

COPAS National Fall 2025 Emerging Issues Discussion Topics

Topic 1: Legal Update

Guest Presentation by: **Mrs. Carole Tear**, with Artisan Accounting Services



Carole Tear, owner of Artisan Accounting Services, started her accounting career after graduating from Oklahoma State University with degrees in accounting and management. Carole is a CPA and an APA®, and received her Master of Science in Accounting from Keller Graduate School of Management. In 2024, Carole founded Artisan Accounting Services, a company providing litigation and expert witness services, as well as consulting services in oil and gas accounting, contract compliance, and JV audit resolution. Artisan also provides accounting services for small businesses including bookkeeping, payroll, and local, state, and federal tax returns.

Carole started her career at Chesapeake Energy in 1997. Between 1997 and 2024 she contributed in a number of areas including operations analysis, litigation support, joint venture audit, internal audit, payouts, A&D integration, and fixed asset accounting. Carole contributed to Chesapeake's conversion from full cost accounting to successful efforts accounting in 2019 and the fresh start valuation during Chesapeake's Chapter 11 filing in 2020. In her various roles at Chesapeake, Carole was responsible for providing training for employees throughout Accounting, Land, and Operations.

Carole is the current Treasurer of the National Board of Directors for COPAS, and past chair of the COPAS National Emerging Issues subcommittee and National Education committee. She has also served on COPAS drafting and research teams at the national level, including the 2022 Accounting Procedure drafting team. Carole is an active member of COPAS OKC and served in various roles including Education Chair, Audit Chair, President, and Director. Carole also serves as Chairman of the Board of Directors for City Care Oklahoma City, a nonprofit serving the local community's homeless and disadvantaged. Carole volunteers as a judge for the Oklahoma regional high school and collegiate ethics bowls presented by Oklahoma Schools of Character, an organization that promotes ethics and excellence in education.

Carole and her husband, Jeremy, are co-owners of Artisan Security Integration, a business specializing in commercial and residential camera, access control, alarm, gate, AV, and network systems. They live in Edmond, Oklahoma, and are proud parents of three amazing young adults, Brad, 29, Bailey, 25, and Ben, 22.

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Topic 2: Remote vs. Onsite Audits

- As many major companies are increasingly leveraging audit staff located outside the U.S. (e.g., Brazil, Argentina, India, Egypt), it raises a question about the practicality and necessity of conducting audits onsite.
- Currently, many audits are performed remotely using one of the following methods:
 - a. Remote access to the Operator's system to retrieve supporting documentation.
 - b. Sample selections are provided to the Operator, with support documents shared via a secure file-sharing platform.
 - c. All supporting documentation is provided directly through a file-sharing platform.
- Despite this shift toward remote audits, a few Operators continue to require audit teams to be physically onsite.

Questions (COPAS member requesting feedback on remote vs onsite audit practices):

- 1) Is there a COPAS or JOA requirement for audit fieldwork to be performed onsite? Or does a non-operator have the right to perform the audit offsite?
- 2) Is it reasonable for an Operator to insist/require audit fieldwork to be performed onsite given the current global practices? Even if the Operator has the ability to conduct the audit fieldwork remotely?
- 3) If an Operator requires onsite audits, but a non-operator submits a list of written exceptions without doing the onsite audit, but within the 24-month time period, would those claims be considered valid exceptions?
- 4) Is there any recent COPAS guidance addressing this issue? Should there be?

Topic 3: Operator Owned Facility Considerations

Scenario 1

- Operator A built and owns a water treatment facility for collecting produced water, recycling it, and then holding it for re-use. The produced water can be treated and sold for re-use in frac ops.
- Avg commercial rates: \$0.40/bbl fresh water purchase; \$0.60/bbl trucking.
- There is no commercial rate in the immediate area for a comparable water treatment facility that sells recycled water.
- Operator's actual costs to pipe produced water to facility and treat it is \$1.20/bbl. Operator charges \$1.00/bbl for recycled produced water, which includes transporting the water via pipe.
- Non-op Z takes exception to \$1.00/bbl frac rate, saying market rate should be based on water supplied by pipe and not by truck.

- Facility Information
 - Consists of a large pit on 80 acres with a capacity to hold 50,000 barrels of water, tanks, and pumps.
 - Facility costs (capital) include cost of the land, location construction including the pit, roads, fences, equipment such as tanks, pumps, and piping. A pipeline system totaling 50 miles was also installed to carry water from the producing wells to the facility and from the facility to area well sites.
 - Monthly operating expenses include power, location and road maintenance, labor, etc.

Scenario 1 Questions:

- 1) Is Operator A charging a correct rate, given it is based on market rates in the area for water and trucking, which is lower than actual cost?
- 2) How should the Operator be determining the rate if there are no comparable facilities in the area that provide the same type of service?
- 3) Should the revenue stream resulting from re-use of produced water be equitably shared with the wells that provided the produced water? If so, what documentation should be provided to show revenue is being shared?
- 4) How can the Non-Operator(s) ensure that there is no embedded duplication of charges associated with the produced water vs. recycled water, or other unidentified revenue streams that should be shared?

COPAS National Fall 2025 Emerging Issues Discussion Topics

Topic 3: Operator Owned Facility Considerations (cont.)

Scenario 2: Operator B has a facility similar to Operator A, but decides to recover its facility costs based on the following parameters:

- Recovery over 5 years.
- An estimate of 30 million gallons of water will be needed to frac the 1,000 wells it expects to drill over the next 5 years.
- Operator B's cost is \$10 million, utilizes a 10% interest on investment (IOI), and has identified monthly operating expenses to be \$15,000.
- Using a standard straight line depreciation schedule, Operator B charges \$0.45/barrel to each well that utilizes this facility water in frac operations.

Scenario 2 Questions:

- 5) The wells using water from the facility are governed by different JOAs, with interest on gross investment % varying from 7%-12%. Non-operator Z takes exception to the \$0.45/barrel rate because his JOA provides for 8% interest rate. What interest rate should Operator B have used?
- 6) Non-operator Z takes exception to the time over which Operator B is recovering its investment believing a longer time frame is appropriate. Who decides the timeframe and what should be considered?
- 7) Should the Operator be calculating separate rates for each instance where there is different ownership/a separate JOA agreement?
- 8) Non-operator Z also does not like the fact straight-line depreciation was used in calculation of the depreciation component of the rate? What rules or guidelines should govern when determining depreciation method?

Year 1:

Water Recycling Facility							
Begin Investment		\$ 10,000,000.00					
Interest on Investment		10%		0.008333333			
Term:		5 Years					
Period	Straight-line Depreciation	Investment Less Depreciation	Interest @ 10%	Investment Monthly Charge	Monthly Opex	Monthly Cost	Annual Total Costs
1	\$ 166,666.67	\$ 10,000,000.00	\$ 83,300.00	\$ 249,966.67	\$ 15,000.00	\$ 264,966.67	
2	166,666.67	9,833,333.33	81,911.67	248,578.33	15,000.00	263,578.33	
3	166,666.67	9,666,666.67	80,523.33	247,190.00	15,000.00	262,190.00	
4	166,666.67	9,500,000.00	79,135.00	245,801.67	15,000.00	260,801.67	
5	166,666.67	9,333,333.33	77,746.67	244,413.33	15,000.00	259,413.33	
6	166,666.67	9,166,666.67	76,358.33	243,025.00	15,000.00	258,025.00	
7	166,666.67	9,000,000.00	74,970.00	241,636.67	15,000.00	256,636.67	
8	166,666.67	8,833,333.33	73,581.67	240,248.33	15,000.00	255,248.33	
9	166,666.67	8,666,666.67	72,193.33	238,860.00	15,000.00	253,860.00	
10	166,666.67	8,500,000.00	70,805.00	237,471.67	15,000.00	252,471.67	
11	166,666.67	8,333,333.33	69,416.67	236,083.33	15,000.00	251,083.33	
12	166,666.67	8,166,666.67	68,028.33	234,695.00	15,000.00	249,695.00	\$ 3,087,970.00

Year 5:

Water Recycling Facility							
Begin Investment		\$ 10,000,000.00					
Interest on Investment		10%		0.008333333			
Term:		5 Years					
Period	Straight-line Depreciation	Investment Less Depreciation	Interest @ 10%	Investment Monthly Charge	Monthly Opex	Monthly Cost	Annual Total Costs
50	166,666.67	1,833,333.33	15,271.67	181,938.33	15,000.00	196,938.33	
51	166,666.67	1,666,666.67	13,883.33	180,550.00	15,000.00	195,550.00	
52	166,666.67	1,500,000.00	12,495.00	179,161.67	15,000.00	194,161.67	
53	166,666.67	1,333,333.33	11,106.67	177,773.33	15,000.00	192,773.33	
54	166,666.67	1,166,666.67	9,718.33	176,385.00	15,000.00	191,385.00	
55	166,666.67	1,000,000.00	8,330.00	174,996.67	15,000.00	189,996.67	
56	166,666.67	833,333.33	6,941.67	173,608.33	15,000.00	188,608.33	
57	166,666.67	666,666.67	5,553.33	172,220.00	15,000.00	187,220.00	
58	166,666.67	500,000.00	4,165.00	170,831.67	15,000.00	185,831.67	
59	166,666.67	333,333.33	2,776.67	169,443.33	15,000.00	184,443.33	
60	166,666.67	166,666.67	1,388.33	168,055.00	15,000.00	183,055.00	2,288,290.00
\$ 10,000,000.00			\$ 2,540,650.00	\$ 12,540,650.00	\$ 900,000.00	\$ 13,440,650.00	\$ 13,440,650.00
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Topic 3: Operator Owned Facility Considerations (cont.)

Scenario 3:

- In a separate audit, Non-Operator X (different ownership than Non-Op Z) takes the position that owners in the wells producing the flow back water should be reimbursed for the water. Non-operator X's position is that water is becoming a scarce commodity and instead of it being something that must be disposed of it has value.
- Operator B disagrees, stating the only reason to build a water recycling facility is the favorable economics for future wells. If forced to pay for produced water, the project is uneconomical.

Scenario 3 Questions:

- 1) Is Non-operator X's claim of sharing water sales revenue sharing valid? What would make the claim valid or make it invalid?
- 2) If the Operator's cost recovery from the water facility is greater than the cost to operate, should the excess recovery be allocated back to the wells? If so, how should the Operator document efforts to allocate "revenue" from this facility back to the wells that provided the produced water for future re-use?
- 3) If the revenue from the water sales is to be shared with the producing wells, does the Operator's cost to operate the recycling facility have any impact on the amount of revenue shared? In other words, if the Operator is losing money on operating the recycling facility, could that loss be deducted from the water sales revenue?

Topic 3: Operator Owned Facility Considerations (cont.)

Scenario 4:

- Operator A is a 51% owner in an affiliate facility that collects & disposes of produced water and sells produced water for frac operations.
- Avg commercial rates: \$0.40/bbl fresh water; \$0.60/bbl trucking.
- Operator has a contract with the facility to pay \$1.00/bbl to pipe produced water to frac ops.
- Non-op Z takes exception to \$1.00/bbl frac rate, saying market rate should be based on water supplied by pipe and not by truck.

Scenario 4 Questions:

- 1) Is Operator A charging a correct or acceptable rate?
- 2) Does a non-operator have a right to see the details of how a rate charged by an affiliate was calculated, such as depreciation, useful life, CAPEX, OPEX, etc.? Or is the contract with the affiliate adequate support for the rate?
- 3) Should the affiliate revenue from produced water sales be equitably shared with the wells that provided the produced water to the affiliate?

Topic 3: Operator Owned Facility Considerations (cont.)

“Equipment and Facilities Furnished by Operator” and “Affiliate” language for 3 COPAS Model Form Accounting Procedures: COPAS 1984, COPAS 2005, COPAS 2022:

1984 COPAS Model Form Accounting Procedure

8. EQUIPMENT AND FACILITIES FURNISHED BY OPERATOR

Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on gross investment less accumulated depreciation not to exceed _____ percent (_____ %) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

In lieu of charges in paragraph 8A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association

2005 COPAS Model Form Accounting Procedure

6. EQUIPMENT AND FACILITIES FURNISHED BY OPERATOR

In the absence of a separately negotiated agreement, equipment and facilities furnished by the Operator will be charged as follows:

- A. Operator shall charge the Joint Account for use of Operator-owned equipment and facilities, including but not limited to production facilities, Shore Base Facilities, Offshore Facilities, and Field Offices, at rates commensurate with the costs of ownership and operation. The cost of Field Offices shall be chargeable to the extent the Field Offices provide direct service to personnel who are chargeable pursuant to Section II.2.A (Labor). Such rates may include labor, maintenance, repairs, other operating expense, insurance, taxes, depreciation using straight line depreciation method, and interest on gross investment less accumulated depreciation not to exceed _____ percent (____ %) per annum; provided, however, depreciation shall not be charged when the equipment and facilities investment have been fully depreciated. The rate may include an element of the estimated cost for abandonment, reclamation, and dismantlement. Such rates shall not exceed the average commercial rates currently prevailing in the immediate area of the Joint Property.
- B. In lieu of charges in Section II.6.A above, the Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property, less twenty percent (20%). If equipment and facilities are charged under this Section II.6.B, the Operator shall adequately document and support commercial rates and shall periodically review and update the rate and the supporting documentation. For automotive equipment, the Operator may elect to use rates published by the Petroleum Motor Transport Association (PMTA) or such other organization recognized by COPAS as the official source of rates.

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6. AFFILIATES

In the absence of a separately negotiated agreement, equipment and facilities furnished by the Operator will be charged as follows:

- A. Charges for an Affiliate's goods and/or services used in operations requiring an AFE or other authorization from the Non-Operators may be made without the approval of the Parties provided (i) the Affiliate is identified and the Affiliate goods and services are specifically detailed in the approved AFE or other authorization, and (ii) the total costs for such Affiliate's goods and services billed to such individual project do not exceed \$ _____. If the total costs for an Affiliate's goods and services charged to such individual project are not specifically detailed in the approved AFE or authorization or exceed such amount, charges for such Affiliate shall require approval of the Parties, pursuant to Section I.6.A (General Matters).
- B. For an Affiliate's goods and /or services used in operations not requiring an AFE or other authorization from the Non-Operators, charges for such Affiliate's goods and services shall require approval of the Parties, pursuant to Section I.6.A (General Matters), if the charges exceed \$ _____ in a given calendar year.
- C. The cost of the Affiliate's goods or services shall not exceed average commercial rates prevailing in the area of the Joint Property, unless the Operator obtains the Non-Operators' approval of such rates. The Operator shall adequately document and support commercial rates and shall periodically.

2022 COPAS Model Form Accounting Procedure

6. EQUIPMENT AND FACILITIES FURNISHED BY OPERATOR

The Operator shall charge the Joint Account for use of equipment and facilities furnished by Operator, including production facilities, Shore Base Facilities, Offshore Facilities, Field Offices, and Remote Technology Centers. The cost of Field Offices are chargeable only to the extent the Field Offices provide direct service to individuals who are chargeable pursuant to Section II.2.A (*Labor*), Section II.5 (*Services*), or II.7 (*Affiliates*), as applicable.

In the absence of a separately negotiated agreement, equipment and facilities furnished by the Operator will be charged as follows:

- A. Charges for use of such equipment and facilities will be made at rates commensurate with the cost of ownership and operation. Such rates may include labor, maintenance, repairs, other operating expense, insurance, taxes, depreciation using straight line depreciation method, and interest on gross investment, less accumulated depreciation, not to exceed ____ % per annum; provided, however, depreciation shall not be charged when the equipment and facilities investment has been fully depreciated. The rate may include an element of the estimated cost for abandonment, reclamation, and dismantlement. Such rates shall not exceed the commercial rates currently prevailing in the area of the Joint Operations.
- B. In lieu of charges in Section II.6.A, the Operator may elect to use commercial rates prevailing in the area of the Joint Operations, less 20%. If equipment and facilities are

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charged under this Section II.6.B, the Operator shall adequately document and support commercial rates and shall periodically review and update the rate and the supporting documentation. For automotive equipment, the Operator may elect to use rates published by COPAS. If COPAS ceases or fails to publish such rates, Operator may charge vehicle rates based on a method comparable to that most recently used by COPAS.

7. AFFILIATES

All work performed, or materials supplied, by an Affiliate of Operator shall be performed or supplied at competitive rates and terms, and in accordance with customs and standards prevailing in the industry unless otherwise agreed to by the Parties under Section I.6.A (General Matters).

Charges to the Joint Account for goods and services provided by an Affiliate in a Competitive Transaction may be made without approval of the Parties, unless required under the Agreement. Each of the following is considered a Competitive Transaction:

- (i) for an Affiliate that routinely conducts business with unaffiliated customers, the rates and terms charged the Joint Account are representative of rates and terms the Affiliate charges non-affiliated customers;
- (ii) Affiliate labor charged on the same basis as if provided by Operator under Section II.2 (Labor);
- (iii) Affiliate equipment and facilities charged on the same basis as equipment and facilities provided by Operator under Section II.6 (Equipment and Facilities Furnished by Operator);
- (iv) Affiliate equipment, facilities, or Materials charged at rates and terms that are competitive with unaffiliated third parties, in accordance with customs and standards prevailing in the area of Joint Operations;
- (v) charges to the Joint Account for the Affiliate's goods and services used in Joint Operations that are less than or equal to \$. This threshold applies separately to each Affiliate, and it applies separately to each: (x) project or operation requiring an AFE or other authorization from Non-Operators under the Agreement or (y) calendar year, for Joint Operations not requiring an AFE or other authorization under the Agreement.

If the Parties fail to designate a dollar amount in (v), the amount deemed adopted by the Parties is the amount established as the Operator's expenditure limitation in the Agreement. If the Agreement does not contain an Operator's expenditure limitation, the amount deemed adopted by the Parties is \$0.

Charges to the Joint Account for goods and services provided by an Affiliate that are not considered a Competitive Transaction require approval of the Parties under Section I.6.A (General Matters).

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Nothing in this Section II.7 authorizes charges to the Joint Account for services covered by Section II. 9 (Legal Expense) or functions covered by Section III (Overhead).

The Operator may not charge the Joint Account for expediting, purchasing fees, or other mark-up for Affiliate goods and services

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Topic 4: Facility Rate Consideration

- The Operator signs a surface use agreement with a landowner to build a SWD facility on the owner's land. The agreement requires a payment to the landowner of \$0.50 per barrel.
- The Operator spends \$6,000,000 to build the SWD facility. The Operator calculates its facility rate based on actual costs (including allowable interest) as \$0.59 per barrel.
- When billing out the facility usage, the Operator adds the landowner payment of \$0.50 per barrel to the facility rate of \$0.59 per barrel, resulting in a final bill rate of \$1.09 per barrel.
- Average commercial rates for disposal in the area is \$0.70 per barrel. The average commercial rate less 20% is \$0.56 per barrel.

Questions:

- 1) What rate can the Operator charge the Joint Account per barrel of water disposed (assume 2005 Accounting Procedure)?
 - a. Actual facility costs of \$0.59.
 - b. Actual facility costs of \$0.59 plus \$0.50 landowner payment, or \$1.09.
 - c. Average commercial rate less 20%, or \$0.56.
 - d. The most the Operator can charge is \$0.56.
 - e. The most the Operator can charge is \$0.70.
- 2) Should the Operator be able to bill out the cost of the landowner payment in some way?
- 3) Should the landowner payment be included in the overall facility cost and actual rate calculation?

COPAS National Fall 2025 Emerging Issues Discussion Topics

Topic 4: Equipment & Facilities Furnished by Operator (cont.)

From COPAS 2005 Agreement

6. EQUIPMENT AND FACILITIES FURNISHED BY OPERATOR

In the absence of a separately negotiated agreement, equipment and facilities furnished by the Operator will be charged as follows:

Operator shall charge the Joint Account for use of Operator-owned equipment and facilities, including but not limited to production facilities, Shore Base Facilities, Offshore Facilities, and Field Offices, at rates commensurate with the costs of ownership and operation. The cost of Field Offices shall be chargeable to the extent the Field Offices provide direct service to personnel who are chargeable pursuant to Section II.2.A (Labor). Such rates may include labor, maintenance, repairs, other operating expense, insurance, taxes, depreciation using straight line depreciation method, and interest on gross investment less accumulated depreciation not to exceed _____percent (%) per annum; provided, however, depreciation shall not be charged when the equipment and facilities investment have been fully depreciated. The rate may include an element of the estimated cost for abandonment, reclamation, and dismantlement. Such rates shall not exceed the average commercial rates currently prevailing in the immediate area of the Joint Property.

In lieu of charges in Section II.6.A above, the Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property, less twenty percent (20%). If equipment and facilities are charged under this Section II.6.B, the Operator shall adequately document and support commercial rates and shall periodically review and update the rate and the supporting documentation. For automotive equipment, the Operator may elect to use rates published by the Petroleum Motor Transport Association (PMTA) or such other organization recognized by COPAS as the official source of rates.

Topic 5: Pre-Funded P&A Costs

- Vendor A sells a P&A insurance policy to help reduce the risk of unfunded P&A costs of a well. The customer determines the total cost amount they want to have available when it's time for P&A operations, and then the policy premiums are based on that amount. The premiums can be paid in one lump sum payment or else spread out over time.
- The policy is attached to the well AFE# and is backed by a bond, so if an Operator goes bankrupt, the funds can still be accessed for P&A operations by the subsequent Operator or owner.
- When it is time for P&A operations, the Operator makes a claim against the policy to get the funds needed.
- The policy is similar to a whole life insurance policy in structure, whereby the P&A benefit is paid and held by the vendor until a claim is made to access the funds.
- Operator A purchases a \$500K pre-funded P&A policy on a well and makes a direct charge to the Joint Account for this amount. The Operator has an invoice from Vendor A as support for the charge.

Questions:

- 1) Are there any provisions of a 2005 Accounting Procedure that would make the pre-funded P&A insurance policy a valid direct charge to the joint account?
 - a. Section II.5, Services
 - b. Section II.14, Abandonment & Reclamation
 - c. Section II.15, Other Expenditures
 - d. Something else?
- 2) If the pre-funded P&A cost is added to the AFE, would it be directly chargeable? Does it have to be included on the AFE to be directly chargeable?
- 3) If the pre-funded P&A policy cost is not directly chargeable to the Joint Account, when it comes time to P&A a well and the Operator receives proceeds from the policy to cover the cost of P&A operations, do the other owners share in the benefit of those proceeds? Or should the other owners pay their share of the P&A costs due at that time?
- 4) If the pre-funded P&A cost is a valid direct charge to the Joint Account, is there any special consideration that needs to be made when an owner sells their interest in the well? Or is the policy treated like any other cost or joint property?

COPAS National Fall 2025 Emerging Issues Discussion Topics

Topic 5: Pre-Funded P&A Costs (cont.)

From COPAS 2005 Agreement, Section II:

5. SERVICES

The cost of contract services, equipment, and utilities used in the conduct of Joint Operations, except for contract services, equipment, and utilities covered by Section III (Overhead), or Section II.7 (Affiliates), or excluded under Section II.9 (Legal Expense). Awards paid to contractors shall be chargeable pursuant to COPAS MFI- 49 (“Awards to Employees and Contractors”).

The costs of third party Technical Services are chargeable to the extent excluded from the overhead rates under Section III (Overhead).

14. ABANDONEMENT & RECLAMATION

Costs incurred for abandonment and reclamation of the Joint Property, including costs required by lease agreements or by Laws.

15. OTHER EXPENDITURES

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II (Direct Charges), or in Section III (Overhead) and which is of direct benefit to the Joint Property and is incurred by the Operator in the necessary and proper conduct of the Joint Operations. Charges made under this Section II.15 shall require approval of the Parties, pursuant to Section I.6.A (General Matters).

Topic 6: EI Inbox Investigations – Your Emerging Thoughts Discussed!

- **LA Severance Tax Certification Costs**

Louisiana HB 518 Legislation now requires that each well's development costs (drill / completion / facilities) submitted on the Severance Tax Incentive application needs to be certified and attested by an independent certified public accountant (CPA) prior to incentive application approval. The process is essentially a "mini-audit" of the well costs. The cost is expected to be \$5,000 - \$7,500/well for the CPA Certification/Audit services. The CPA Certification/Audit activity will be required for any newly developed wells that will need to have a severance tax incentive application submitted.

The charges will be well/pad (allocated to each well) specific. The severance tax incentive, which the working interest owners also share in, will not be approved without the CPA Certification/Audit.

The question that we would like for you to contemplate with the COPAS community is whether the cost of the CPA Certification/Audit would be Billable or NonBillable (Covered by COPAS Overhead).

- **Exceptions with No JOA**

I was reviewing the COPAS AGs and MFIs and I'm not able to locate anything on a missing JOA. What is the COPAS stance on if an operator does not have a JOA and other working interest owners are questioning the overhead charge?

- **Tariffs: Effects on WAC (weighted average cost) or MAP (moving average price) for Inventory Items**

Are operators seeing a material impact to materials costs due to recently implemented/increased tariffs? Any issue with including the tariff in the material WAC or MAP? What if the tariff significantly increases your MAP for inventory (such as 150% Tariffs) and then the Tariffs go away in a few years, but partners are left paying for that higher MAP from when the tariffs were in place?

- **Multi well/pad Project Costs**

When you have a project where you are having to do a similar upgrade/add to several well locations, many times it's initiated due to a new environmental requirement or to get a field up to par after an acquisition. On a well-by-well basis, the cost usually falls below the AFE threshold, but the total project cost across all wells is a large amount. Knowing this might be either capital or expensed work, how do other operators handle this? Do they set up one massive AFE tied to multiple locations and code invoices to the individual locations? Or do they set up an AFE that houses the costs until project is completed then those costs are allocated back to the locations benefitting from the work?