss this truly unique place that was recently listed on USA Today's "50 bucket list places to visit" in the United States.

ART & DESSERT AT PINOT'S PALETTE

$45/person includes Desserts & Transportation

Create your very own oil & gas themed masterpiece at Pinot's Palette. Sip some wine and enjoy a selection of delectable desserts in the process. Painting will be 8x10 so don't worry about fitting it in your luggage!

IT WILL BE THE EEL'S HIPS

INDUSTRY NEWS

A COLLECTION OF PUBLISHED NEWS ARTICLES

Crude oil output from seven major shale formations should rise in June to a record 8.49 mmbopd. The largest change is in the Permian, where output is expected to climb to a fresh peak of 4.17 mmbopd in June. Bakken production is estimated to be 1.42 mmbopd and the Eagle Ford is expected to be 1.43 mmbopd, the highest monthly output since January 2016. The US is now the biggest oil producer in the world, ahead of Saudi Arabia and Russia. U.S. natural gas output should reach a record 80.7 bbcfd in June; it was 68.2 bcfd in June 2018. In May in the largest shale basins, producers drilled 1,364 wells and completed 1,407, the most since January 2015

Occidental Petroleum will acquire Anadarko Petroleum for $76 per share, with 78% in cash and 22% in Oxy stock. The equity purchase price is $38 billion, and the deal's total transaction value is $57 billion. The deal includes a $10 billion commitment from Warren Buffett's Berkshire Hathaway Inc. and an agreement with Total SA to buy 100% of Anadarko's African assets for $8.8 billion. Chevron is to receive a $1 billion breakup fee from Anadarko

According to ExxonMobil, 94% of the US offshore resources are not available for investment. A Bureau of Ocean Energy Management (BOEM) fact sheet noted U.S. Outer Continental Shelf production accounts for 18% of domestic crude oil and 4% of domestic natural gas supply

Pioneer signed a deal to divest all of its remaining non-Permian basin assets to make the company 100% focused on the Permian. The sale of Eagle Ford properties in Bee, DeWitt, Karnes, Lavaca and Live Oak counties of Texas to Ensign Natural Resources LLC, formed in late 2017 in partnership with Warburg Pincus, is for 59,000 net acres for up to $475mm, with $25mm at closing and the remaining $450mm contingent on future commodity prices

It takes millennia of immense pressure and heat to transform ancient remains into fossil fuels. Economists and geologists debate when, whether, and how we'll run out. Here's one consulting company's best guess as to how much proven reserves are left: Venezuela: 301 billion barrels, Saudi Arabia: 266 billion barrels, Canada: 170 billion barrels, Iran: 158 billion barrels, Iraq: 143 billion barrels. Though the U.S. became the top oil producer in 2018, proven reserves are only 35.2 billion barrels

The New Mexico O&G Assoc said revenues, taxes, and other fees for the fossil fuels-producing sector reached a high of $2.2 billion for the 2018 fiscal year, an increase of $465mm over 2017, almost one-third of total recurring state general fund revenues. The state also surpassed CA and OK to become the third-largest producer in the country, with NM riding a monster wave of oil production, with output a record of 246 million barrels in 2018., up 42% over 2017, when NM produced 173 million barrels, and three times the 86 million barrels produced in 2012

Production from Utica shale wells in Ohio continues to hit new records. Natural gas production increased 32% in the fourth quarter of 2018. Oil production increased year-over-year by 38.5%

The number of drilled but uncompleted wells (DUCs) in seven key oil and natural gas production regions in the US has increased over the last two years, reaching a high of 8,504 wells in February 2019. The most recent count, at 8,390 wells in April 2019, was 25% higher than April 2018. Almost half the total DUCs are in the Permian region

Chevron holds the most valuable U.S. shale portfolio in terms of total net present value (NPV), according to Rystad Energy, whose valuations

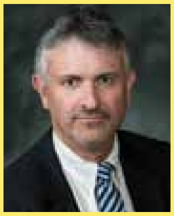
COMMODITY SPOT PRICING COMPARISON

	CRUDE OIL WTI (CUSHING) PER BBL				HENRY HUB NATURAL GAS SPOT PRICE DOLLARS PER MILLION BTU			
MONTH	2016	2017	2018	2019	2016	2017	2018	2019
January	31.68	52.50	63.70	51.38	2.28	3.30	3.87	3.11
February	30.32	53.47	62.23	54.95	1.99	2.85	2.67	2.69
March	37.55	49.33	62.72	58.15	1.73	2.88	2.69	2.95
April	40.75	51.06	66.25	63.86	1.92	3.10	2.80	2.65
May	46.71	48.48	69.98		1.92	3.15	2.80	
June	48.76	45.18	67.87		2.59	2.97	2.97	
July	44.65	46.63	70.98		2.82	2.98	2.83	
August	44.72	48.04	68.06		2.82	2.90	2.96	
September	45.18	49.82	70.23		2.99	2.98	3.00	
October	49.78	51.58	70.75		2.98	2.88	3.28	
November	45.66	56.64	56.96		2.55	3.01	4.09	
December	51.97	57.88	49.52		3.59	2.81	4.04	
YTD Average	43.14	50.88	64.94	57.09	2.52	2.98	3.17	2.85

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.

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.



exclude the value of wells which are already producing. The total NPV for Chevron's U.S. shale portfolio is $72 billion, with the company's acreage in the Permian Delaware alone at $60 billion. EOG Resources has the second most valuable U.S. shale portfolio at $42 billion NPV; Shell is third at $31 billion NPV, fourth is Anadarko ($29 billion), and fifth is ExxonMobil ($23 billion). Others in the top 10 are Concho Resources, Oxy, Pioneer, Diamondback Energy, and ConocoPhillips

The Canada Pension Plan Investment Board is expanding its presence in the N.A natural gas market in a $3.8 billion joint venture with Williams, which will hold pipeline assets in the Marcellus and Utica shale basins. Canada's largest pension fund will invest $1.34 billion for a 35% stake, with Williams holding the rest and operating the combined business, including Williams' Ohio Valley Midstream system in the Marcellus and the Utica East Ohio Midstream system

High bids of $244.3mm were received in the latest GOM lease sale. Shell and Equinor were among the winning bidders, with Shell taking 87 tracts; Equinor had the highest bid of $24.5mm for a single tract

Diversified Gas & Oil agreed to buy some producing gas assets located in Penn. and WV from HG Energy for $400mm, including 107 producing gas wells

Shell will sell its 22.45% non-operated interest in the Anadarko-operated deepwater Caesar-Tonga asset in the US GOM to Delek CT Investment LLC, for $965mm cash. Shell also completed the sale of its shares in its New Zealand entities to OMV for $578mm and its shares in Shell E&P Ireland Limited for up to $1.3 billion

Hilcorp started production at its new $400mm Moose Pad viscous oil project at the western edge of the Milne Point field near the Kuparuk River field on the Alaska North Slope at an initial rate of 3,000 bopd from two wells. There are 25 planned producing wells with peak production of 22,000 bopd

Consumption of fossil fuels grew by 4% in 2018 and was for 80% of U.S. total energy consumption. Natural gas consumption reached a record high of 83.1 bcfd, rising by 10% from 2017. Petroleum consumption increased to 20.5 mmbopd, the highest level since 2007. Coal consumption fell in 2018, the fifth consecutive year of decline. Nuclear consumption increased less than 1% compared with 2017

Surge Energy US Holdings drilled a record-setting well in the Permian Basin, with its Medusa Unit C 28-09 3AH in the Moss Creek field successfully drilled to a total measured depth of 24,592 feet (total vertical depth of 7,102 feet). Based on industry databases, the well is the longest known lateral in the Permian with a formation with a total lateral length of 17,935 feet, or 3.4 miles

Murphy Oil will buy deepwater GOM assets from LLOG Exploration Offshore and LLOG Bluewater Holdings for at least $1.375 billion in cash and $250mm in contingent payments, funded with cash on hand and debt. This includes GOM blocks containing seven producing fields and four development projects with future start-ups in multiple areas. With this transaction, Murphy becomes the eighth-highest producer in the GOM. Murphy also acquired a majority of Petrobras' GOM portfolio last year

Along with EOG, Occidental, Chevron and Anadarko have teamed up to bring a new childcare facility to the heart of the Permian Basin, where a massive influx of oil workers has made finding daytime care

RIG COUNTS

LOCATION	WEEK OF:							
	4.28.17	8.4.17	10.10.17	2.9.18	5.11.18	7.27.18	2.15.19	5.10.19
Gulf of Mexico	17	16	18	16	20	15	21	20
Canada	85	217	203	325	79	223	224	63
North America	955	1171	1110	1300	1124	1271	1275	1051
Oil	697	765	738	791	844	861	857	805
Gas	171	189	169	184	199	186	194	183
Directional	63	74	74	73	72	64	70	71
Horizontal	730	807	776	832	918	922	915	872
Vertical	77	73	57	70	55	62	66	45
Major State								
Alaska	6	6	6	5	8	6	12	9
Arkansas	1	1	0	0	1	1	0	0
California	9	13	14	14	15	15	11	15
Colorado	29	37	37	33	30	32	35	33
Louisiana	58	67	58	61	62	52	66	61
New Mexico	55	60	69	88	89	104	109	102
North Dakota	44	53	47	49	56	57	57	56
Oklahoma	127	132	123	118	138	137	119	105
Pennsylvania	34	34	31	37	39	39	44	43
Texas	437	466	442	479	523	524	509	485
West Virgiana	12	14	12	19	17	17	18	21
Wyoming	20	26	22	30	26	28	37	30

Source: Baker Hughes at www.bakerhughes.com for children almost impossible. Primrose School of Midland at Westridge recently opened its doors, serving infants to five-year-olds, with an after-school program for elementary school-aged kids. The new center will hopefully help companies attract and retain workers. Apache is also partnered with Primrose Schools, and Pioneer and Concho Resources have their own partnerships with Bright Horizons for childcare centers that exclusively serve their employees

Apache said it will dramatically cut back on its natural gas production in the Permian Basin for an extended period because of steep pricing discounts caused by pipeline shortages in the region. Much of Apache's Alpine High acreage in the southern Permian is primarily gas producing, so Apache is simply making the decision to scale back its output for now, reducing its production by 250 mmcfd

Shell made one of its biggest oil discoveries in the Blacktip deepwater well in the Alaminos Canyon area of the U.S. GOM and is its second material discovery in the Perdido Corridor. The well encountered more than 400 feet net oil pay with good reservoir and fluid characteristics

A drilling boom is under way in the least populated county in Texas. Loving County, population 134, has become a top destination for oil and natural gas drillers. So far in 2019, 18 companies have filed for 218 drilling permits, putting the W. Texas county on pace to eclipse the 437 drilling permits filed by 35 companies in 2018. EOG Resources, Shell and Anadarko account for nearly half of the activity Loving County

BP approved the Thunder Horse Expansion Phase 2 project in the deepwater GOM. At its peak, the project should add 50,000 gross boepd, with first oil expected in 2021. The expansion will add two new subsea production units with two new production wells. Future plans include six additional wells as part of the overall development

BPX Energy added four rigs to drill more wells in its Eagle Ford and Permian holdings in the first quarter and saw the company's production jump because of the BHP assets it acquired there last year. BPX is the newly formed onshore oil and gas exploration division of BP. The company, previously known as BP Lower 48, opened a new Denver headquarters in late 2018

Shell reached a $965mm deal to sell its 22.54% non-operated stake in the Caesar-Tonga field 190 miles SW of New Orleans to Delek CT Investment LLC, a subsidiary of Israel-based Delek Group Ltd. Anadarko operates the field with 33.75% interest

Oil production in the Permian basin is expected to rise to rise 35% to 5.4 mmbopd by 2023, requiring even more water supply and disposal. There are 5,500 Permian wells to be drilled, requiring 2.75 billion barrels, or 115 billion gallons to complete. The average frack job now consumes 13 million gallons, up 40% in two years. That translates to water bills in the Permian soaring 17% this year to $14 billion, more than three times what North American producers spent in 2018 on sand to frack wells

The Appalachian region remained the top-producing natural gas region in the country, with wells in Penn, Ohio, and WVA producing more than 25% of the county's total output. Texas led all states in total production with 24.1 bcfd; Penn was not far behind in second at more than 18 bcfd

2018 U.S. exports of natural gas rose to 9.9 bcfd, making it the fourth straight year that exports increased. For the second year in a row, the U.S. exported more natural gas than it imported. Prior to 2017, the country had been a net importer for nearly 60 years

Exxon Mobil's Imperial Oil Ltd. unit sanctioned a new US$2 billion Aspen oil sands project in northern Alberta; it will produce 75,000 barrels a day of bitumen once it starts operation, using new technology called solvent-assisted, steam-assisted gravity drainage. Construction is expected to be completed in 2022 and it could be expanded by another 75,000 bpd depending on performance and market conditions. The decision is in stark contrast to moves by Shell and ConocoPhillips which sold oil-sands assets, and by locals like Cenovus Energy and Canadian Natural Resources that are curtailing production to weather rock-bottom prices

The Haynesville shale play in E. Texas and NW Louisiana has roared back to life thanks to higher natural gas prices and a slew of new liquefied natural gas export terminals coming online along the Gulf Coast. Haynesville gas production is at its highest level since the previous 2011 peak and should hit a new record in late 2019. More than 50 drilling rigs are currently running in the Haynesville

Maximizing Sales Tax Savings for Oil and Gas Producers in Top Producing States

BY BRENT WATSON, CPA

Sales and use taxes significantly impact costs of drilling, completing and operating wells given the large value of expenditures incurred and application of taxes at rates often ranging between 5% to 9% that potentially apply to those costs. Because sales tax laws are complex, vendors defensively collect sales tax on invoicing for goods and services. This article is intended to point out savings opportunities in states with substantial oil and gas activity.

TEXAS

- Savings on Equipment

While Texas does not provide a general exemption for purchases of goods or services used in production of oil and gas, Texas's manufacturing exemption applies to equipment that makes or causes a chemical or physical change to products. The exemption has been deemed to apply to scrubbers, separators, heater-treaters, gas chilling units, amine units, dehydrators and similar equipment used at well sites, as well as equipment used in gas processing plants. Likewise, repairs and consumables used in these processes are exempt from tax. A separate exemption applies to equipment used to prevent pollution, including the re-use of water in hydraulic fracturing.

- Savings on Chemicals

Chemicals that produce a chemical change in natural gas or oil produced are exemptible under Texas' manufacturing exemption. Additionally, oil soluble chemicals that are injected into the well are exemptible based on a resale exemption.

- Savings on Services

By default, services are not taxable in Texas; however, sales tax is imposed on many services, most notably on repairs to both tangible personal and real property. Services provided during the drilling, completion, stimulation, or plugging and abandonment of wells are exempted from tax. 34 Tex. Admin. Code §324 provides a detailed explanation of the taxability of many oil-well services.

With respect to construction work, both the form of the contract and the type of construction performed impact whether or not billings are subject to tax. Specifically, lump sum contracts for new construction are not taxable. In separated contracts for new construction, charges for materials are subject to tax and those for services are exempt. Separately stated materials and repair services are always taxable.

- Savings on Utilities

An exemption is provided for utilities used in extracting or transporting oil and gas.

- Direct Payment Permits

Direct payment permits ("DPP") can be used to manage sales taxes. They offer an opportunity to (1) utilize exemptions for qualifying purchases and (2) gain local tax savings. Purchases from vendor's locations inside Texas are subject to the local tax applicable in the place of origination (usually at the maximum local tax rate of 2%); however, purchases paid for utilizing a DPP are subject to local tax based on the place where goods are received or used – usually at locations having no city tax.

OKLAHOMA

- Opportunities for Savings Related to Oil & Gas are Limited

Oklahoma does not provide a general exemption applicable to purchases related to production of oil and gas.

- Equipment & Utilities at Gas Processing Plants

Equipment, consumables, and electricity used in processing at gas processing facilities are exempted under Oklahoma's generous manufacturing exemption. However, the exemption is only available to taxpayers who obtain an MSEP (manufacturer's sales tax exemption permit) from the Oklahoma Tax Commission.

- Local Tax Savings

A common strategy in states like Oklahoma in which local taxes are based on destination is to locate materials yards in low-tax rate areas, typically outside city limits.

- Sales of Business Assets

Because Oklahoma is one of the few states which does not provide an exemption for isolated sales, sales of business assets to third parties are taxable. Careful planning pertaining to this issue should be undertaken when leases are sold, and could include:

- Language in the purchase and sale agreement specifying the value of TPP included in the sale
- Using an appraisal firm that specializes in oil and gas property to render an opinion of value for the personal property
- Usage of a separate legal entity to house the items sold. Sales of separate legal entities are non-taxable sales of intangibles. Careful legal handling for this type of transaction is necessary

Similarly, transfers of tangible personal property between various leases are taxable to the extent of non-common ownership. A purchasing company can be used to eliminate this exposure.

- Purchases from Manufacturers for Usage Outside Oklahoma

Oklahoma provides a special exemption for goods purchased from Oklahoma manufacturers for usage and immediate transportation out-of-state. For example, an operator purchasing separators in Oklahoma for usage in Texas may claim this exemption. Since Texas considers these to be exempt manufacturing equipment, no tax would be incurred on the purchase.

WYOMING

- Opportunities for Savings Related to Oil & Gas are Limited

Wyoming does not provide a general exemption applicable to purchases related to production of oil and gas. Wyoming's manufacturing exemption applies only to the operations classified under NAICS codes of 31-33, which excludes extractive processes as well as gas processing plants.

- Power Used in Gas Processing Plants

Power used in processing gas is exempt pursuant to an exemption for "sales of power or fuel" for direct consumption in "processing."

- Services in Drilling of Wells

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

NORTH DAKOTA

- Opportunities for Savings Related to Oil & Gas are Limited

North Dakota does not provide general exemptions applicable to purchases related to production of oil and gas, and North Dakota's manufacturing exemption specifically excludes purchases made for refining or extracting oil and gas.

- New or Expanded Systems Related to (1) Natural Gas Collection and Processing and (2) Carbon Dioxide for Enhanced Recovery

An exemption is provided for materials used to construct or expand systems used to compress, process, gather, collect, or refine gas recovered from a well or used to expand or build a gas processing facility. Owners of new or expanded systems may apply for refunds of sales tax paid by their contractors.

A similar exemption is provided for construction or expansion of systems used to compress, gather, collect, store, transport, or inject carbon dioxide (carbon dioxide capture system) for use in the enhanced recovery of oil or natural gas. Carbon dioxide used for enhanced recovery of oil or natural gas is exempted.

- Rebates of Local Taxes

Rebates may be applied for from the Tax Commission for local taxes paid on invoices on taxable amounts in excess of maximums per invoice that are set by local taxing authorities.

COLORADO

- Opportunities for Savings Related to Oil & Gas are Limited

Colorado does not provide general exemptions applicable to purchases related to production of oil and gas.

- Enterprise Zones

An exemption for purchases of machinery used in oil and gas production applies if wells are located in enterprise zones. To qualify for the exemption, the machinery must:

- Be used directly and predominantly in manufacturing; however, for purposes of this exemption, the definition of "manufacturing" includes refining, blasting, exploring, mining and mined land reclamation, quarrying for, processing and beneficiation, or otherwise extracting from the earth
- Be capitalizable equipment (qualified for the federal investment tax credit under the definition of section 38 property found in the IRC)
- Be included on a purchase order or invoice totaling more than $500; and
- Purchases of used equipment are limited to a maximum of $150,000 annually

- Manufacturing

A lawsuit decided in favor of DCP Midstream determined that machinery used in gas processing or refining is exempt under the statewide exemption for manufacturing equipment, regardless of whether or not the equipment is located in an enterprise zone.

NEW MEXICO

- Opportunities for Savings Related to Oil & Gas are Limited

New Mexico law provides very few opportunities for sales tax savings. New Mexico's manufacturing exemption specifically excludes coverage of processes used to process natural resources.

LOUISIANA

- Opportunities for Savings Related to Oil & Gas are Limited

Louisiana does not provide general exemptions applicable to purchases related to production of oil and gas. Furthermore, Louisiana's manufacturing exemption applies only to industries within specific NAICS code sectors which excludes exploration and production and processing of natural gas produced from those activities.

- Repair to movable property (tangible personal property) vs. immovable property repairs

Although repairs to moveable property are taxable, repairs of equipment that is immovable property are not taxable, rather, the contractor as the end user of material purchased, incurs tax on these purchases. Purchases of repairs to immovable property should not be taxed.

- Rental vs. services

While rental of equipment without an operator is taxable, provision of equipment with an operator is not taxable. Often, invoices do not clearly reflect the true nature of the transaction – presenting a transaction as a charge for equipment, when the underlying transaction is actually a service (equipment with an operator). If tax is charged on services, that tax is refundable.

- Credit for sales tax paid in another state.

Louisiana provides a credit for sales/use tax paid on tangible personal property imported into the state. While the taxable basis for both state and parish taxes is the same: the cost or market value when property enters the state (for fully depreciated assets, the taxable value is customarily 25% of the original capitalized value), the calculation of the credit at the state level differs from the parish level. The state level credit is calculated based on the value/cost price at the time the property is imported into the state (R.S. 47:303(A)(3)(c)); while the parish level credit is based on the original cost of the item (R.S. 47:336.86). Improper calculation of the credit could cause a taxpayer to incur excess parish level taxes.

PENNSYLVANIA

- Opportunities for Savings Related to Oil & Gas Abound

Pennsylvania provides a very generous general exemption related to goods used mining, including production of oil and gas

- Qualifying mining activities include fracturing, exploring, extracting, blasting, mining, drilling or any combination thereof, provided that the purpose of the operation is the removal of natural resources from the earth or refining natural resources once removed from the earth (Pa. Reg. § 32.1; Pa. Dep't of Rev., Info. Notice SUT 2014-02
- Qualifying purchases used in mining include
    - Fracking and drilling equipment;
    - Equipment to actively monitor, extract and handle waste;
    - Protective gear and supplies worn by personnel during production activities

WEST VIRGINIA

- Opportunities for Savings Related to Oil & Gas Abound
- An exemption applies to services, machinery, supplies and materials directly used or consumed in the production of natural resources (including fracking)
- Taxpayers cannot claim these exemptions as would be allowed in most states by supplying an exemption certificate to the vendor; rather, purchasers must either: (1) apply for refunds of tax from the state after the tax is initially paid to vendors; or (2) obtain a direct pay permit from the state, then issue an exemption certificate citing the direct payment permit to vendors ensuring tax is not charged at the initial purchase.

SUMMARY

Operators of upstream and midstream oil and gas properties can reap significant savings related to costs of drilling, completing and operating wells by managing their purchases to avoid overpayments of sales and use taxes.

ABOUT THE AUTHOR

Brent Watson, CPA, is the principal at SALTA, PLLC in Tulsa, OK. Brent is an active member of the Oklahoma Society of Certified Public Accountants (serving on their Oil & Gas Committee) and of the Institute for Professionals in Taxation. His 29 years of experience in sales and use taxes have focused in the oil and gas, manufacturing, multi-state contracting and retailing industries.

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, 2019	June 3, 2019	July 19, 2019
November, 2019	August 1, 2019	September 13, 2019

CONGRATULATIONS TO THE NEWEST, APA®'s:

Adam Harper, APA® Shaler Tate, APA®

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 2019.

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!

FOUNDATION SCHOOL

DENVER, CO JUNE 24-27

8:00 a.m. to 5:00 p.m.

Hosted by Encana

370 17th Street
Denver, CO 80202

HOUSTON, TX AUGUST 26-29

8:00 a.m. to 5:00 p.m.

Hosted by Chevron

1600 Smith Street
Houston, TX 77002

PROGRAM LEVEL: BASIC

DELIVERY: GROUP-LIVE

ADVANCE PREP: NONE

FIELD OF STUDY: ACCOUNTING

CPE CREDITS: 32 HOURS

PREREQUISITES: NONE

COST: $1200

EARLY BIRD SPECIAL PRICING STILL AVAILABLE FOR HOUSTON TO JUL 26: $960

REGISTRATION: ONLINE AT COPAS.ORG IN THE CEE STORE

BUILDING YOUR FOUNDATION IN OIL AND GAS ACCOUNTING

Whether you have new hires in need of a solid foundation, or you are an experienced accounting professional entering the oil and gas industry for the first time, our foundation school may be just what you are looking for! Maybe you have changed specializations, just need a refresher in oil and gas accounting, or you are preparing for an exam, our "Building Your Foundation in Oil and Gas Accounting" School is designed to cover the basic principles you need.

New employees will benefit from focused training in the specifics of accounting in the oil and gas industry. Even if you have a new hire integration and orientation plan in place, and have assigned a mentor, or given your new employees projects that will afford them a broad view of their new job and the company, why not give them the training they need up front? All new employees need guidance when starting a new job, and this course provides education specifically designed to orient them to the petroleum industry, and provide easy networking opportunities too.

The "Building Your Foundation in Oil and Gas Accounting" course is specially designed to present engaging, relevant, and effective education for your new professionals, and for those needing a refresher. These new courses provide the fundamentals for working in oil and gas accounting that your newly hired professionals need. This school offers a competitive and affordable four-day schedule with a choice between a revenue accounting or joint interest accounting track. The school consists of two two-day courses and offering a choice between a Joint Interest or Revenue Accounting track.

DAYS 1 & 2

- Oil and Gas Industry Primer

DAYS 3 & 4

- Principles of Revenue Accounting- Boot Camp

  OR

- Principles of Joint Interest Accounting - Boot Camp

Each 2 day (16 CPE hour) class also available for separate registration

COMPANY DISCOUNT AVAILABLE - BUY FIVE SEATS GET ONE FREE!

COURSE DESCRIPTIONS

OIL & GAS INDUSTRY PRIMER

The two day industry primer will cover the history of the oil & gas industry; modern hydrocarbon extraction industry organization, including upstream, midstream and downstream companies, functions and operations; petroleum geology and petroleum formation; securing the minerals and mineral ownership; Land Departments; and oil and gas exploration, production and upstream operations, including drilling, casing, cementing, logging and completing the well, directional drilling, and production transportation and sales of oil and gas.

PRINCIPLES OF J I ACCOUNTING

The Joint Interest track will cover establishing a Joint Venture; the agreements used in joint ventures and the accounting procedure relationship to the governing agreement; a historical perspective on COPAS accounting procedures; dissecting a 2005 COPAS accounting procedure; direct vs indirect Costs – accounting procedure language and proper charging; overhead – development, drilling, production, MCO & catastrophe; materials – CEPS, casing and tubing, controllable vs. non-controllable; special JV adjustments – non-consents, payouts, well pad adjustments; allocations – accounting for costs benefiting multiple properties; JI Billings – AFE and operational costs; and accounting for JV Costs – key alternatives, and application.

PRINCIPLES OF REVENUE ACCOUNTING

The Revenue track will cover the value chain; oilfield operations and production accounting; oil on and off lease sales accounting; gas operations production accounting; gas on and off lease sales accounting; gas plant accounting; producer and pipeline imbalances, statements and settlements; production and severance taxes; private, state and federal royalties; check stub processing; revenue accountant relationships; and variance analysis analytics.

LEARNING OBJECTIVES

Upon completion of the Oil and Gas Industry Primer, you will be able to:

- Summarize the history of oil and gas exploration
- Describe the function and process of Petroleum companies
- Recall different types of Petroleum products and product users
- Recall how Landmen broker leases and land purchases
- Summarize and breakdown the drilling process and operations
- Discuss how wells are completed
- Identify various production activities
- Explain the transportation and sales processes

Upon completion of the Principles of Joint Interest Accounting course, you will be able to:

- Identify and explain key joint interest agreements and ownerships
- Analyze the different agreements for joint ventures in the oil and gas industry
- Evaluate the major provisions of COPAS Accounting Procedures and how such accounting procedures have evolved over time
- Apply concepts to properly analyze and account for costs onto a joint interest invoice
- Explain the differences between direct and indirect costs and their effect on JI billing
- Demonstrate the differences and procedures for overhead calculations with respect to various COPAS accounting procedures
- Determine tangible equipment pricing in relation to accounting and reconciliation procedures to identify charges to the joint venture
- Recognize unique joint interest accounting situations and apply concepts learned in determining when special JV adjustments apply
- Explain key accounting alternatives to allocate costs to multiple joint ventures
- Identify the proper accounting entries for various joint venture transactions
- Apply key accounting controls to ensure financial and accounting control over transactions

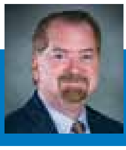
Upon completion of the Principles of Revenue Accounting course, you will be able to:

- Describe the upstream oil and gas industry
- Recognize past and current market regulation
- Describe the critical role of the revenue accountant
- Describe production processes of oil and gas products and by-products
- Recall various product measurement approaches, standards and product allocation methods
- Explain, interpret and execute the various types of lease agreements and provisions
- Apply the sales and entitlement methods of accounting
- Prepare complete accounting entries for common dispositions

For more information on our courses, to read our refund, cancellation, and complaint policies or to register for any course visit the CEE Store under the EDUCATION menu at www.copas.org. For company discounts call 303-300-1131

COMMITTEE NEWS

COMMITTEE CHAIR
Audit Committee



JEFF WRIGHT,
CHAIR

The Spring Meeting was held at the Peabody Hotel in Memphis, Tennessee, on Thursday, April 25, 2019. There were 126 attendees, from 78 different companies/entities, representing 17 societies and Canada. There were 67 from Audit, 56 from JI, 3 independents. We had nine voting reps present for Audit.

This was an exciting meeting as we approved the amendment to the Emerging Issues (EI) Subcommittee Charter to add a Secretary position. We also elected the new committee members for EI. The Audit Committee Leadership team is excited to welcome elected members, Chairman, Lucas Vaughn, Vice Chair, Todd Smith, and Secretary, Byron Blunk. We are excited to have their leadership on the EI committee. We also thank Kevin Launchbaugh for his many years of service as EI Chair.

We also approved the new COPAS Audit Per Diem Rate effective April 1 at $960/day. Remember, we publish and approve this rate SOLELY as a tool for companies to use when billing for audit participation and is NOT intended for any other purpose as doing so would violate the COPAS Antitrust Policy.

The Audit Committee is requesting all societies send updated contact email addresses to Chair Jeff Wright (jwright@4aenergy.com) to ensure future receipt of committee correspondence. The current list is only as accurate as the last information sent to the committee. We understand the local societies may have new members and new local committee members and want to make sure information is disseminated promptly and accurately.

Historically the Winter and Summer meetings have been working session, where the committee dives into the details of the current draft documents and get real work done that COPAS relies upon. We anticipate taking this a step deeper for the Summer meeting by tabling any EI discussions. Due to the time restraints during the Spring meeting, the committee was unable to do any deep dive into the drafts of 20XX-Accounting Procedures and MFI-XX-RTC. It was discussed that the importance of these documents and the need for the Audit Committee to take special care in reviewing, needed to take priority for our upcoming working sessions. Don't fret, we will return with EI in the Fall in Tulsa, Oklahoma but do anticipate our meeting may be extended up to two hours allowing us time to discuss further these two very important publications.

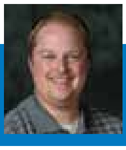
With a deadline of August 2, 2019, for the comments on draft 2 of the MFI-XX, RTC and the pending draft of 20XX Accounting Procedure, the committee deemed it prudent to be proactive in helping the drafting teams of these documents. The Audit Committee Leadership team proposed a breakout session during the Summer 2019 meeting to allow our committee and the Joint Interest Committee to independently evaluate each document. Most attendees agreed that breakout time in the summer and additional time in the fall was needed to do an extensive deep dive into the document that will dictate our industries' accounting procedures for the foreseeable future. It was agreed we need to discuss environmental projects and the overhead potentially related to these projects as well as the discussion of overhead for long lead AFEs. Following those discussion items, it was deemed appropriate for the Audit Committee to consider revisiting the way all the various overhead calculations within the proposed new Accounting Procedures are currently being determined.

We look forward to seeing you at our Summer Meeting in Denver, Colorado on Thursday, July 11, 2019.

Jeff Wright, Audit Committee Chair, confers with Jason Poteet, Joint Interest Committee Vice Chair, prior to the start of the Audit/Joint Interest Standing Committee meeting

COMMITTEE NEWS

JOINT INTEREST
STANDING COMMITTEE



JONATHAN BEENE,
CHAIR

The South's Grand Hotel, The Peabody Hotel, Memphis, Tennessee, provided a wonderful setting for the Spring meeting. The old hotel with modern amenities was an excellent representation of the oil and gas industry and technology. With a drone presentation at the Emerging Issues meeting and the continued work on AG-28, Real Time Operations Centers and the new Model Form 20XX Accounting Procedure, we saw firsthand how incorporating new technology will keep oil and gas a grand industry.

During the joint session with the Audit Standing Committee, the draft 2 of AG-28, Real Time Operations Centers, was reviewed. Comments for draft 2 are due to Deb Retzloff, dbn.retzloff@gmail.com, before August 2. There was also an update for the new Model Form Accounting Procedure. Comments were received from six societies, seven companies and five individuals. Comments are available on the COPAS website in the members area/draft publication.

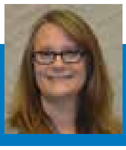
In addition to the document updates, Ryan Woolery presented the CEPS control panel report, Lucas Vaughn recapped the Emerging Issues meeting, Tammy Miller-Davidson gave the Board of Directors report, and Mike Cougevan provided a history of the Vehicle Rates Subcommittee.

During the break between the joint sessions, Tom Wierman was the Honorary Duck Master for the famous Peabody Hotel's morning march of the ducks. Daily the ducks are brought from their penthouse down to the lobby to spend the day swimming in the hotel lobby fountain.

During the Joint Interest Committee's individual meeting, the floor was opened to discuss the new Model Form. The major topic of discussion was that MFI's are not being referenced in the Model Form, just the MFI attributed to the Accounting Procedure. Since there were many First Timers in attendance, Karla explained what a Model Form is and the function of the Model Form Interpretation. A straw poll will be sent to each society with the goal to get as many societies' input and a consensus on the issues needing a clear direction. With the remaining time, Colorado's new regulations were discussed and how they might affect long-lead AFEs and 24 Month Limitations.

I strongly encourage you to participate in your societies' comments on the new documents and attend the next COPAS meeting. These documents will help shape the future of our industry and it is important to have as wide of a viewpoint as possible.

REVENUE COMMITTEE



REBECCA PARIS,
CHAIR

The Spring Revenue Committee meeting was made even more special by our locale, the historic Peabody hotel in downtown Memphis where the ducks are still escorted from the roof to the fountain in the elegant lobby each morning then marched right back up every evening. The Peabody Duckmaster was our opening speaker filling us in on the wonderful history of both the hotel and the city of Memphis.

One of the many speakers for the Revenue Standing Committee meetings.

At our Revenue Committee meetings, we heard a wide range of speakers ranging from our first speaker, Pam Akpotaire, Vice Chair of the Revenue Committee, discussing effective meetings, followed by Dr. Rachel Carter with Mississippi State University's Forest and Wildlife Research Center, who discussed owner relations within Mississippi's burgeoning natural gas play, to our last speaker, Mr. Scott Ausbrooks the Deputy Director and Assistant State Geologist for the Arkansas Geological Survey. Between speakers we learned from our guests, Amy Lunt and Kim Jackson of the Office of Natural Resources Revenue, that the 2016 Federal Oil and Gas Valuation Rule Repeal was vacated in District Court, and the charter for the Royalty Policy Committee stood up under prior Secretary Zinke was not renewed under newly sworn in Secretary Bernhardt. Mike Foster and Nate Wolf of ConocoPhillips brought us up to speed on the Legislative and Regulatory updates. Jay Snodgrass with MineralSoft, recently brought into the DrillingInfo fold, spoke of the impact of technology advances and big data analysis on our work as Accountants. Richard Mason with Hart Energy discussed trends and challenges in the U.S. tight formation oil and gas market. Jeff Sissom, Supervisor of the Gas Portfolio Management Group, Memphis Light Gas and Water, dazzled us with the ins and outs of natural gas marketing for a metropolitan area. So much going on in Oil and Gas Revenue, and conferences like ours help us all stay on top of the latest! All in all, we had amazing food, outstanding music, camaraderie, and knowledge sharing. I couldn't have asked for anything more.

In addition to our speakers and 8.5 hours of CPE, we discussed expanding our meeting topics by adding more Midstream discussions, and even paired a couple of our subject matter experts with a Revenue Accountant needing answers about her gas plant statement. Making connections and learning from the best is what we do every time we meet.

The Fall meeting will be held in Tulsa, Oklahoma this September 16 – 20, 2019 when PASO-Tulsa will be celebrating their 90th year. This will also mark the beginning of a subgroup dedicated to revamping the COPAS Severance Tax Guides. We hope to see you there!

SMALL OIL AND GAS COMPANIES Committee

NANCY BROWN,
CHAIR

The Spring meeting of the Small Oil and Gas Companies Committee was held on Thursday, April 25, 2019 in Memphis Tennessee. There were 42 attendees, representing 14 societies.

We had three presentations and offered 3 hours of CPE. Our first speaker was Pat Ashcraft with Towerstone Wholesale Insurance Brokerage who gave an overview of operator well insurance. Todd Burchett with BKD presented Forensics in the Energy Space. It was an update on the current trends in fraud and ways to reduce fraud risks. John Banas, My Compliance Manager, presented a review of new features in software for Joint Venture Audits and Contract Compliance.

We are busy planning our next meeting, which will be at the 2019 Fall Conference in Tulsa, Oklahoma. We always try to have engaging speakers and current topics that pertain to Small Oil and Gas. If you have a topic that you would like addressed by the committee, please email me at nbrown@stephenspro.com.

The Small Oil and Gas Companies Committee works to find speakers to address issues faced by smaller companies or for personnel who wear many hats at their company.

JOINT INTEREST & AUDIT STANDING COMMITTEE MEETING
EMERGING ISSUES CASE STUDIES

THURSDAY, JULY 11 2019
8:30 a.m. to 4:00 p.m.

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 by calling the hotel directly to ask for the COPAS group rate. (303) 321-3333. If you book online, the group code is COP. Room block expires June 9. The rate is good three days before and three days after the meeting date.

REGISTRATION WILL OPEN MAY 1. MEETING AGENDA TO BE ANNOUNCED.

https://doubletree.hilton.com/en/dt/groups/personalized/R/RLDV-DT-COP-20190709/index.jhtml?WT.mc_id=POG.

COPAS HISTORY

Congratulations to the Petroleum Accountants Society of Arkansas on your Fifth Anniversary as a Participating Society.

Admitted April 24, 2015, Fort Worth, Texas.

VOTING RESULTS

SPRING 2019

- [ ] Minutes of Fall 2018 Meeting (majority) **Approved**
- [ ] 2020 Membership Assessments (majority) **Approved**
- [ ] Admission of East Texas as a Participating Society (2/3) **Approved**
- [ ] Bylaws Amendment (2/3) **Approved**
- [ ] Audit Per Diem Rate Effective April 1, 2019 (majority) **Approved**
- [ ] Overhead Adjustment Factor Effective April 1, 2019 (majority) **Approved**
- [ ] Loading & Unloading Rates Effective April 1, 2019 (majority) **Approved**
- [ ] Workers Compensation Insurance Manual Rates Effective April 1, 2019 (majority) **Approved**
- [ ] Excluded Amount Effective April 1, 2019 (majority) **Approved**
- [ ] Automotive Rates Effective April 1, 2019 (majority) **Approved**

SAVE THE DATE

2020 FALL MEETING | SEPTEMBER 21-25, 2020

SIRATA BEACH RESORT, ST. PETERSBURG, FLORIDA

HOSTED BY PERMIAN BASIN

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.

OFFSHORE DRILLING

Several bills have been introduced by new Democrats in the US House of Representatives attempting to block President Trump's proposal to expand offshore oil and natural gas drilling around the country. These bills include, among others, US HR 279 (prohibits oil and gas leasing off the coast of California), US HR 287 (prohibits leasing off the coast of New England), US HR 309 (prohibits drilling in the Arctic Ocean); US HR 205 (Protecting and Securing Florida's Coastline) and US HR 310 (prohibits drilling off the coast of California, Oregon, Washington). Meanwhile, Walter Cruickshank, the Bureau of Ocean Energy Management (BOEM) acting director, said on March 6 that the Trump administration is due to unveil its revised 2019-2024 Outer Continental Shelf oil and natural gas leasing plan within weeks. BOEM's proposal to allow drilling in more than 90% of the Outer Continental Shelf's coastal waters drew opposition from many lawmakers in coastal states, but it's unclear yet if any states will be excluded from the plan. On March 29, U.S. District Judge Sharon Gleason of Alaska ruled that an executive order revoking an Obama-era ban on oil and natural gas drilling in the Arctic Ocean and portions of the Atlantic Ocean is "unlawful and invalid" Gleason said President Trump exceeded his authority when he reversed the bans and noted that only Congress has the power to reopen those waters to drilling. In addition to federal efforts to limit offshore development, some State legislators have introduced Bills in 2019 to limit offshore development in state jurisdictional waters, including, New York (SB 2316), South Carolina (SB 296), Massachusetts (SD 2204, HD 1614), Connecticut (HB 6012, SB 588), Maine (LD 955), and Hawaii (SB 259).

HYDRAULIC FRACTURING

A few states have introduced legislation to not allow or cease to allow hydraulic fracturing in oil and gas drilling, including, Florida, which refers to the practice as 'advanced well stimulation' (HB239, SB146), Massachusetts (SD 130, 425), Michigan (HB 4474), Washington (SB 5145), Arizona (HB 2498,SB1197), Connecticut (SB 753), Illinois (five Bills pending), New York (six Bills pending), and Oregon (HB 2623).

WELL SETBACK REQUIREMENTS

Four states have introduced legislation to implement or modify the setback requirements of new oil and gas wells from residences and other public locations. These include, California (AB 345 requiring a 2,500 ft. setback from residences, schools, child care facilities and playgrounds), Colorado (the Colorado Oil and Gas Conservation Commission changed their rules to require a 1,000 foot setback from school property lines vs. from a school building), Michigan (HB4317 to increase spacing from 450 feet to 2,000 feet), Texas (SB 1156 to increase spacing to 1,500 feet from a school or child care facility). Additionally, the U.S. House has introduced HB 1333 to set spacing of federal wells at 1,500 feet from homes, schools, businesses, other buildings.

Alaska

The first session of the 31st Alaska Legislature was gaveled open January 15 and expected to adjourn May 15. Both the Senate and House have passed their versions of the operating budget, and a conference committee is currently working to reconcile the differences. The Administration introduced **HB134/SB111**, Oil and Gas Lease: DNR Modify Net Profit Share on April 15. This proposal makes statutory changes to allow DNR to modify net profit share leases (with the consent of the Lessees) upon a clear and convincing showing that "required additional capital expenditures to prolong the economic life of an oil or gas field or pool would make future production no longer economically feasible. Given the lateness in the current session, no action on this proposal is anticipated until next year.

SB14 was proposed by Sen. Wielechowski to repeal the per barrel tax credits in the oil and gas production tax. This is a persistent proposal by the senator, but not one which is expected to get much traction in the conservative, pro-business Senate.

BLM

Security and Measurement Rules

As part of President Trump's goal to reduce the burden of federal regulations that hinder economic growth and energy development, the Bureau of Land Management revoked, suspended or rewrote several rules enacted or proposed by the Obama administration. These new rules are now codified as CFR 3173 (Site Security), CFR 3174 (Oil Measurement) and CFR 3175 (Gas Measurement).

While the measurement rules primarily pertain to allowable field equipment and requirements for the operation and testing of that equipment, the Site Security rules also have some new reporting and/or accounting requirements. These include the establishment of a new nationwide process for designating official points for royalty measurement, known as **facility measurement points (FMP)**. FMPs are described as a BLM-approved point where oil or gas produced from a Federal or Indian lease, unit PA or CA is measured, and the measurement affects the calculation of the volume or quality of production on which royalty is owed. FMPs may include allocation facilities if not part of commingling and allocations approved after July 9, 2013. The producer will submit applications to a new BLM site to obtain FMP numbers. The Site Security rules also introduce new standards for commingling approvals, new guidelines for off-lease measurement and the filing of site facility diagrams. The new rules also require the BLM to develop a **Production Measurement Team (PMT)** responsible for evaluating all measurement equipment used in the field by make, model, size and flash version as well as

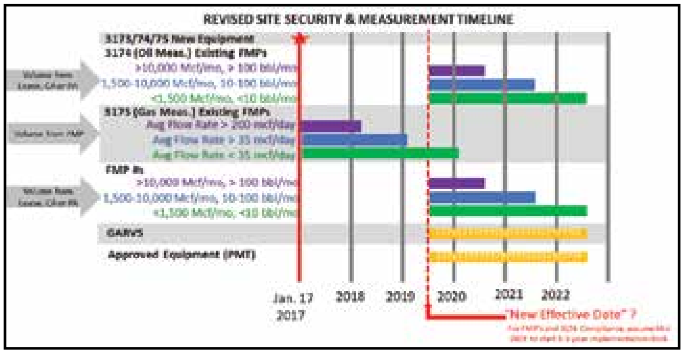
GET PLUGGED IN

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

the software systems utilized for data management. From that evaluation, the PMT will publish a list of approved equipment. The rules also call for the development of a **Gas Analysis Reporting and Verification System (GARVS)** for producers to use to periodically file mandatory well analysis information.

The original implementation date for the new rules was January 17, 2017. All new equipment installed after that date was to have met new measurement and reporting requirements immediately and equipment existing before that date would be allowed a three-year "phase-in" period based upon the average production from the facility. In addition, producers would be granted a three-year phase-in period to apply for and begin using FMP numbers. The BLM has published various Instructional Memorandums (see IM 2017-032, IM 2018-069) and Master Letter to Operators (see July 18, 2018 letter) delaying the implementation dates for portions of the new rules. These delays have created much confusion throughout industry regarding the effective dates of the new rules and the timeline for compliance. The following is believed to be the latest implementation timeline, although the BLM has indicated that the FMP application process may be delayed yet another year until mid-2020.

- Measurement equipment at all FMPs installed after January 17, 2017 must meet 3174 and 3715 standards immediately, with the exceptions for the requirements to use BLM-approved equipment and to enter gas analysis data into GARVS.
- The FMP registration system will be implemented sometime in 2019. Industry will have 1, 2 or 3 years to submit FMPs after that depending upon the relative production of their facilities. The three-year phase-in timeline for Oil Measurement under 3174 will coincide with the timeline for applying for FMPs.
- The BLM later clarified by IM 2018-069 that previous Onshore Order 4 and Order 5 rules would apply until existing facilities completed their phase-in to the new rules.
- PMT approved equipment listing and GARVS will be delayed beyond January 19, 2019.



<u>Waste Prevention Rule (aka Venting & Flaring) (Codified as CFR 3179)</u>

On November 18, 2016, the BLM published in the Federal Register a rule entitled, "Waste Prevention, Production Subject to Royalties, and Resources Conservation" ("2016 Final Rule"). The 2016 final rule was effective January 2017 and replaced the BLM's existing policy, NTL-4A. NTL-4A had governed venting and flaring from BLM-administered leases for more than 35 years. Due to confusion, uncertainty and contention over the new rule, the BLM announced on December 7, 2016 that it would suspend or delay certain requirements of the 2016 Rule until at least January 17, 2019. This suspension set about a series of legal challenges by various State regulatory agencies and industry associations. The BLM subsequently published a more streamlined set of Rules on September 18, 2018 (the 3179 Replacement Rules) effective from November 2018. The Replacement Rules are like NTL-4A rules and give significant deference to existing State regulation governing Venting and Flaring.

The Waste Prevention Rules state per 3179.5 that royalty is due on all avoidably lost oil or gas and that royalty is not due on any unavoidably lost oil or gas. The definition of avoidably lost differs between the original regulations (NTL-4A), the 2016 Final Rule and the 2018 Replacement Rule. The BLM has clarified that the time period in which venting and/or flaring occurred dictated which set of regulations governed the venting and/or flaring event and hence the determination of volumes subject to royalty. A summary of the three applicable regulation periods is shown below:

- NTL-4A – fully in effect from 1981 to January 2017
- 43 CFR 3179 (2016 Rule) – parts in effect from January 2017 to November 2018
- 43 CFR 3179 (Replacement Rule) – fully in effect from November 2018 to present

The ONRR published a Dear Reporter Letter, dated April 09, 2018, providing new OGOR-B disposition codes for reporting royalty bearing Vent and Flare volumes. These were effective with July 2018 sale date to be reported to the ONRR with the September 2018 OGOR report submissions. The new Codes are Disposition code 33 (Flared Gas – Royalty Due) and Disposition code 63 (Vented Gas – Royalty due). The ONRR has been asked by Industry to clarify how the royalty bearing Vent/Flare volumes are to be reported on the form 2014. Preliminary instructions are to report the royalty bearing volumes using product code 16. The ONRR has also been asked to provide guidance on how royalty bearing vented or flared volumes are to be born between Take-in-kind owners with shared federal royalty burdens.

California

California opened its Legislative session December 3, 2018 and closed sine die May 3. **<u>SB246</u>** was introduced February 11 and is in the Senate Rules Committee. This Bill proposes an oil and gas severance tax on any operator for the privilege of severing oil or gas from the earth or water at the rate of 10% of the average price per barrel of California oil or 10% of the average price per unit of gas.

Colorado

COGCC Increases Setbacks for Oil and Gas Wells to 1,000 Ft from School Facilities

In a unanimous vote on December 18, 2018, the Colorado Oil and Gas Conservation Commission agreed to increase the setbacks for oil and natural gas wells to at least 1,000 feet from school facilities including playgrounds and other outdoor areas under school use. The new rule, to go into effect on January 30, 2019 replaces the old requirements that required a 1,000-foot setback from the building itself, which meant wells could be closer to playgrounds and other outdoor facilities.

Colorado Initiative #22 which aims to raise severance taxes in Colorado was heard by the Secretary of State title board on February 6. The title board approved the single subject rule and the title was set, as well as the petition format. The petition is due August 5. Initiative #22 would increase severance taxes in Colorado by $703,900,000 annually through an increase in the severance tax rate by 5% and the removal of the ad valorem tax credit.

SB181 Protect Public Welfare Oil and Gas Operations (aka Omnibus Oil and Gas Bill) has passed and was signed by the Governor on April 16. The key provisions of this Bill include: clarifying that the mission of the Colorado Oil and Gas Conservation Commission(COGCC) is to regulate oil and gas activities not to foster the development of oil and gas; give local governments the power to regulate oil and gas operations and clarify that local governments can go beyond state regulations; strengthen protections for wildlife; direct air quality experts to adopt common sense rules to reduce harmful emissions including methane; fix and prevent abandoned orphan wells; protect property owners from forced pooling by increasing the threshold required to "force pool" mineral owners. In anticipation of this Bill, the Adams County

Board of Commissioners voted on March 20 to immediately halt any new natural gas and oil development projects within their county.

Illinois

Illinois opened its legislative session on January 9. **HB282/SB3174** amend the Illinois Oil and Gas Act to specify information to be included in an application for a well permit. Also provides that horizontal wells or wells drilled using directional drilling are prohibited from classification as confidential. **SB5716** Requires the written consent of each owner of a mineral interest and each surface owner affected by the removal of minerals if a split estate as a part of the permit application for drilling or hydraulic fracturing.

Indiana

Indiana opened it legislative session January 3 and closed sine die April 24. **SB565** was introduced on January 14. This Bill has passed out of the Tax and Fiscal Policy Committee and was given a 'Do Pass' recommendation. Subsequently, this Bill passed the House as amended but the Senate has dissented to those amendments. This Bill applies to a partial payment of a taxpayer's tax liability. A partial payment will be applied 1) to the tax liability of the taxpayer, 2) to the penalty owed by the taxpayer, and 3) to any interest of the taxpayer. If passed it will become effective July 1.

Louisiana

Louisiana will start their 2019 Legislative Session April 8. Unlike 2018, this year is a fiscal legislative session so there could very well be many severance tax Bills filed during the regular session. There are three Bills of interest. **SB179** is a proposed law to authorize the State to have a lien or privilege on all oil and gas produced on any lands leased by the State Mineral and Energy Board in order to secure payment of royalties and other obligations of the lease.

HB188 was filed on March 26. It establishes a severance tax exemption for oil produced from stripper wells when the price of oil is less than $75 per barrel. For purposes of the trigger price, the Secretary of the Department of Revenue will determine on a quarterly basis, the oil value upon which the exemption will be based. This determination will be based upon the average New York Mercantile Exchange Price per barrel of crude oil per month for the prior three months. Currently, the trigger price is $20.00 per barrel. The effective date has been amended beginning January 1, 2020 through December 31, 2029. **HB256** was filed on March 27. It establishes an exemption from severance taxes (6.25%) on oil produced from incapable wells when the average value of oil is less than $75 per barrel. For purposes of this trigger price, the Secretary of the Department of Revenue will determine on a quarterly basis, the oil value upon which the exemption will be based. This determination will be based upon the average New York Mercantile Exchange Price per barrel of crude oil per month for the prior three months. The effective date has been amended beginning January 1, 2020 through December 31, 2029.

Massachusetts

Massachusetts began their 2019 Legislative Session on January 3. **Senate Docket 126** is a proposal that no new natural gas compressor stations shall be located in an area which is less than 0.5 miles in linear distance from: (i) a playground (ii) a licensed day care center (iii) a school (iv) a church (v) an environmental justice population neighborhood (vi) an area of critical environmental concern (vii) a waterway (viii) an area occupied by residential housing.

Mississippi

Mississippi convened their General Assembly on January 8 and concluded on April 2 with no new legislation of significant impact upon Industry.

Montana

Montana convened their General Assembly on January 7 and ended sine die April 25. **SB28** removes the $54 price trigger for the Incremental Production from a tertiary well. However, the $54 price trigger will attach to the New or Expanded Secondary Recovery production. This Bill passed and has been signed by the Governor with an immediate effective date. **HB213** was introduced January 15. This Bills establishes that Stripper well bonus production is subject to a reduced tax rate only if the average price reported and received by the producer for Montana oil marketed during a calendar quarter is less than $54. (The $54 price trigger has originally been tied to West Texas intermediate crude oil). **HB213** was heard in the House Taxation Committee, where it passed 14-4, with two amendments. The Bill was amended in committee to include stripper well exemption production along with bonus production. That amendment applied the same Montana market price of $54 per barrel for tax purposes to exempt stripper wells. The second amendment changed the effective date immediately to July 1. The Senate Taxation Committee heard the Bill and concurred with the amendment. The Bill was further amended in the Senate Tax committee to remove an additional reference to WTI price regarding stripper well tax rates. This Bill was passed and signed by the Governor with an effective date of July 1. **HB656** amends the privilege and license tax and the tax for the oil and gas natural resource distribution account from: *may not exceed 0.3% to: is 0.3%*. This Bill has passed and is awaiting the Governor's signature. **SB41** eliminates the requirement that bids for oil and gas lease sales must be made orally. The Bill passed and awaiting the Governor's signature.

New Mexico

New Mexico's Legislative Session opened January 16 and ran through March 18. **SB553** was enacted on April 4 stating that the Oil Conservation Commission may establish by rule a schedule of administrative filing fees, application fees and permit fees sufficient to cover the reasonable costs of the oil conservation division of the energy, minerals and natural resources department in reviewing, implementing and enforcing the terms and conditions of a granted order, application or permit pursuant to the Oil and Gas Act. **HB546** was enacted on April 3. This Bill is known as the Produced Waters Act (aka the Fluid Oil and Gas Waste Act) and enables working interest owners to hold a possessory interest in produced water, recycled water or treated water, and can convey, transfer and sell this water and retain the proceeds.

North Dakota

The North Dakota's legislature session opened January 3 and adjourned sine die April 26. **HB2312** was introduced January 17 and moved through the Finance and Taxation Committee to the Senate

Appropriations Committee. It has passed the Senate, House and signed by the Governor. This Bill adjusts the allocation of revenue from oil and gas gross production and oil extraction taxes on the reservation. The tribe will receive 80% of the total revenues and be subject to all exemptions from oil and gas gross production and oil extraction taxes attributable to production from trust lands on the reservation and on trust properties outside reservation. The state will receive the remainder. The tribe will also receive 20% of the total oil and gas gross production and oil extraction taxes collected and be subject to all exemptions from all production attributable to non-trust lands on the reservation in lieu of the application of tribal fees and taxes related to production. The state will receive the remainder. This Act will be effective for all new oil and gas wells drilled after June 30 and that are subject to this agreement, or the first day of the next succeeding month after the date of this agreement whichever is later. This Bill was amended to establish a Legislative Management Committee that will deal with Tribal taxation issues and given an expiration date of July 31, 2021. **HB1439** was introduced January 14 and has passed out of the Senate as well as the House, and subsequently signed by the Governor. This Bill proposes that the incremental production from a tertiary recovery project that injects more than 50% carbon dioxide and has been certified as a qualified project by the industrial commission is exempt from the oil extraction tax for *20 years*. To qualify for the exemption, the project must be located *outside* the Bakken and Three Forks formations and must use carbon dioxide produced from coal. This Bill also proposes that the incremental production from a tertiary recovery project that injects more than 50% carbon dioxide produced from coal and has been certified as a qualified project by the industrial commission is exempt from the oil extraction tax for *10 years*. To qualify for the exemption, the project must be located *inside* the Bakken and Three Forks formations and must use carbon dioxide produced from coal. If passed it will be effective July 1.

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

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

1. The lease, property, or well name or any lease, property, or well identification number used to identify the lease, property, or well; provided, that if a lease, property, or well identification number is used the royalty owner must initially be provided with the lease, property, or well name to which the lease, property, or well name refers.
2. The month and year during which sales occurred for which payment is being made.
3. One hundred percent of the corrected volume of oil, regardless of ownership, which is sold measured in barrels, and one hundred percent of the volume of either wet or dry gas, regardless of ownership, which is sold or removed from the premises for sale, or sale of its contents and residue, measured in thousand cubic feet.
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 <u>net</u> price received by the producer <u>after all</u> 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 natural gas liquids sold during the period for which payment is made. The price must be the net price received by the producer after all deductions. All deductions are to be explained pursuant to subsection 6.
5. Total amount of state severance and other production taxes.
6. The amount and purpose of each deduction made, identified as transportation, processing, compression, or administrative costs.
7. The amount and purpose of <u>**each adjustment or correction made**</u>.
8. Net value of total sales after deductions.
9. Owner's interest in sales from the lease, property, or well expressed as a decimal.
10. Owner's share of the total value of sales prior to any tax deductions.
11. Owner's share of sales value, less deductions.
12. An address where additional information may be obtained, and any questions answered. If information is requested by certified mail, the answer must be mailed by certified mail within thirty days of receipt of the request.

Ownership Interest Information Statement:
Within 120 days after the end of the month of the first sale of production from a well or change in the spacing unit of a well, the operator or payor shall provide the mineral owner with a statement identifying the spacing unit for the well (and the effective date of the spacing unit change if applicable), the net mineral acres owned by the mineral owner, the gross mineral acres in the spacing unit, and the mineral owner's decimal interest that will be applied to the well. The NDIC continues to work with industry through the North Dakota

Petroleum Council to define the exact check stub and owner interest information statement requirements.

HB1077 was enacted March 28 allowing the State Auditors to Audit Federal Mineral Royalties per section 1735(a) of the Mineral Lands and Mining Act. **HB2044** provides for penalties for tampering with oil and gas facilities. This Bill categorizes certain oil and gas-related facilities as critical infrastructure and provides enhanced penalties for tampering with or damaging those facilities. **SB2123** relates to the confiscation of equipment for reclamation costs. It was enacted on March 6 and includes pipelines, production facilities, saltwater handling facilities, and treating plants to the list of structures that may be seized for repayment of plugging and reclamation costs. **SB2212** was enacted April 10 and enables the Board of University and School Lands to impose a civil penalty of $1,000 per day if records requested to audit royalty payments on State lands are not provided within 30 days of request by registered mail. **SB2344** relates to pore space and oil and gas Production. This Bill, while acknowledging that open pore spaces beneath the ground are owned by the surface owner, attempts to clarify that there is a difference between “use” of the open pore spaces during water and CO2 injection and the “damage” of the pore spaces by such use. The Bill was in response to a 2017 ND Supreme Court Ruling (Mosser v. Denbury Resources) which held that per the Oil and Gas Production Damage Compensation Act, a mineral developer has the right to use a surface owner’s pore space for the operation of a saltwater disposal well, but that compensation must be provided for use of that pore space. The ruling raised concerns that that compensation for pore space use may be extended to neighboring landowners due to injection plume migration, thus jeopardizing the economics of injecting carbon dioxide for enhanced oil recovery, temporary underground storage of natural gas, and produced saltwater disposal operations. After last minute adjustments related to natural gas storage and additional clarity on protections afforded to disposal well contracts between SWD operators and landowners this Bill passed both chambers and was signed by Governor Burgum on April 18. **HB1392** was enacted on March 25 to provide clarification on the confidential status of information submitted to the Land Board for audit purposes. **SCR4010** directs a study of post-production cost deductions from royalty payments.

Office of Natural Resource Revenue

David Bernhardt New Secretary of the Interior

David Bernhardt who had been serving as Acting Secretary since the resignation of Ryan Zinke was confirmed as the new Secretary on April 11. Bernhardt, a skilled policy expert has been instrumental in setting most of the department’s key policy decisions since joining the department in August 2017.

U.S. District Court Vacates ONRR’s Repeal of 2016 Valuation Rules

On March 29, the U.S. District Court for California’s Northern District ruled in favor of California and New Mexico in State of California, et al., vs. United States Department of the Interior, et al and vacated the ONRR’s repeal of its 2016 Federal Valuation Rules. The ONRR anticipates publishing notice in the Federal Register within a few weeks to advise industry that the 2016 Rules are now in effect. Industry will be expected to be compliant with the rules on the first of the month following 180 days from their Federal Register publication. Reporters who comply within the six months timeframe should be able to avoid non-compliance civil penalties. The ONRR has also indicated that the 2016 Rules will be retroactive to January 1, 2017 and that reporters will be expected to adjust prior period reporting to that date within the allotted six months from the Federal Register notice. Some of the major changes in the 2016 Rules from current rules include: The classification of deep water gathering as disallowed gathering vs. allowed transportation; the institution of default pricing provisions to value federal gas when a payors gas price is 10% lower than the ‘lowest reasonable gas price’ or the payor’s transportation deductions are ten percent higher than the “highest reasonable transportation rate”; the disallowance of pipeline losses in non-arms-length sales; the disallowance of transportation factors; the removal of a payors ability to exceed the 50% transportation allowance cap or the two-thirds processing allowance cap; discontinuance of the 1.3 BBB multiplier in calculating arms-length allowances; the ability to use an index pricing formula for non-arms-length gas sales; the requirement that all percentage-of-proceeds contracts (both arms-length and non-arms-length) be reported as processed transactions; the revocation of extraordinary processing allowances and the cancellation of those extraordinary processing allowances previously approved, the elimination of accounting for comparison on federal gas, the valuation of royalty-bearing vent or flare at default or index prices instead of gross proceeds prices. The 2016 Rules will not impact Indian Gas Valuation and have minimal impacts upon Federal Oil valuation. The 2016 Rules still require producers to place gas into marketable condition at no cost to the federal government meaning that unbundling may still be required for those not valuing under the new Index Price equation.

ONRR Civil Penalty Assessment

On August 6, 2018 the District Court for the District of Wyoming ruled in favor of the government in API v. United States Department of Interior, Case 17-CV-083-F. The API had sought review under the Administrative Procedure Act the ONRR’s August 2016 amendment to its civil penalty regulations. The API claimed that the amendment allowed the ONRR to assess the harshest penalty provisions on most, if not all, paperwork errors committed by federal and Indian mineral payors in contrast to the intent of Congress per the Federal Oil and Gas Management Act (FOGRMA) of 1982. On February 15, the API filed an appeal to the August 6, 2018 decision. **Background information**

regarding ONRR Penalties: The maximum daily penalties from FOGRMA of $500, $5,000, $10,000, and $25,000 for the four tiers in §§ 1719(a)-(d) respectively were increased on February 15 to $1,251, $12,510, $25,037 and $62,595. See ONRR Civil Penalties website, *available* at https://www.onrr.gov/compliance/civil-penalties.htm

Ohio

HB 55 amends sections 1509.30 and 1509.99 of the Ohio Revised Code to require the owner of an oil or gas well provide a royalty statement to the royalty interest holder with prescribed data elements.

Oklahoma

The Oklahoma legislative session opened February 4 and adjourned May 26. **HB2233** amends 52 OS 570.10 and existing royalty payment regulations to state that "Royalty interest owners who are over the age of 65 and who are receiving royalty checks from a producing oil and gas well shall have no expense deduction greater than 10% deducted from their royalty proceed payments." **HB1219** The Corporation Commission shall promulgate such rules as necessary to facilitate the investigation of damage claims occurring to existing vertical or lateral wells caused by drilling or other well operations of a nearby well. Prior to the filing of any action in district court, a party claiming damages shall request an investigation and seek a report from the Commission stating whether actual damages to a well occurred. A determination that damage to a well occurred and a report of the Commission findings shall be made available to interested parties. **HB2111** creates an eight-member Oil and Gas Regulatory Modernization Commission to study the impact of new drilling activity on existing wells, both vertical and horizontal and to identify processes to resolve disputes from well communications.

Pennsylvania

HB178 was introduced January 28 and is in the House Environmental Resources and Energy Committee. This Bill institutes a natural gas severance tax beginning July 1. The severance tax rate is 3.5% of the gross value of natural gas and natural gas liquids. The tax rate will be adjusted annually on July 1 based on the Pennsylvania hub price. When the average Pennsylvania hub price in the prior calendar year is between $0 and $2.50, the adjusted tax rate is 3% of the gross value; when the average hub price is between $2.51 and $3.00, the adjusted tax rate is 4% of the gross value; and when the average Pennsylvania hub price in the prior calendar year is greater than $3.00, the adjusted tax rate is 5% of the gross value. Exemptions include stripper well; natural gas sold and delivered by an operator at or within five miles of the producing well for the processing or manufacture of tangible person property; natural gas provided free of charge to the surface owner; and natural gas, dry natural gas, or natural gas liquids severed from a storage field. Credits for impact fees are allowed. **SB183** was introduced February 1 and is in the Senate Education Committee. This Bill establishes the Pay It Forward Pay It Back program for the purpose of awarding loans to eligible students. This Program will be funded by imposing a natural gas severance tax on every unconventional gas well. The amount of the natural gas severance tax is set to be 5% of the gross value severed at the well. **SB457** was introduced March 19 and is in the Senate Environmental Resources and Energy Committee. This Bill establishes an Extraction for Education and Environmental Protection Tax which will be levied on every producer for the severance of natural gas. The tax will be imposed at the rate of 5% of the gross value of the units severed measured at the wellhead during a reporting period. A credit equal to the producer's total payment of the unconventional gas well fee imposed under Chapter 23 can be used to offset this tax liability. Beginning date will be July 1. **SB468** was introduced March 21 and is in the Senate Environmental Resources and Energy Committee. This Bill establishes a natural gas severance tax on every producer. For the 2020 calendar year and each calendar year thereafter, the 5% severance tax will be imposed on the gross value of the units severed at the wellhead. **SB282** establishes an impact fee for natural gas and oil pipelines. It defines an "Impact Pipeline" as a pipeline which is a transmission and gathering line for oil or natural gas. It further proposes that the Pennsylvania Public Utility Commission shall collect from each person utilizing an impact pipeline a fee based upon acreage of linear feet plus right-of-way width using the county average land value in an affected area. The impact fee shall not be imposed upon an impact pipeline already in existence.

The Pennsylvania Supreme Court ruled on December 28 in the Snyder Bros. v PUC case. The Supreme Court ruled that wells must produce less than 90mcf/day in "ALL" calendar months of the year in order to be exempted from impact taxes. The Supreme Court concluded that, under the relevant provisions of Act 13, the impact fee will be imposed on such wells if their production exceeds 90,000 cubic feet of natural gas per day for even one month of the year, as found by the Public Utility Commission. Therefore, the Supreme Court reversed the Commonwealth Court's order which had reversed the PUC. Consequently, the Supreme Court reinstated the PUC's order. The PUC is in the process of generating invoices for shale gas producers who disputed and did not pay impact fees on some wells in recent years based on this legal debate.

Texas

Texas opened its legislative session January 8. **SB214** relates to funding for the economic stabilization fund by changing the severance tax rates of oil and gas production when the economic stabilization fund is greater than 10% of the prior fiscal year's total net general revenue. **SB214** takes effect January 1, 2020 only if **SJR21** constitutional amendment is approved by the voters. **SJR21** proposes a constitutional amendment to provide for foregoing the transfer of oil and gas production tax revenue to the economic stabilization fund if the ending fund balance for the preceding fiscal year is greater than 10% of the prior fiscal year's total net general revenue related collections and for reducing the rates of oil and gas productions taxes by amounts enough to equal the foregone transfer. **SB533** was introduced January 30 and **HB1558** was introduced February 8. **SB533** has passed the Senate and House and is headed to the Governor; **HB1558** has been postponed and laid on the table in lieu of its companion Bill. Two-Year Inactive Well is described as a well that has not produced oil or gas in more than one month in the two years prior. The term does not include a well that is part of an enhanced oil recovery project or a well that is drilled but not yet completed. The exemption period has been shortened to five years from 10 years. This Bill will be effective September 1, 2019. **SB925** was filed on February 20 and was passed both the Senate and now the

House. This Bill relates to the calculation of daily production for low-producing wells and leases. Production per well per day is determined by computing the average daily production from the well using the greater of the monthly production from the well as reported in the monthly well production reports made to the commission, and the monthly production from the well as reported in the producer's reports made to the comptroller including *any amendments* to those reports. If successful it will be effective September 1. This Bill is identical to **HB3865** which has been laid back in lieu of its companion **SB925**. **SB1417** was filed March 1 and has been left pending in committee. This Bill relates to phasing out the tax incentive for high-cost gas wells, whereby the high-cost gas application must be filed with the comptroller before September 1, 2019. If successful, this Bill will be effective September 1. **HB2256** and **SB2079** were introduced February 22 and have passed the House and Senate. This Bill relates to procedures for tax auditing and determining amounts of overpayments of gas production taxes due to marketing cost deductions; and authorizes the comptroller to use selected marketing cost sampling in a managed audit if: (1) the comptroller approves the selection of marketing transactions to be used in the sample; and (2) the sampling method complies with generally accepted sampling methods described by Statement on Auditing Standards. **HB2545** was introduced February 27. This Bill relates to franchise tax, oil production tax, and gas production tax incentives for certain desalination facility operations. An entity that produces fresh water at a desalination facility is eligible for a credit against Chapter 171 (Franchise tax). The entity may sell or assign all or part of the credit. An entity to which a credit or part of a credit was sold to or assigned to may apply all or part of that credit against the tax imposed by the Franchise tax or against the oil and gas tax imposed by Chapters 201 or 202. If successful, the Bill will take effect January 1, 2020. **HB2675** was introduced February 27. It has passed out of the House and Senate and is being enrolled. This Bill relates to the repealing language providing for the suspension of certain fees when the balance in the Oil and Gas Regulatory and Cleanup Fund exceeds a specified amount. If successful, this Bill will become effective September 1. **HB3067** was introduced March 4 and was left pending in the Ways and Means Committee. This Bill relates to an oil and gas production tax credit for oil and gas producers that provide produced water for recycling. In determining the amount of the credit, the total number of barrels of produced water is multiplied by the monthly average closing price per barrel of West Texas Intermediate crude oil, multiplied by 3.75% or 2.3% as applicable. The total amount of credits claimed by all producers in each fiscal year may not exceed $25,000,000. Any remaining unused credit balance from the first year of the fiscal biennium may be carried over to the second year of the biennium. If successful, this Bill will become effective September 1. **HB3275** was introduced March 5. This Bill relates to repealing the Flared or Vented severance tax exemption. If successful, this Bill will be effective September 1. **HB3717** was filed on March 7. This Bill relates to an oil and gas production tax credit for oil and gas producers that provide treated produced water to aquifer storage and recovery project operators. In determining the amount of the credit, the total number of barrels of produced water is multiplied by the monthly average closing price per barrel of West Texas Intermediate crude oil, multiplied by 2.3% as applicable. The total amount of credits claimed by all producers in each fiscal year may not exceed $25,000,000. Any remaining unused credit balance from the first year of the fiscal biennium may be carried over to the second year of the biennium. This Bill is very similar to **HB3067** as reported above and **SB1999**. **HB3226** changes the period of pooling unit dissolution from one to two years of no production. **SB817** requires BTU factor to be shown on owner check detail. **SB2064** requires lessees of University of Texas Lands to implement a methane reduction plan to be reviewed and approved by the board of regents of The University of Texas System. SB 1988 states that a payee may not bring action for breach of contract against an oil or gas payor for withholding payments.

Utah

Utah began its General Session January 28 and ran through March 14. **HB389** was introduced February 20, passed both the House and Senate, and has been signed by the Governor. This Bill creates a tax credit certificate process for the well recompletion or workover severance tax credit. To claim a tax credit, a taxpayer will receive a tax credit certificate from the Division of Oil, Gas, and Mining. The taxpayer will need to apply for a tax credit certificate including proof of the taxpayer's payment of expenses during the calendar year as reviewed by an independent certified public accountant. This Bill will have retrospective application to January 1. **SITLA** the School and Institutional Trust Lands Administration has announced that it is proceeding with formal rulemaking and anticipates rewriting its oil and gas rules in May or June 2019.

Virginia

Virginia began its legislative session on January 9 and ended February 23. **SB1165** and **HB2555** are companion Bills. These Bills refer to the local (city or county) gas severance tax that extend the sunset date of January 1, 2020, to January 1, 2022. The local gas severance tax is dedicated to (i) the local Coal and Gas Road Improvement Fund, (ii) the Virginia Coalfield Economic Development Fund, and (iii) water, sewer, and natural gas systems and lines. Please note that Section 58.1-3712 states the following: The governing body of any county or city may levy a license tax on every person engaging in the business of severing gases from the earth. Such tax shall be at a rate not to exceed 1% of the gross receipts from the sale of gases severed within such county. Both Bills have been approved by the Governor. **SB1422** Was signed by the Governor on February 19 and specifies that a lease agreement or other written document conveying a non-freehold estate in land is not invalid, unenforceable, or subject to repudiation by the parties to the agreement because the conveyance was not in the form of a deed. **SB1268/HB2187** allows the formation of gas or oil drilling units; creates the Coalfield Region Elderly Assistance Fund and the Coalfield Region Tourism Fund. It further provides that proceeds of certain gas or oil wells, escrowed because the owner's identity and location remain unknown, are presumed abandoned and paid into the Coalbed Region Elderly Assistance Fund (the Elderly Fund), established by this Bill. The Bill directs the Virginia Gas and Oil Board to make grants to nonprofit organizations for the support of elderly residents of the region. Current law requires such escrowed proceeds to be disposed of pursuant to the Uniform Disposition of Unclaimed Property Act.

West Virginia

West Virginia convened their Legislative Session on January 9 and ended March 9. **HB2673** was introduced January 25, passed both the House and Senate but subsequently vetoed by the Governor. The purpose of this Bill was to exempt low volume oil and gas wells from severance tax, and to provide for a special use fee of 2.5% on sales from oil and gas wells which produce more than 5,000 cubic feet of natural gas or one-half barrel of oil per day but less than 60,000 cubic feet of natural gas or 10 barrels of oil per day. The special use fee will be used by the Secretary of the Department of Environmental Protection to plug abandoned oil and gas wells. If on June 1 of any fiscal year, there exists in the Oil and Gas Abandoned Well Plugging Fund an amount equal to or exceeding $4 million then the 2.5% fee is not due or payable in the following calendar year.

Wyoming

Wyoming began its legislative session January 8 and ended March 10. **SF134** revises the severance tax exemption for shut-in wells and tertiary recovery. It also creates a severance tax exemption for a New Well and Workovers/Recompletions. It further explains how the trigger price is calculated. This Bill was amended by the Senate Appropriations Committee and given a 'Do Pass'. The Amendment now includes natural gas and revises the natural gas prices. The definition of a shut-in well now includes natural gas; and wells that have not produced for at least 6 months. This Bill passed and will be effective July 1.

Crude oil and natural gas produced from shut-in wells is exempt from severance taxes for 24 months rather than the original 60 months. The well must have been shut-in for more than 6 months. The exemption triggers off when the price is above West Texas Intermediate (WTI) of $80.00 or Western Canada Sour (WCS) of $60.00; and when the Colorado Interstate Gas (CIG) price for natural gas price is $5.00 or more per MCF. A 50% exemption is allowed when the price is between WTI $60.00 and $80.00, or between WCS $40.00 and $60.00; or between CIG $4.00 and $5.00.

Incremental crude oil or natural gas production resulting from a tertiary recovery using injection is exempt from severance taxes for 24 months. The exemption triggers off when the price is above West Texas Intermediate (WTI) of $80.00, or above Western Canada Sour (WCS) of $60.00, or above Colorado Interstate Gas (CIG) spot price of $5.00. A 50% exemption is allowed when the price is between WTI $60.00 and $80.00, or between WCS $40.00 and $60.00, or between CIG $4.00 and $5.00 MCF. **OR**, in the case of a tertiary recovery of crude oil resulting from injection of carbon dioxide, the severance taxes paid on the carbon dioxide gas can be deducted and allowed as a credit against the severance taxes imposed on the crude oil. The taxpayer is allowed only one remedy.

Crude oil and natural gas production from new wells on or after July 1, 2019 is exempt from severance taxes for 24 months. The exemption triggers off when the price is above West Texas Intermediate (WTI) of $80.00, or above Western Canada Sour (WCS) of $60.00, or above Colorado Interstate Gas (CIG) spot price of $5.00. A 50% exemption is allowed when the price is between WTI $60.00 and $80.00, or between WCS $40.00 and $60.00, or between CIG $4.00 and $5.00 per MCF.

Crude oil and natural gas production from a capital workover or recompletion is exempt from severance taxes for 24 months. The exemption triggers off when the price is above West Texas Intermediate (WTI) of $80.00, or above Western Canada Sour (WCS) of $60.00, or above Colorado Interstate Gas (CIG) spot price of $5.00. A 50% exemption is allowed when the price is between WTI $60.00 and $80.00, or between WCS $40.00 and $60.00, or between CIG $4.00 and $5.00 per MCF.

The exemptions mentioned above take effect only in months when the previous six-month rolling average of the WTI, WCS, or CIG price is within the range specified. The department will calculate the six-month rolling average based on the monthly average of daily prices for WTI, WCS, and CIG for the preceding six-month period. The department will post these monthly average prices on its website.

Office DEPOT

NATIONAL CHAMBER PROGRAM

Solutions to help your business **SUCCEED**

Here's why choosing Office Depot is right for your business

Savings from the Chamber Program

SAVE UP TO 55%

Technology Cleaning Breakroom Copy & Print

FREE SHIPPING

FREE NEXT DAY DELIVERY ON ORDERS OVER $50

Here are 3 ways you can take advantage of these amazing discounts:

1. Create an Account
https://www.mychamberadvantage.com/chamber_signup

-or-

2. Use a store purchasing card
www.copas.org/files/Office%20Depot%2009.21.2015.pdf

-or-

3. Call your local rep
Becky Custer, (303) 249-6438,
becky.custer@officedepot.com

SAVE THE DATE

APRIL 20-24, 2020 | SPRING MEETING | WASHINGTON, D.C.

WESTIN WASHINGTON DC CITY CENTER

HOSTED BY COPAS OF OKLAHOMA CITY

PLANNED AGENDA

MONDAY, 4/20

COPAS BOD Meetings

TUESDAY, 4/21

BOE Meeting
Leadership Conference
Leadership Dinner at a "sister" steakhouse to a highly acclaimed steakhouse

WEDNESDAY, 4/22

Committee Meetings
Excursion/Tours
Reception at a venue with stunning views overlooking the Potomac River, Kenedy Center, Memorial Bridge, Roosevelt Island, Watergate, Key Bridge, and the Virginia skyline

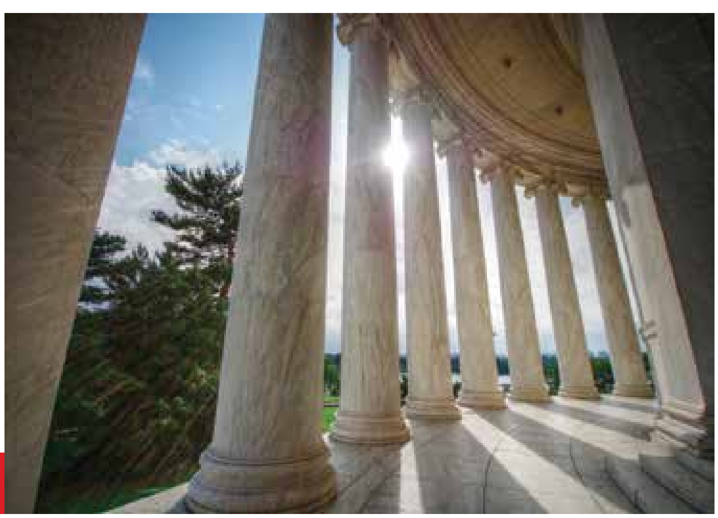
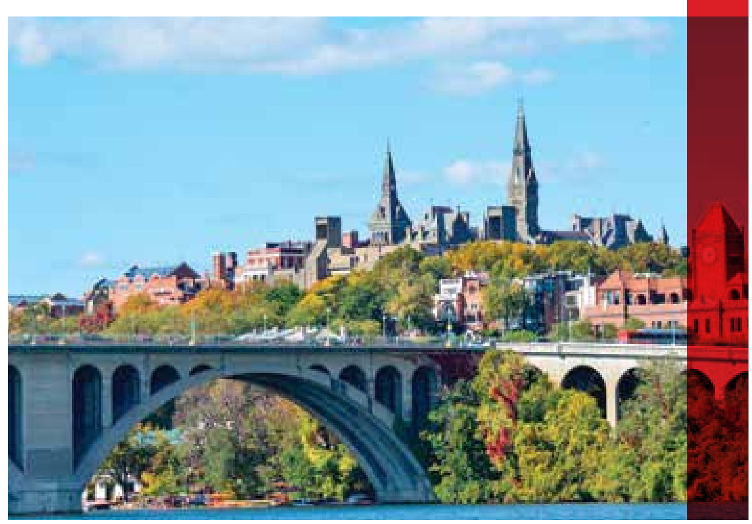
THURSDAY, 4/23

Committee Meetings
Banquet

FRIDAY, 4/24

General Council Meeting



SOCIETY NEWS

The following reports summarize the various society events and speakers held during the last quarter. These reports will perhaps provide some ideas to other societies for speakers or new events that might be tried. All COPAS societies are linked to at least two other societies. This is done for networking purposes and/or additional support. Each society also has a COPAS board representative assigned. Feel free to reach out to the board liaison with questions or needs you might have. Requests can also be directed to the COPAS office or the COPAS Vice President.

COPAS OF **ABILENE**

SHERYL MINEAR,
PRESIDENT

The Abilene Society did not hold their quarterly meeting in March since the meeting time fell at the same time as spring break for classes in Abilene. This enabled the members to spend time with their families.

Two committees have been appointed; the nominating committee and the bylaws review committee. The nominating committee presented nominees for the society's 2019-2020 fiscal year. Since the society's bylaws have not been reviewed for a number of years an updated version has been approved by the membership and will be forwarded to the main office. June is designated as the society's annual business meeting, which is the last meeting of the 2018-2019 fiscal year.

Master Service Agreements, why do we have them; who really needs them; what is the best format for such agreements, especially for small oil and gas operators; are they really beneficial. These are just a few of the questions covered at the June meeting.

The new society officers will take office in September. The society is looking forward to another educational year.

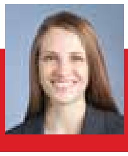
COPAS OF **ARKANSAS**

NANCY BROWN,
PRESIDENT

PAS-ARK met February 20. The JIB/Revenue committee meeting guest speaker was Mr. Pat Ashcraft of Towerstone – Wholesale Insurance Brokerage. Mr. Ashcraft presented on the ins and outs of operator-provided well insurance as required to be provided by the operator per the JOA. All attendees came away with knowledge related to why operators provide well insurance to the joint partners and information pertaining to the various parties involved in the process.

The luncheon presentation was presented by Dr. Gavin Manes of Avansic. Dr. Manes discussed how his company, Avansic, uses various means to find or recreate electronic documents. Various other details were discussed, such as the challenges with retrieving electronic data, technical terms related to the e-discovery field and general information regarding protection of company propriety information.

COPAS OF **COLORADO**



ANDREA KEWLEY,
PRESIDENT

COPAS-Colorado has been privileged to host so many talented speakers who discussed important and relevant topics with our members at our monthly luncheons. Some of the topics include Reserves, Natural Resources Law and an update on the Oil & Gas industry.

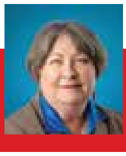
At our April luncheon we held a vote for our new board members. We would like to formally welcome Danyelle McClellan, Kara Van Horn and Ken Nollsch to the COPAS-Colorado board!

Education day was May 21 where we welcomed the following speakers who touched on some interesting topics that included:

- Chris Wright, CEO of Liberty Oilfield Services Inc. – O&G Industry Outlook
- Marty Tschida, Senior Manager at Moss Adams LLP – Colorado Severance Tax Update
- Ralph Cantafio, Partner at Cantafio, Feldmann, Nagel, Margulis PLLC – Colorado Regulatory Update
- Michael Orlando, CU Denver Global Energy Management Professor – Enterprise Risk Analysis
- Kelly Brough, President of the Denver Chamber of Commerce
- Matt Lausten, Partner at Betzer Call Lausten Schwartz – Joint Interest
- Amanda "Jo" Erven, CPA, CFE and CIA – Ethics

A reminder that COPAS Energy Education is committed to delivering the highest quality lifelong learning experience to accounting professionals in the oil and gas industry. They offer a variety of professional CPE classes to meet your needs in a demanding and competitive market.

Reporter, Kelly Blaha



COPAS OF **CORPUS CHRISTI**

ANITA REED,
PRESIDENT

Paul Guilfoyle, Venture Executive of ExxonMobil Chemical's Gulf Coast Growth Venture Project was our March 26 speaker. Paul gave an excellent presentation on ExxonMobil and SABIC jointly building a plastics manufacturing facility in San Patricio County, Texas, just across the bay from Corpus Christi. The abundance of low-cost U.S. natural gas provides a unique opportunity to build this multi-billion-dollar facility. His presentation gave an overview covering the construction timeline, employment outlook, economic engine, ethane feedstock coming from the Texas Shale, products and local economy growth.

We held officer elections at our April 23 meeting. We are looking forward to a dynamic 2019-2020 year with great leadership.

Anita Reed – President
Charlie Stovall – Vice President
Kevin Mihm – Secretary
Lucie Harris – Treasurer
Jane Russell – Assistant Secretary
Donna Lawson - Assistant Treasurer
Cindy Barton – Membership Committee Chair

Matt Garcia, public relations coordinator for the Port of Corpus Christi gave our April 23 meeting presentation, Port Corpus Christi. His presentation discussed how the energy renaissance has been a catalyst for growth in the Port of Corpus Christi, discussing incoming oil and gas volume increases and additional exported volumes and the impact of these additional volumes on the future development of the Port.

Brenda Hottell and Cindy Barton represented COPAS of Corpus Christi at the Spring COPAS Meeting in Memphis. Great job Mississippi!

We ended our fiscal year with a social at Fajitaville on May 23. After a summer break we will begin our 2019 – 20 monthly meetings on September 24, 2019 at Fajitaville.

Reporter – Jane Russell

COPAS OF **DALLAS**

ALEKS JOVANOVIC,
PRESIDENT

We had an outstanding and busy fiscal year. I would like to thank all of the members and the executive committee of the society for contributing to COPAS of Dallas' success.

Below are some of this year's notable accomplishments:

- Hosted 7 luncheons, where a diverse group of speakers presented on various engaging oil and gas accounting related topics.
- Organized a well-attended 8-hour Education Day with 4 hours of Ethics
- Revitalized the New Professionals Group and hosted several Tax, Financial Reporting, Audit & Revenue committee luncheons
- Partnered with Young Professionals in Energy - Dallas (YPE) to sponsor their annual golf tournament and raise awareness of COPAS education
- Renewed a 4-year commitment to the Professional Development Institute (PDI) at the University of North Texas (UNT) to benefit the Institute of Petroleum Accounting (IPA)
- Coordinated the North American Petroleum Accounting Conference (NAPAC) with PDI
- Donated to COPAS for the Mary Frances Hermes COPAS Education fund and to Brookhaven Community College for the new Mary Frances Hermes scholarship
- Donated to the University of North Texas for scholarships to students in pursuit of graduate level oil and gas accounting courses
- Continued the partnership with the Texas Energy Council (TEC) to sponsor the annual TEC Symposium at Southern Methodist University (SMU) by fostering energy & COPAS education.

I look forward to my continued involvement at COPAS of Dallas in the years to come.

COPAS of Dallas has been a significant, long-time supporter of the University of North Texas Institute of Petroleum Accounting using proceeds from the annual North American Petroleum Accounting Conference. Pictured with the IPA Director, Harvey Zimmerman, are Nancy Ashby and Salomon Tristan.

Petroleum Accountants Society of **FORT WORTH**

MARK MCCAGHERN, PRESIDENT

We had another great year at COPAS of Fort Worth, with over 100 members representing various companies throughout the Fort Worth area.

This year we offered technical sessions before our general session lunch (rather than bookending the luncheon session), and we had great member turnout. These technical sessions provided our members additional opportunities for CPE credit and exposure to various topics in the oil and gas industry.

Some of the topics we covered this year were leasing, revenue contract auditing, an overview of the due diligence process for transactions, robotics and automation, the future outlook of oil and gas, oil and gas lease analytics, fraud accounting, and communication protocols.

To finish off the year, we are planning another social/ networking opportunity for our members to attend before summer begins, which we are very excited about!

We have elected new members to the board to help us plan for and execute on the exciting year ahead of us, and to provide our members great topics of interest to learn about and enhance their oil and gas knowledge.

It has been my pleasure to serve the Fort Worth chapter as president this year. Thank you to all of the Board members who served with me, as it was truly a team effort! I also want to thank all of the Fort Worth chapter members for attending all of the meetings and making this year a success; y'all are the ones who really make this chapter what it is.

Thanks again for a great year. Our meetings will resume in September.

Petroleum Accountants Society of **HOUSTON**

SUELLEN KING, PRESIDENT

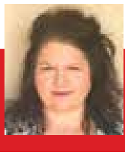
Each year, PASH and the Education Committee are extremely proud to give back to the education of our future shining stars. From the net proceeds received at the prior year Education Day we give back to Houston area Colleges and Universities and their students in the forms of Grants, Sponsorships and Scholarships.

PASH's Education Committee was able to award 6 Grants ($750 each), 9 Sponsorships ($150 each), and 12 Scholarships ($1,000 each) for a total of $17,850. 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.

The recipients of the grants, sponsorships and internships include the following schools and individuals. Representing University of Houston-Downtown (Marvin Williams & Chris Odom), awards were given to Donald Palacios and Julia Martinez. Representing University of Houston-Central Campus (Prof. Barry Teare), awards were given to Priyanshi Kanabar, Eric Lopez, Jacklyn Le and Thao Tran. Representing University of Houston-Clear Lake (Prof. Michael Lacina), awards were given to Jaelyn Greeson and Valerie Guidry. Representing Prairie View A&M (Dr. H Gin Chong), awards were given to DaRell Bratton. Representing Texas Southern University (Dr. Richard Pitre), awards were given to Jaime Garcia Gutierrez and Woian Phipps. Representing University of Houston-Victoria (Prof. Riya Xu), awards were given to Carmen Mott.

Without the help of the committee members, our projects would be difficult to complete. Thank you PASH Education committee.

Petroleum Accountants Society of MISSISSIPPI



KIM PEYTON, PRESIDENT

The Spring 2019 COPAS meeting in now in the history book! The Petroleum Accountants Society of Mississippi enjoyed showing our fellow colleagues some of our southern hospitality by hosting in "The South's Great Hotel" the historic Peabody Hotel in Memphis, Tennessee. The Mississippi Delta begins at the fountain in the center of the lobby and extends down to catfish row in Vicksburg, Mississippi, therefore Mississippi has many ties to Memphis. The Mississippi Delta has given a lot to history to Memphis. Memphis is known as "Birthplace of Blues Music", the only music recognized as truly original to America. Great Mississippi bluesmen include Robert Johnson, who has been called the Grandfather of Rock and Roll and who allegedly sold his soul to the devil in exchange for his guitar talent at the Crossroads (perhaps the intersection of Highways 61 & 49 in the Mississippi Delta), Muddy Waters, Howlin' Wolf, B. B. King and countless others, many of whom made their way up Highway 61 and into Memphis and Beale Street. And there was also a kid who came up from Tupelo, Mississippi named Elvis Presley.

The Mississippi Delta is also home to some of the most delicious and unique food in the world. I know anyone on a diet must have had a hard time staying on it. Well, it was just one week, but how can you be on a diet with the spicy fried chicken, catfish, smoked ribs, collard greens, hushpuppies, and corn bread. We "Put Some South in Your Mouth"!

When we chose Memphis as our meeting location, we had two goals in mind: 1. To show our great southern charm, hospitality, and food. And 2. We wanted to leave a positive impact on the Memphis community. To everyone who attended the Spring meeting will be judge if we met our first goal. As to the impact on Memphis, we were able to provide over 50 pounds of food by partnering with the Union Mission to provide food for the homeless. We also with the help of our fellow COPAS members, we were able to donate $10,000 to St. Jude. Thank you to Tom Wierman for being such a good sport by taking a pie in the face for such a great cause. Tom now has a place in history as the Honorary Duck Master on April 25, 2019. This great tradition dates back 80 years and as many times as we watch the duck walk, they are never the same.

Thank you to everyone who helped Petroleum Accountants Society of Mississippi make the Spring meeting so much fun and great memorable experience.

COPAS of NEW ORLEANS

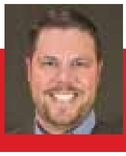
GREG GONZALES, PRESIDENT

COPAS of New Orleans held its annual crawfish boil, a.k.a. April 17 meeting, at NOLA Brewing. Everyone enjoyed the atmosphere, food, and time to socialize. Approximately 50 people were in attendance. We held a trivia contest with the winning team bringing home several coveted COPAS promotional items.

Our last meeting of the year, before taking a summer break, was held Wednesday, May 15. The presenter was Andrina Allen, Investigative Assistant at the U.S. Department of Homeland Security. Ms. Allen spoke about counterfeit detection. She brought several samples of counterfeit currency, which fooled everyone in attendance.

We presented two $1,000 scholarships selected from eight submissions from accounting students attending area colleges and universities at our May 15 meeting. The students appreciated COPAS of New Orleans' support of accounting education.

Our meetings are held the third Wednesday of each month September through May. Additional information about our meetings and activities can be found by visiting our web site at copasnola.org.



COPAS OF **OKLAHOMA CITY**

CRAIG BUCK,
PRESIDENT

Greetings from Oklahoma City! As summer is upon us, COPAS OKC is winding down a great year of society meetings and committee work.

We have had several meetings since our last update, so I would like to take this opportunity to share all of the interesting information we have been learning.

Unfortunately, our February meeting was cancelled due to inclement weather, but we had an early March meeting that included an impressive roster of speakers. Stephen McNamara, an experienced oil and gas attorney, presented in the Small Oil and Gas Committee on the rights and remedies of non-operators under Oklahoma forced pooling orders. Morris Miller, founder of Miller Energy Consulting, provided insights into the process of unbundling gathering and processing fees to our Revenue Committee. Joint Interest (JI) and Audit worked through the latest version of the RTOC and Accounting Procedure documents, while our society meeting concluded with a presentation from Paul Trimble, a Partner at Spencer Fane LLP. Mr. Trimble expounded on the fundamental of the oil and gas lease and how it affects how operators and non-operators do business.

We met on April 16 and had a great meeting that included very useful information to our members. David Smith, an engineer at Le Norman Operating, spoke to our New Professionals Committee about the job functions, challenges, and the future of engineering in the oil and gas industry. Attorney Brandon Baker of McAlister, McAlister, Baker, and Nicklas PLLC covered the basics of production in paying quantities, lifting costs, and oil and gas lease cancellation from a mineral's owner perspective with our Small Oil and Gas Committee. The Revenue committee discussed allocations and other topics they would like covered in future meetings. The JI and Audit Committee dug deep into the new Accounting Procedure draft and discussed possible points of contention in the industry. Richard Spears, founder of Spears and Associates, Inc., headlined our technical session and presented on various oil and gas industry forecasts such as pricing, inventory, and other foreign policy factors.

Our May meeting was our employer appreciation luncheon; no committee meetings were held. Our guests were greeted with gifts and acknowledgement of their efforts and support.

Annual Board of Directors (BOD) elections were conducted with three members elected to a three-year term on the Board.

Our local BOD is currently planning events and meetings for 2019 - 2020. We continue to implement changes and improvements in systems and processes surrounding membership registration, online payments, leadership recruitment and transition, and record retention practices. We hope everyone has an enjoyable summer and will be working hard to start the September meeting with a bang!

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

PETROLEUM ACCOUNTANTS SOCIETY OF **OKLAHOMA-TULSA**

JENNIFER GIBSON,
PRESIDENT

The PASO-Tulsa society continues to have a very productive year. In April, we celebrated our Past President's with a dinner at the Hotel Indigo. Officer Adam Ashley had an amazing presentation on how to survive an active shooter. In May, Evan West of Ernst & Young, presented on the new tax codes. Also, in May, we had our annual family night with a little baseball and fireworks at Driller's Stadium.

We are excited to host the Fall 2019 National Conference held here in Tulsa and look forward to a wonderful event! You do not want to miss it!

Reporter: Heather Polson

EDITORIAL & MATERIALS POLICY

COPAS holds copyrights on a wide variety of materials that have been developed for use by Accounting, Audit, and Land professionals in the Oil and Gas Industry. COPAS Publications are made available for sale though the COPAS office. US Copyright Laws govern the reproduction of these materials.

It is recognized by COPAS that many of these materials, primarily publications, are used for educational purposes by a number of professional development/training organizations and educational institutions. COPAS seeks opportunities to publicize the value of active membership and the work products developed by the COPAS Standing Committees.

COPAS has traditionally granted consent for reproduction of their publications if they are used as part of an established educational curriculum, and included as part of the overall package of training materials provided during the course of instruction. COPAS has not granted consent for wholesale reproduction of its publications for further distribution.

COPAS supports and encourages the use of their copyrighted material, but only for established educational/training purposes, and only if the material is used for reference purposes, and COPAS is properly acknowledged.

COPAS, as a matter of practice and policy, forbids the separate and individual printing of entire COPAS publications distributed as handouts by individuals, training organizations, or educational institutions; this practice violates US Copyright Law and negatively impacts COPAS publication sales.

copas
Council of Petroleum Accountants Societies

Inclusion of extracted portions of COPAS materials in industry-related presentations by representatives of training organizations and educational institutions, such as overhead slides, p/c projection media, and presentation handouts is permissible as long as the entire document is not being reproduced, and COPAS is properly acknowledged.

File transferring/sharing of electronic versions of COPAS publications is not only a copyright violation, but is where COPAS is most vulnerable to lost sales of material. Sharing of electronic files will not be authorized for any purpose with any organization.

Individuals seeking permission to use COPAS materials for education purposes shall contact the Executive Director of COPAS and provide details of themselves and/or their organization, the curriculum and/or presentation, how the material will be used, the target audience, and the time period covered by their request.

AUSTIN SOCIETY FORMATION

An organizing meeting a future Austin Society was held April 30. There was enough interest to take the next steps toward COPAS Participating Society status.

If you or your company are interested in learning more about this expansion effort, please contact the COPAS office copasoffice@copas.org.

Direct contact can be made with **Nancy Mann, Jones Energy (nmann@jonesenergy.com)** or **Heather Jank, Ameredev (hjank@ameredev.com)**

COPAS WELCOMES EAST TEXAS

The East Texas Society became the most recent COPAS Participating Society on April 26. The Council unanimously elected them to full Participating Society status.

From left, Tammy Miller-Davison (COPAS Vice President), Wade Hopper (COPAS President), and Dwayne Thompson (East Texas Society President).

ABOVE, A great turnout of First Time attended the meeting. **BELOW,** Oscar Hartman won the right to "pie" Executive Director Tom Wierman in the face. Oscar "nailed it." Note the whipped cream "cape" around Tom's shoulders.

SPRING COMMITTEE MEETING

April 23-26, 2019
Memphis, Tennessee

RIGHT, Nina Morgan and Quint Withers represented the host society, Mississippi, at Council.

LEFT, Angie Ramirez and Amy Smith represent Permian Basin at the Council meeting. **BELOW,** Doug Weatherford, The Peabody Hotel Duckmaster, provided a great history lesson of the hotel, the origin of the famous ducks, and the region.

TOP MIDDLE, Meetings were well attended, with great speakers and presentations.
LEFT, The famous ducks made a private visit to the opening session.
ABOVE, Kirk Foreman and Keith Sansing listen to a speaker presentation.

LEFT, Quint Withers, Kim Peyton and Oscar Hartman pose with an image of the $10,000 check the Mississippi Society presented to The St. Jude Children's Research Hospital representative. **BELOW,** Daryl Monju represented the Acadiana Society at the Council Meeting.

TOP MIDDLE, David Garza, Carrie Fenton and Nina Morgan. **LEFT,** Carole Tear is recognized for her service to the Education Committee by President Wade Hopper. **ABOVE,** Cindy Barton and Brenda Hottell represented Corpus Christi at the Council meeting.


Honorary
DuckMaster
Whereas, the daily march of the world-famous Peabody Ducks is a time-honored tradition, begun in 1933 and attended by countless visitors, and Whereas, the care and protection of the Peabody Ducks must be attended to on a daily basis and can only fall to persons of high standards and great distinction, and Whereas, you are such a person, Be it resolved that
Tom Wierman
has been chosen Honorary Duckmaster.
Doug Weatherford
Duckmaster
4/25/19
Date
The Peabody

ABOVE, The commemorative certificate of Honorary Duckmaster presented to Tom Wierman. Tom's name is in the history book as Honorary Duckmaster for April 25, 2019. RIGHT, Ellvis" sings to Tanya Harris at the rooftop reception.

LEFT, Executive Director Tom Wierman served as Honorary Duckmaster on April 25. Tom is pictured with Doug Weatherford, The Peabody Hotel Duckmaster. ABOVE, Mike Cougevan was recognized by President Wade Hopper for his service on the Vehicle Rates subcommittee.

ADVERTISING INDEX

FRONT INNER COVER
Energy Link by Red Dog Systems

BACK INNER COVER
COPAS.org

BACK COVER
COPAS.org

4 Petroleum Comptroller Services, Inc.
4 Associated Resources Inc.
5 Martindale Consultant Inc.
9 AMS PAR
11 PDI
23 DTN
28 Become an APA®
37 St. Jude Research Hospital Fundraiser
49 Office Depot
62 Visual Fusion Graphic Design
63 Business Card Ads
64 WolfePak Software

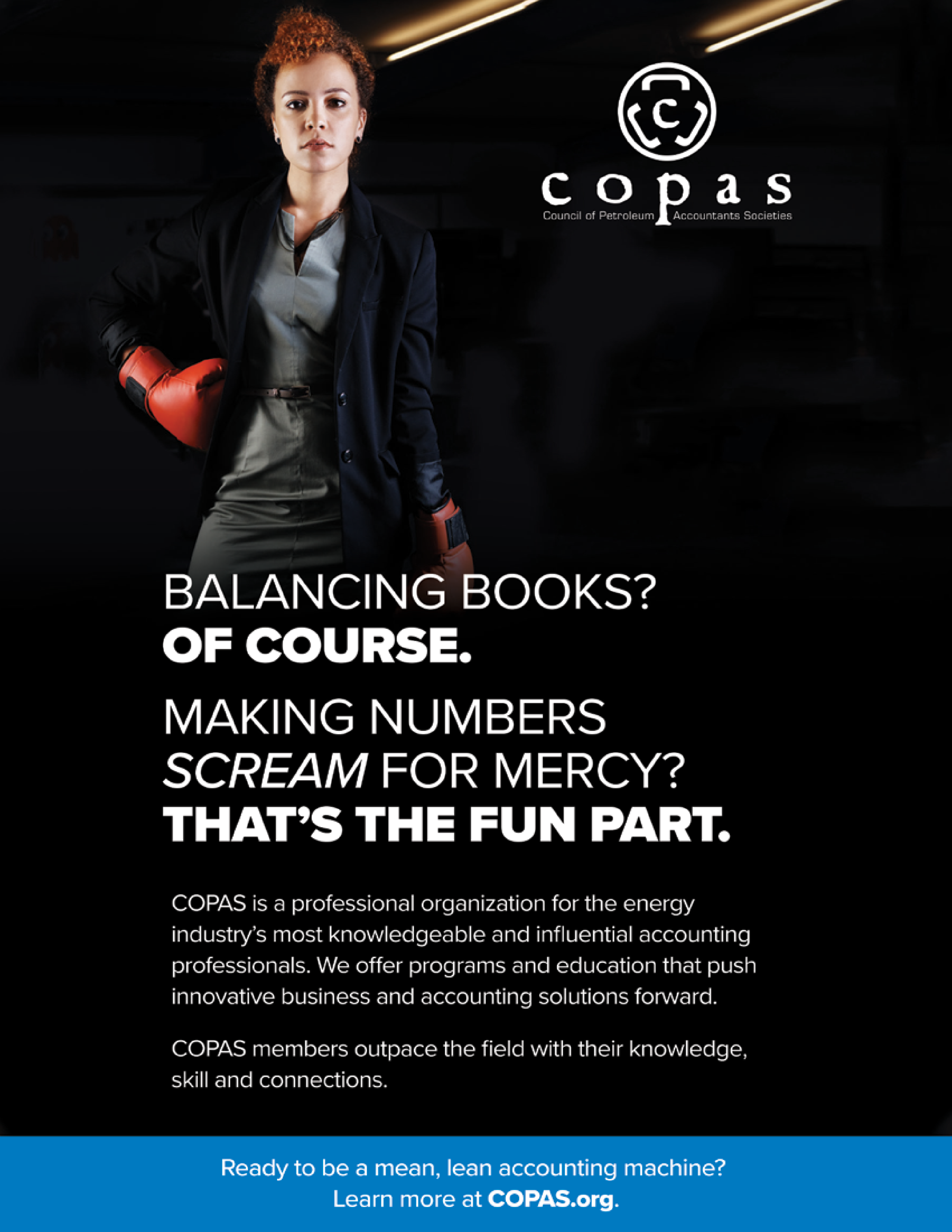
SAVE THE DATES

16 September 16-20, 2019 /// Tulsa, OK
37 July 11, 2019 /// Denver, CO
39 September 21-25, 2020 /// St. Petersburg, FL
50 April 20-24, 2020 /// Washington, D.C.

! NEXT ACCOUNTS DEADLINE !

July 31st, 2019

Please send all reportsand Advertising to Editor@copas.org


copas
Council of Petroleum Accountants Societies
BALANCING BOOKS?
OF COURSE.
MAKING NUMBERS
SCREAM FOR MERCY?
THAT'S THE FUN PART.
COPAS is a professional organization for the energy industry's most knowledgeable and influential accounting professionals. We offer programs and education that push innovative business and accounting solutions forward.
COPAS members outpace the field with their knowledge, skill and connections.
Ready to be a mean, lean accounting machine?
Learn more at COPAS.org.