COUNCIL OF PETROLEUM ACCOUNTANTS SOCIETIES

ACCOUNTS

SUMMER 2021

CHEERS TO 60 YEARS 2021

IN THIS ISSUE:

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PRESIDENT'S MESSAGE

MELISSA GRUENEWALD

It has been a challenging year for COPAS both nationally and at our local societies. The pandemic caused meetings to occur virtually and impacted the documents that we develop. The pandemic disrupted work schedules and pushed the limits on how many Zoom meetings one person could attend in a day. But by far, the biggest impact to COPAS has been the dedicated members that have passed away all too soon. Whether it is untimely deaths related to COVID-19 or diseases that progressed too quickly, our organization has lost great members whose presence and contributions will be greatly missed.

COPAS has also experienced higher than normal rate of retirements. Many retirees did not imagine themselves retiring this year, but circumstances within the industry hastened their decision.

I have thought a lot about the legacy that each of these individuals has left behind. They have left their mark on our industry and our organization by leading projects and committees, by leading people at their companies, and by passing their knowledge on to the next generation. Their spirit of giving has caused me to evaluate my own legacy and what I am actively doing to pass along my own knowledge and experience.

First, I want to say thank you to them. I am grateful for their contributions to COPAS, but also grateful that they invested in me. I didn't always agree with them on accounting issues or interpret contracts in the same manner that they did. We couldn't agree on which sports teams to cheer for or who should be President. But in spite of our differences, I honor their service and dedication to the organization and to individuals like me.

Second, I want to encourage the retirees to stay involved with COPAS. The organization needs their steady leadership and wisdom. We need the camaraderie that they share with many people in the organization from years of serving nationally and locally. While I know many of them are ready to move into the rhythms of retirement, we would be honored to have them be a continual part of our organization.

Lastly, I want to encourage those of us who are part of this industry to be actively pass our knowledge to the next generation of oil and gas accountants. I want to encourage us to be involved both locally and nationally in leading the next generation. Get involved with a committee. COPAS has several committees that need the experiences that each of us bring to the table. Many people feel like they are not an expert and so they can't be involved. Being involved with a committee simply requires your active input. Actively participate in the development and formation of our documents. COPAS documents are the product of countless hours of labor, debate, and discussion. These documents are the rules that oil and gas accountants use regularly. COPAS documents are held in high regard by the courts because, as an industry, we come together to decide how to handle our accounting. It is so important to be involved in the documents and pass the knowledge gained on to others.

Time is our most precious resource. Spending time with others, investing in them, and bringing them along in the process is one of the most important things that we do as leaders. My hope is that we take the time in this organization to invest in others and pass our knowledge of this industry on to the next generation. It is a great way to honor the people who have gone before us.

SAVE *the* DATE

SUMMER 2021

JOINT INTEREST & AUDIT STANDING COMMITTEE MEETING
ALL VIRTUAL MEETING | THURSDAY, JULY 15 | 9:30 A.M. TO 5:00 P.M.

Registration is open.
The meeting agenda can be found at www.copas.org/events/2021-summer-meeting.

HOME OFFICE MESSAGE

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

We made it to Summer. The COVID front seems to be easing up a bit and gradually things are returning to some pre-pandemic normalcy. Now if we can navigate the Ransomware attacks that seem to dominate the news.

I enjoyed seeing many of you at NAPAC in Dallas. We could see each other as masks weren't required. I have missed being able to interact with everyone other than by phone.

The remainder of our 2021 COPAS meetings will be virtual. We expect to return to in-person meetings for at least Spring and Fall 2022. (Fortunately, the hotels in Galveston and Irving allowed for contract modifications so the meetings could be moved out a year.) See page 12 and page 17 for more information about the 2022 meetings.

Summer meeting registration is open. The meeting agenda is posted on the registration page. See page 3 for more details. The Fall 2021 meeting be October 18 – 21. Registration will open around September 1.

There is an excellent Severance Tax feature article on pages 8, 9 and 10. The author points out five suggested areas that will add value for your company. Feel free to share your magazine with those in that functional area or have them download a copy from the COPAS website.

Congratulations to the MFI-57, *Remote Technology Centers* project team for the completion of the latest COPAS publication. This publication has been in the works for some time. It was approved by Council in April, replacing AG-28 that was retired following the adoption of MFI-57. You can read more about this publication on page 13.

The 202X Model Form Accounting Procedure team is making great progress on the Accounting Procedure and accompanying MFI. The project team will be making a presentation at the Summer meeting. The Project Status report (page 18) shows the anticipated Council vote occurring in Spring 2022. That's very exciting news.

Please pay close attention to the publication drafts so that we can keep this project on target.

This year is the COPAS 60th Anniversary. As part of the anniversary celebration, COPAS Energy Education (CEE) is offering a special CPE package offer. For a nominal price, buy 60 shareable CPE webinar credits. Shareable means that these can be used by anyone in your company. This affordable and accessible CPE is one way of ensuring another 60 years of successful oil and gas accountants. Check out the CEE course schedule on pages 22-27. Direct any questions you might have to Angie Knipe.

Congratulations to our four newest APA®s (see pages 20-21). We are seeing a great interest in the APA® program. If you have questions, please contact Vanessa Galindo.

Don't forget to check out the Industry News (see pages 14-16) and Legislative Updates (pages 28-33) provided by our regular contributors. We greatly appreciate their contributions.

We have Committee News back with this issue. You will want to read what is taking place in each Standing Committee (pages 36 and 37).

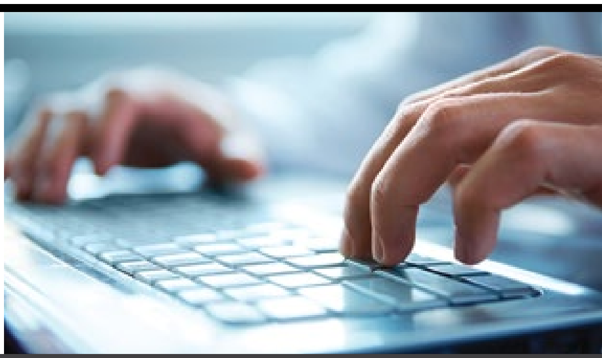
In monitoring the OCTG Situation Report, we are finding price increases have caused us to adjust the CEPS HPMs at least twice so far this year. CEPS is a great tool to use when moving materials and equipment especially to and from joint venture wells. If you are not a subscriber but would be interested in trying the tool, please call the COPAS office to request a trial.

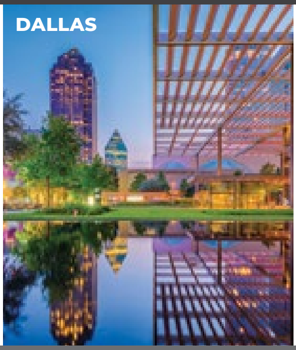
Don't forget to renew your ePub subscription. We have many subscribers who have not paid for their 2020 subscription. The pandemic hit about the time renewals were taking place. Some companies went on remote work schedules and the renewals were overlooked. Don't let your subscription lapse because there is a very stiff penalty to pay if it does. If you have questions, please call the COPAS office.

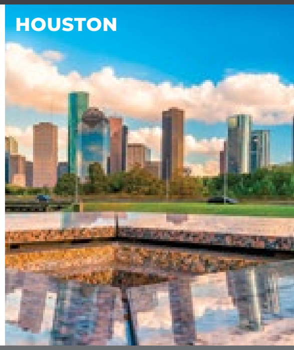
Lastly, a huge thank you to our advertisers who help defray the printing and mailing costs of the magazine. If you can, please support them in return.

MEETING SCHEDULE

EVENT	DATES	HOST	LOCATION
2021			
Fall	October 18-21	COPAS Office	**Virtual Meeting**
2022			
Spring	April 25-29	Houston	**San Luis Resort** Galveston, Texas
Fall	October 17-21	Dallas	**Westin Irving Convention Center at Las Colinas** Irving, Texas
2023			
Spring	April 17-20	COPAS Office	**Virtual Meeting**
Fall	TBD	Rocky Mountain	**TBD**
2024			
Spring	TBD	COPAS Office	**Virtual Meeting**
Fall	TBD	Colorado	**TBD**

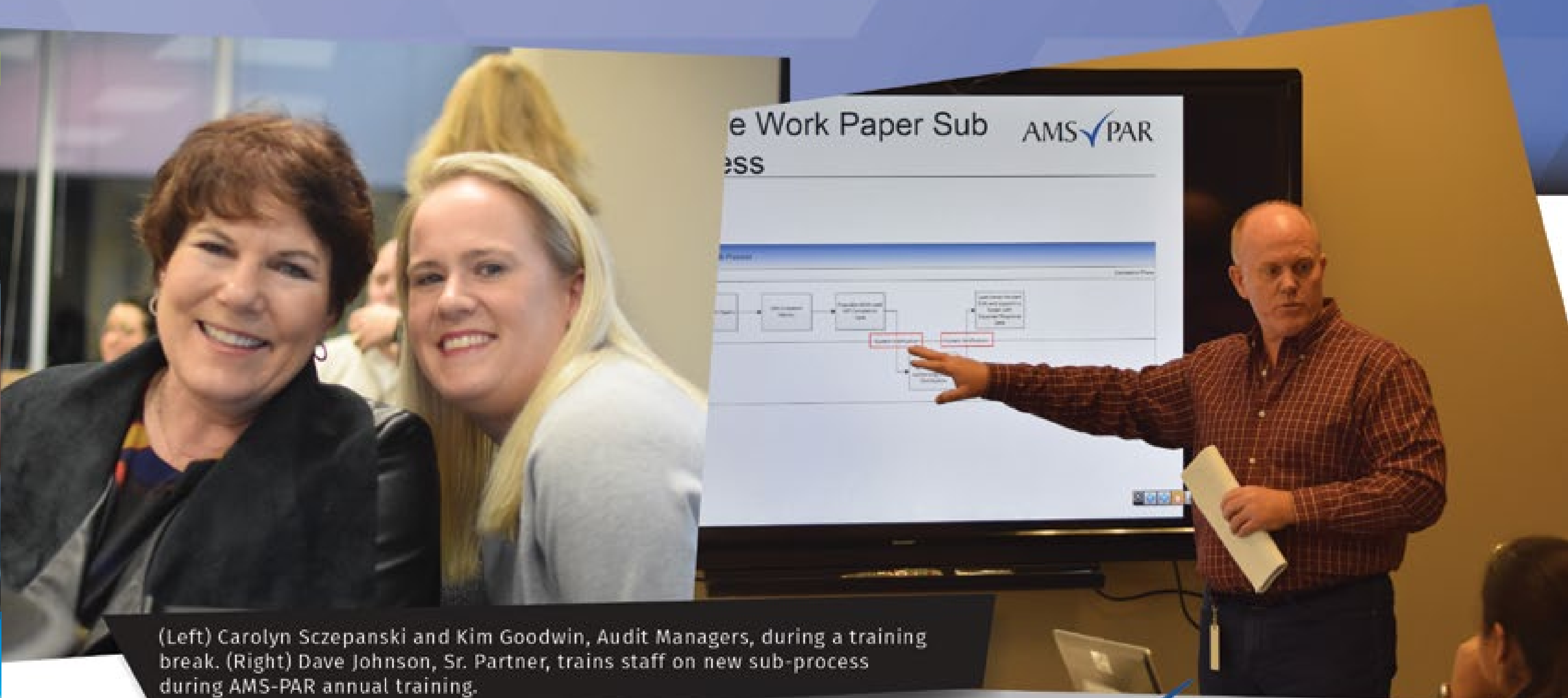






Dates beyond 2024 are available. Please contact the COPAS Office to volunteer.

JOINT VENTURE AUDIT



(Left) Carolyn Sczepanski and Kim Goodwin, Audit Managers, during a training break. (Right) Dave Johnson, Sr. Partner, trains staff on new sub-process during AMS-PAR annual training.

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FEATURE

Excavating Severance Tax Precious Gems

By Sarah Magruder, President & CEO
Safire Oil & Gas Consulting
Houston, TX

The Current Climate of the Oil & Gas Industry

If you have been in the oil and gas realm for any amount of time, you have experienced the cyclical nature of the industry. When prices are up and all is seemingly well with the world, money flows readily and growth occurs. When the oil and gas prices fluctuate downward - and they always do at some point - it can be for myriad reasons. Recurring and predictable events that happen every few years include a change in Presidential administrations that affect energy policies as well as natural ebbs and flows in the national and world economies that impact E&P companies.

This past year presented some other unanticipated change factors for our industry that were highly significant, unexpected, and unusual. First came the global Covid pandemic in 2020, which effectively shut down our world for a year and made working from home and virtual Zoom calls the norm. While at first a challenge, many companies found they could be just as productive or more. However, this also meant fewer people on the roads and on airlines and working in offices, which drastically lowered the demand for oil and gas and subsequently led to historically negative oil prices.

As if that event alone was not enough, 2021 decided to throw in a snowstorm that shut down the state of Texas and its power grid; the Ever Given cargo ship getting stuck in the Suez Canal for five days and temporarily shutting down a global trade route; and most recently, the Colonial pipeline cyberattack hack that choked the transportation of oil in the US.

The combination of all these events triggered a familiar downturn reaction in the oil and gas industry. Early retirement packages, layoffs or downsizing, bankruptcies, and mergers and acquisitions became weekly announcements as companies went into survival mode. A byproduct of these activities was a huge loss of historical knowledge and experienced employees in every department and connected industry.

Accounting departments in oil and gas companies particularly feel the pain and impact of these losses, not just due to historical and specialty knowledge; but mostly because these departments are usually "learn on the job" as opposed to being taught in college. Thus, graduates rolling out of college who are much more cost effective to hire are not only missing the necessary training and education to do their Oil and Gas accounting positions; but more importantly, do not have the experienced people to give them that on-the-job training. And the remaining experienced folks are typically saddled with four times the work they had before any reductions.

Combine that with the transition to more automated ERP accounting systems that calculate things "with the push of one button," and the ability to analyze and identify problems and errors that feed into the calculations is drastically diminished.

One of the areas particularly impacted in the above scenario that will be focused on herein is the individuals responsible with reporting state Severance taxes for oil and gas E&P companies.

Severance Tax Refresher

If you are not familiar with Severance tax, it is NOT the tax paid on severance packages when an employee leaves a company (although that is what my parents thought I did and told people for years!).

Severance tax as it applies in the oil and gas accounting world is a state tax imposed on certain products "SEVERed" from the ground. Just about everything about Severance tax varies by state – the report deadlines, the products taxed, tax calculated off volume or value, who files which product's returns, the exemptions and deductions allowed, the statutes and regulations, and the legislation and interpretations of pretty much every aspect.

At larger companies, they may have entire Severance tax departments. In smaller companies, this might be a role handled by a one-person accounting department. One thing is constant though – very little specific training exists related to Severance tax. This is important to note because as the industry knowledge departs and oil and gas accounting systems become more automated, the understanding for the intricacies related to Severance tax are being lost and overlooked. You may wonder why this is important.

While not one of the biggest line items on a company's Financial reports, Severance tax is one of the few accounting areas where specialized knowledge translates to accumulated savings for a company in not only money, but also for the valuable commodity of time.

The various governments in the US are vying for oil and gas companies to produce in their states. Therefore, they offer incentives and deductions to effectively decrease the cost of choosing to drill and produce there. If the reporting accountant is not familiar with these incentives, it is very likely companies are overpaying their Severance tax. Depending on the size of the company, this can be to the tune of millions of dollars a year; or on average, thirty percent of the Severance tax paid.

Additionally, many states regularly audit Severance tax, or an audit is triggered by another tax type. Most of the time Severance tax stays off the radar until a big audit assessment comes along and gets everyone's attention.

Lastly, along with state specific information, a good Severance tax accountant must have extensive understanding of almost every department in an oil and gas company. Data and information that flows into or impacts the Severance tax calculations comes from Land, Revenue, Marketing, Operations, Accounts Payable, Financial Reporting, and Tax.

As you can deduce, an employee with specialized knowledge in this area can impact the bottom line significantly by adding value and reducing liability; and, so you know, these people are few and far between and dwindling in the current environment discussed above.

Mining for Hidden Gems

Regardless of a Severance tax reporter's knowledge or experience, there are some best practices that can be utilized to help minimize liability and maximize savings in the states they operate in. Listed below are five suggested areas to pay attention to and implement that will add value to any organization.

Reconcile

- Volumes: One of the first things Severance tax auditors review is how production reported to the state compares to the volumes listed on the severance tax returns to ensure that the proper tax was paid on the related volumes and values. A reconciliation of state production reports to volumes reported on severance tax returns, should be a part of the monthly return preparation. Variances should be researched and documented as needed in the event of a future audit.

- Payable vs. Expense: Another internal reconciliation should be the Severance Tax payable account to the Severance Tax expense. This will allow you to identify variances in Revenue setup and expected Severance tax due with the amount actually paid to the State. While you might expect this to be a standard procedure, we have found it is not and have discovered numerous over and underpayments along with incorrect setups using this simple accounting exercise.

- Purchaser Paid: Oil severance tax is generally paid by the Purchaser, but in many states, it is ultimately the Producer's responsibility that it is filed and paid correctly. Therefore, we suggest that either quarterly or semi-annual, you review and validate any Severance taxes paid by the Purchaser on your behalf. Occasionally, Purchasers pay gas severance taxes, and we recommend you reconcile those to your gas purchase statements and consider doing the reporting yourself to fully capture all of the available gas deductions that the Purchaser may not have the detail for.

Communicate

- Internal: The adage that "communication is key" is true for a reason. Severance tax is at the tail end of the oil and gas process with inputs coming from so many various departments. Setting up a communication tree to track and document information between departments is crucial to success. Whether that is done with hard copy master well files, or the more widely used electronic sharing portals, those lines of communication need to be open so that the Severance tax accountant is notified and knows who to notify of meaningful information. Schedule a monthly Severance tax check-in with your point people in each department to make sure you are sharing information, and everyone knows their role in the process.

- External: Vital contacts for anyone responsible for Severance tax include representatives at the state agencies you report to. Not only are these the folks you turn to when you need assistance, but they can be invaluable resources for growing your reporting knowledge. Other important contacts we recommend include your local COPAS group and committee meetings, state oil and gas associations, and other related Special Interest Groups (SIG) in the states you report in or for the accounting system you use.

- Field Visits: Any chance you get to visit oil and gas operations and meet the people in the field, take it! Accountants generally see the world as numbers, so it is great to see the tangible assets that create all the value. It is even more helpful to hear about the setup from the people who work with it every day. We have found the field folks to be some of the best sources of information and validation in relation to severance tax.

Train

- Internal: They say the best way to learn something is to teach it. Taking the initiative to develop desk procedures related to your job function is a great way to evaluate and document your process. Utilizing those procedures to cross-train others in your group will not only create a backup but allows input from different perspectives. Having a shared repository for helpful resources for your extended team is another valuable way to share helpful information as you find it. This can include websites, articles, professional resources, etc.

- External: It will likely be up to you to seek out Severance tax or oil and gas accounting training from resources such as the Professional Development Institute (PDI), your local COPAS meetings, conferences such as the North American Petroleum Accountants Conferences (NAPAC,) state agency seminars, or from a consulting group with specialized knowledge. Most states have their statutes and regulations published online, and we highly recommend you take the time to read them and interpret how they apply to your company.

- Incentives: One of the greatest values a good Severance tax accountant can add is a deep knowledge of the exemptions and deductions that apply to the properties they report on. The various state websites are a good initial source for guidance on available incentives and how to apply for a report on them. We highly recommend you create an exemption tracking spreadsheet and system and review all wells at least bi-annually. Certain incentives have price triggers or may flip on and off, while many deductions are the reporter's burden to calculate and track. Taking incentives correctly can add back great value to a well, but not taking or tracking incentives can also create a very costly audit liability.

Plan

- Due Diligence: One of the biggest mistakes we see as consultants is when a company merges or acquires another company and sets up and reports the severance tax exactly like the prior operator did it. Trust, but verify! Always review new properties independently and do a lookback if you can see if there are any over and underpayments that may impact you under the new contract.

- M&A: If possible, we always would recommend a severance tax person look at an asset or company's reporting prior to finalizing an acquisition in case there are hidden liabilities. If that is not possible, make sure the PSA addresses who is liable for Severance tax overpayments and who and is the beneficiary and responsible party for booking any credits recovered. One additional point is to have detailed schedule of acquisition costs for assets to fully take advantage of depreciation as a deduction, as opposed to booking the asset as a lump sum.

- Efficiency: Benjamin Franklin said, "By failing to prepare, you are preparing to fail." Since many departments and input streams flow into the Severance tax return, it can lead to the need for numerous prior period amendments if any of those inputs were incorrect. Therefore, understanding timing and planning and reconciling all will lead to less time and effort going into PPAs. Another area for efficiency can be if your company is migrating to a new accounting system. Taking the time to setup and test everything thoroughly will save time going forward.

Anticipate

- Always Ready: The best defense is a good offense. If you treat your job as an oil and gas accountant with the mindset that you are going to be audited, then you will be prepared in the event you are. Have master tracking files with all the information pertinent to your return organized by state and by month. Set deadline reminders on your calendar for expirations or important reporting deadlines. Implement a notification system for events that trigger a change to your Severance tax return or Revenue setup, such as reduced rates.

- The Bloodhound Approach: Try tracking one well or a group of wells through the whole accounting process, just like an auditor would do. Start with the related Gas Sales Contract and review it; then review the production reporting sent to the state, compare that to the related gas purchase statement, tie that to the revenue booking in the system, and validate the deductions shown; and confirm this is all flowing correctly into the Severance tax return. We recommend you do this at least once a year, and share the process and results with your greater connected team so that everyone understands the flow.

- Document: Make sure you maintain an electronic copy at a minimum of all your supporting documents that flow to your Severance tax return. Know your internal sources for all the data inputs in the overall calculation. Also, be sure to keep copies of important documents such as exemption certificates and deduction calculation spreadsheets.

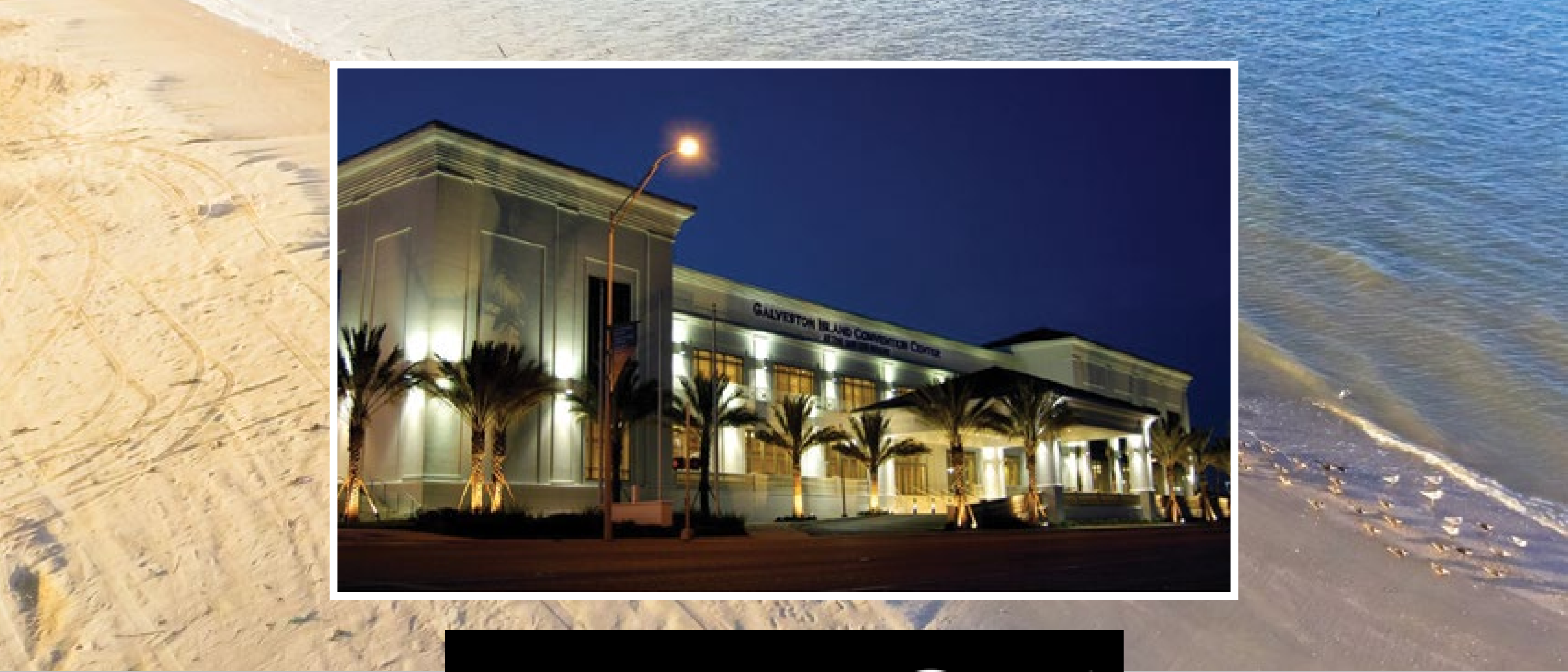
In summation, to understand Severance tax, you really need to understand not just your monthly returns but the broader facets of oil and gas accounting and the industry climate. By putting in the time and effort to reconcile, communicate, train, anticipate, and plan, you will be proactively building the knowledge and experience back up that has been lost this past year with all the events impacting the energy industry. Hopefully, you extract some hidden gems from this article that will add value to your career and your company going forward.

Sarah Magruder is the President & CEO of Safire Oil and Gas Consulting, a Severance tax consulting group based out of Houston, TX. She has a Bachelor's in Finance from LSU and her MBA from University of Houston. Sarah has spent almost her entire 20-year career in Severance tax, splitting time between working directly in medium and large oil and gas companies and as an outside consultant.

She has been an active member of PASH, the COPAS Houston society, for 16 years, serving as Chair of the Golf Committee, as a member and regular presenter at the Revenue Committee, and as an Education day Sponsor and Presenter. Sarah has also been a guest on "The Oil & Gas Accounting Podcast," a speaker at numerous COPAS meetings outside of Houston and has presented multiple times at the API Severance Tax Forum. She lives in Montgomery, TX, with her husband, five-year-old son, five horses and three dogs.

Safire has recently launched Safire University as a Severance tax training tool to provide that critical knowledge to new or current oil and gas accountants. For more information on Safire's consulting services, please contact Sarah via:

sarah@safireogc.com • 832.626.3937 • www.safireogc.com



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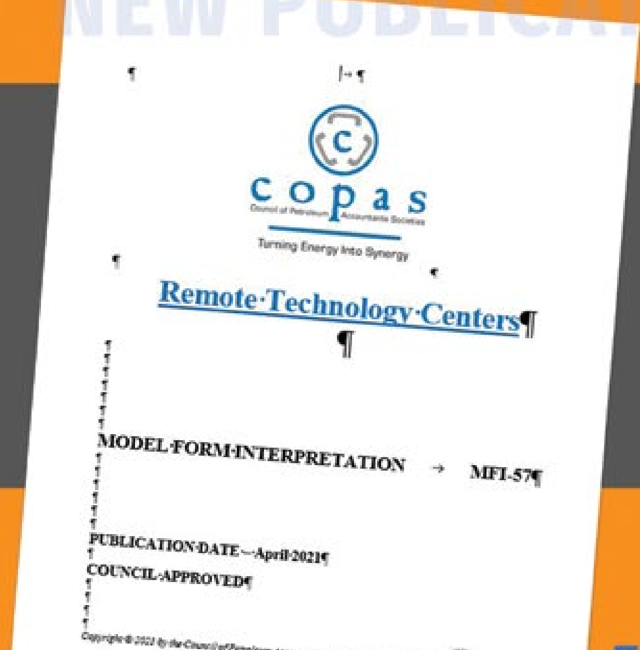


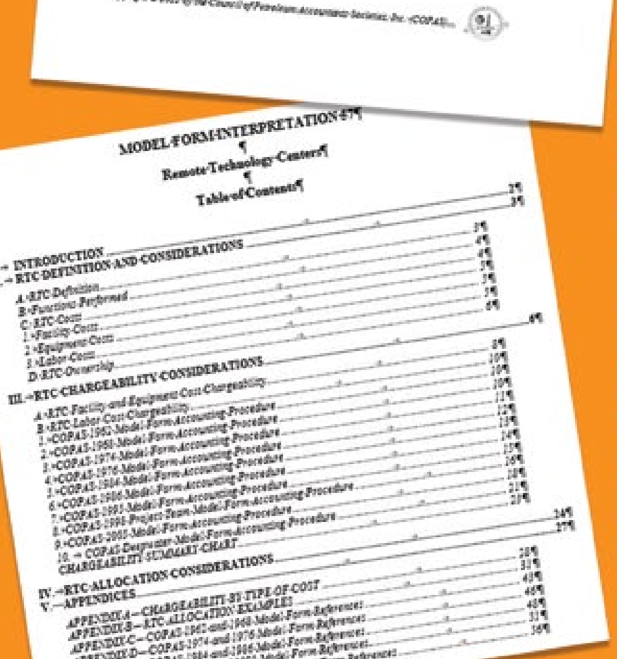
COPAS
Council of Petroleum Accountants Societies
Turning Energy Into Synergy

Remote Technology Centers

MODEL FORM INTERPRETATION → MFI-57

PUBLICATION DATE – April 2021

COUNCIL APPROVED



MODEL FORM INTERPRETATION 57

Remote Technology Centers

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MFI-57, *Remote Technology Centers* is the newest COPAS Publication. If you are a COPAS ePub subscriber, the document is automatically included in your subscription. Direct purchases of the publication can be made from the COPAS store.

MFI-57 replaces AG-28, *Real Time Operations Centers*. AG-28 has officially been retired.

THANK YOU TO THE RTC DRAFTING TEAM

I have had the privilege to work with some outstanding individuals who participated in this project. Most of the team members have participated with me on this venture since the beginning in January 2017: Larea Arnett, Janice Edmiston, Terry McMurray, Tammy Miller-Davison, Jeff Roberson, and Joy St. Pierre until she retired July of last year. Chris Copeland joined the team early on and stayed with us until late last year when he had a job opportunity that required he no longer participate. Cindy Burton was on the team early on until early 2018. The latest members to join the team include Tom Batsche, Mike Cougevan, and Dalin Error. They were part of the FLAG team (Finish Line Assist Guys).

It takes a lot of dedication, mettle and grit to participate on a COPAS publication project for this long, particularly to be able to work with me – known as The Task Master. We all brought different gifts to the table but our greatest asset was our ability to work together as a team. We did not always agree and dissented strongly at times, however what ultimately made our time together successful was the ability to discuss the tough stuff of contractual chargeability, while building consensus to get to a solution that would at least work for the majority.

It was an honor to have the opportunity to work with this amazing team! Thank you for that opportunity.

Deb Retzloff

INDUSTRY NEWS

A COLLECTION OF PUBLISHED NEWS ARTICLES

The **U.S. Interior Department** cancelled oil and gas lease sales from public lands through June 2021 amid ongoing review of the program's contributions to climate change. **President Biden** ordered Interior officials to review whether the federal leasing program unfairly benefits companies at the expense of taxpayers, and its impact on climate change. Existing leases were not affected, and the agency continues to issue new drilling permits during the review period. Officials did not state how long the temporary leasing ban will last. Thirteen states have sued in Louisiana federal court to force the resumption of sales, arguing sales are required to be held regularly under federal law.

The **U.S. Senate** reinstated federal controls on methane emissions after such provisions were "rolled back" during Trump's tenure. A group of senators led the push for the federal government to reinstate the rules through a resolution under the Congressional Review Act (CRA). The CRA resolution would reinstate key portions of the 2012 and 2016 Oil and Natural Gas New Source Performance Standards that defined the EPA's authority to regulate methane emissions from oil and gas pipelines and storage tanks.

OPEC+ recommended proceeding with plans to revive oil production as global demand recovers from the pandemic. The coalition agreed to continue its roadmap of supply increases. The alliance intends to restart 2mmbopd output over through the Spring. An OPEC panel forecasts world oil consumption to rebound by 6mmbopd in 2021.

In 2020, **Texas** was responsible for 43.0% of U.S. oil production, followed by North Dakota (10.4%), New Mexico (9.2%), Oklahoma (4.1%), and Colorado (4.0%).

In 2020, **Texas** was responsible for 23.9% of U.S. natural gas production, followed by Pennsylvania (20.0%), Louisiana (9.3%), Oklahoma (8.5%), and Ohio (7.7%).

CA Governor Gavin Newsom announced a ban on new permits for hydraulic fracturing beginning in 2024 and called on regulators to evaluate phasing out all oil production in the state by 2045. The statewide ban on fracing permits would be imposed administratively by the state **Department of Conservation**. Under the plan, the air resources agency will evaluate the economic, environmental, and health effects of eliminating oil extraction; the administration will also determine how to address the loss of jobs and the effects on local economies due to the new policy.

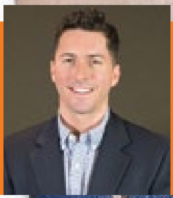
Permian Basin drilled uncompleted wells (DUCs) rose by 400 since October 2020. **Platts Analytics** reported the number of Permian DUCs have increased since hitting near all-time lows of 675 in October. As of April 2021, DUCs have increased to 1,076. In total, the Permian had a net DUC loss on the quarter, which has not happened since 2016. DUCs also rebounded in the Eagle Ford growing from 125 to 259 since the October lows. **Platts** sees both rigs and frac crews trending higher for the rest of 2021, since WTI prices of $55 to $65 per barrel will allow for a profitable cash flow environment.

North America well completions have nearly recovered to pre-pandemic levels with hydraulic fracturing operations reaching a 12-month high in March. Permian Basin completions climbed due to rising rig counts in West Texas and

COMMODITY SPOT PRICING COMPARISON

	CRUDE OIL WTI (CUSHING) PER BBL				HENRY HUB NATURAL GAS SPOT PRICE DOLLARS PER MILLION BTU			
MONTH	**2018**	**2019**	**2020**	**2021**	**2018**	**2019**	**2020**	**2021**
January	63.70	51.38	57.52	52.00	3.87	3.11	2.02	2.71
February	62.23	54.95	50.54	59.04	2.67	2.69	1.91	5.35
March	62.72	58.15	29.21	62.33	2.69	2.95	1.79	2.62
April	66.25	63.86	16.55	61.72	2.80	2.65	1.74	2.66
May	69.98	60.83	28.56		2.80	2.64	1.75	
June	67.87	54.66	38.31		2.97	2.40	1.63	
July	70.98	57.35	40.71		2.83	2.37	1.77	
August	68.06	54.81	42.34		2.96	2.22	2.30	
September	70.23	56.95	39.63		3.00	2.56	1.92	
October	70.75	53.96	39.40		3.28	2.33	2.39	
November	56.96	57.03	40.94		4.09	2.65	2.61	
December	49.52	59.88	47.02		4.04	2.22	2.59	
YTD Average	64.94	56.98	39.23	58.77	3.17	2.57	2.04	3.34

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.



CODY DECKARD

Cody joined Martindale Consultants in 2012 and is part of Martindale's management team. Cody holds a bachelor's degree in Accounting and minor in Business Administration from the University of Central Oklahoma. He is a Certified Fraud Examiner and is an active member of the COPAS Oklahoma City Society. Cody is currently the CEPS Subcommittee Chair and is a member of the Vehicle Rates Subcommittee.

SE New Mexico. January through March completions exceeded the required output maintenance level. Approximately 429 frac jobs began in March, up from 260 in February. In other regions, frac activity has fluctuated since October between 200-230 wells. A total of 967 to 1,064 North America frac jobs are estimated to have begun during March, exceeding the January levels by 6.5%.

Crusoe Energy Systems is converting flared natural gas at oil wells into cryptocurrency and computing power. The company is focused on converting the excess flared gas at well sites into electrical power for mobile computing centers that the company builds and installs. Crusoe primarily uses its setup to "mine" Bitcoin, creating new cryptocurrency from the electricity it generates from the flared gas. It expanded services to include installing remote computing centers at wells and renting them out for virtual simulations, and similar energy-intensive computing projects. The company has deployed systems in WY and ND, and has some in progress in Colorado. The business plans to expand its computing systems over the next year from 40 to 100.

Continental Resources will ramp up activity in the Bakken, shifting more of its operations to crude oil from natural gas. Continental expects 70% of well completions in the second half 2021 to be in the Bakken versus 50% at the start of the year. Also, the company plans to kick off Powder River Basin activity, operating two drilling rigs.

Pioneer Natural Resources announced plans to acquire **Double-Point Energy** for $6.4 billion. Pioneer will increase its position to more than 1 million net acres, acquiring primarily undrilled, new land in the Permian Basin.

Chesapeake Energy is seeking to sell its Eagle Ford assets in South Texas for as much as $2 billion.

Bonanza Creek Energy completed of its merger with **HighPoint Resources** in April. The Delaware Bankruptcy Court allowed the two companies to merge as part of HighPoint's reorganization. Bonanza intends to spend between $150-170mm in 2021 on capital expenditures in the Wattenberg Field in the Denver-Julesburg Basin in N. Colorado and Wyoming.

Equinor completed the sale of its operated and non-operated Bakken field acreage to **Grayson Mill Energy**. The acreage, including associated midstream assets, were sold for $900mm. Nearly all Bakken field staff and support teams will transfer to Grayson Mill Energy. **Equinor Marketing and Trading** will purchase crude offtake from the Bakken assets through a long-term purchase agreement with Grayson Mill Energy.

Oasis Petroleum entered into a definitive agreement to acquire **Diamondback Energy's** Williston Basin assets in a $745mm cash transaction. The acquisition effective date is April 1, 2021.

Hess Corporation said it completed the $312mm sale of its Little Knife and Murphy Creek acreage in the Bakken to **Enerplus Corporation**, effective March 1, 2021.

RIG COUNTS

LOCATION	WEEK OF:							
	2.15.19	5.10.19	7.19.19	2.14.20	5.8.20	7.31.20	10.31.20	4.30.21
Gulf of Mexico	21	20	25	23	15	12	13	13
Canada	224	63	118	255	26	45	86	51
North America	1275	1051	1072	1045	400	296	382	491
Oil	857	805	779	678	292	180	221	342
Gas	194	183	174	110	80	69	72	96
Directional	70	71	69	47	27	22	22	23
Horizontal	915	872	829	713	338	216	254	398
Vertical	66	45	56	30	9	13	20	19
Major State								
Alaska	12	9	10	9	3	3	3	3
Arkansas	0	0	0	0	0	0	0	0
California	11	15	17	14	5	4	4	7
Colorado	35	33	31	22	8	5	4	10
Louisiana	66	61	66	52	38	29	37	49
New Mexico	109	102	107	113	70	49	47	70
North Dakota	57	56	55	52	20	11	11	15
Oklahoma	119	105	95	50	13	11	14	21
Pennsylvania	44	43	37	24	23	20	18	18
Texas	509	485	454	397	173	104	133	212
West Virgiana	18	21	21	14	7	5	8	11
Wyoming	37	30	32	22	4	1	3	4

Source: Baker Hughes at www.bakerhughes.com

MORE INDUSTRY NEWS

Vitol Group is nearing a purchase of **Hunt Oil Co.'s** Permian Basin wells in its first major acquisition of U.S. producing assets. Vitol set up Houston-based venture Vencer Energy with a mandate to acquire U.S. oil and natural gas assets. Vitol handles 7 million barrels of crude and fuels per day and is one of the biggest exporters of U.S. oil.

ExxonMobil announced an oil discovery in the Stabroek Block offshore Guyana at the Uaru-2 well. It was its 19th discovery in Guyana. The April discovery augments Stabroek's previous recoverable resource estimate of 9 billion barrels of oil equivalent. Exxon operates the 6.6-million-acre Stabroek Block as part of a consortium that includes **Hess Corp** and **CNOOC**; it began production in 2019.

BP reported a discovery at the Puma West prospect in the deepwater U.S. GOM. Puma West is in Green Canyon 821 131 miles off the LA coast, west of BP's Mad Dog field. BP holds a 50% working interest, with **Chevron** and **Talos** each holding 25%.

Chevron is partnering with **Microsoft**, **Schlumberger**, and **Clean Energy Systems** to build a carbon capture plant in Mendota, California to convert agricultural biomass to electricity; the carbon captured in the conversion of agricultural waste would be stored underground. The plant is expected to use 200,000 tons of agricultural waste and remove around 300,000 tons of carbon dioxide per year.

ExxonMobil unveiled a plan to build one of the world's largest projects for carbon capture and storage (CCS) along the Houston Ship Channel. The project would cost $100 billion and would store 100 million metric tons of CO2.

Piñon Midstream began construction of its Dark Horse Sour Gas Treating and Carbon Capture Facility and associated pipeline in Lea County, New Mexico. Piñon, founded in December 2020, plans to provide a long-term, economic, and environmentally responsible solution to the sour gas problems in the northeastern Delaware Basin. The Dark Horse Facility is the first purpose-built sour gas infrastructure solution of its kind in the Delaware. The facility will begin operations in July 2021, treating approximately 85mmcfd. A second amine treating plant is scheduled to be operational in the fourth quarter of 2021.

Vine Energy is preparing to go public through an IPO. Formerly **Vine Oil & Gas**, is focused on natural gas properties in the stacked Haynesville and Mid-Bossier shale plays in NW Louisiana's Haynesville Basin. Once the IPO is completed, Vine expects $340-350mm in capital expenditures for drilling and completion operations.

Rice Acquisition Corporation, a special purpose acquisition company focused on the energy transition sector, announced a business combination with **Aria Energy** and **Archaea Energy**. The business combination is expected to create the industry-leading platform in the U.S. to capture and convert waste emissions from landfills and anaerobic digesters into low-carbon RNG, electricity, and green hydrogen.

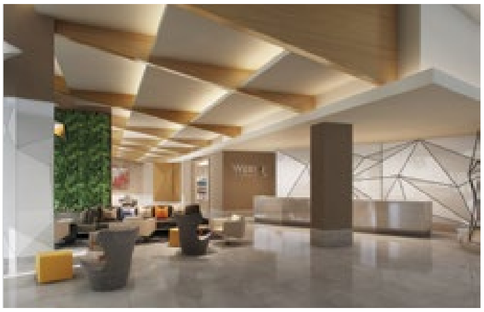
BP plans to spend $1.3 billion to build a network of pipes and other infrastructure to collect and capture natural gas from oil wells in the Permian Basin. The company also announced plans to end natural gas flaring at its onshore U.S. assets by 2025.

Chesapeake Energy is piloting new technology in N. Louisiana to monitor methane gas emissions and reduce the carbon footprint of its drilling operations. Chesapeake hired **Project Canary**, a firm that sells emissions monitoring hardware and software to triangulate emissions using several devices at the well site. The pilot project is expected to cover two pads, 10 wells of its Haynesville operations.

Oxy Low Carbon Ventures formed a partnership with **Cemvita** Factory, a company that developed a photosynthesis-based process to take CO2 from any source and convert it into a wide array of products. **Oxy** and **Cemvita** announced the establishment of a pilot project for conversion of CO2 to Bioethylene. Oxy affiliate **OxyChem** which currently manufactures and uses large volumes of ethylene in its chlorovinyls business can then use the Bioethylene as feedstock. The goal is to capture CO2 emissions from a cogeneration power plant as its feedstock, and manufacture bio-ethylene using a process that requires only a Cemvita-developed microbe, water, and sunlight as its other elements.

Chevron's venture capital arm, **Chevron Technology Ventures**, and **Moreld Ocean Wind** agreed to invest in **Ocergy's** development and commercialization of floating offshore wind turbines. This is Chevron's first investment in offshore wind and will also fund the development of an environmental monitoring buoy that will gather data and support biodiversity.

Royal Dutch Shell is joining a project to build one of the UK's first large-scale carbon capture and hydrogen hubs. Shell will team up with the UK's biggest independent oil and gas producer, **Harbour Energy**. The project developer is **Storegga Geotechnologies**. The companies will be equal partners in the venture. Shell seeks to have access to an additional 25 million tons a year of carbon capture and storage capacity by 2035 and is developing large-scale projects in Australia, Norway, and a Canadian facility, which already captures 1 million tons annually.



SAVE *the* DATE

FALL 2022 MEETING | OCTOBER 17-21, 2022 | IRVING, TX

HOTEL: Westin Irving Convention Center at Las Colinas

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COPAS
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PROJECT STATUS REPORT

COPAS MODEL FORMS

COMMITTEE	PROJECT	STATUS	COMMENTS BY	ANTICIPATED COUNCIL VOTE
Joint Interest	Accounting Procedure	Draft 5 expected in Q3	TBD	Spring 2022

COPAS MODEL FORMS MODIFICATIONS AND INTERPRETATIONS

COMMITTEE	PROJECT	STATUS	COMMENTS BY	ANTICIPATED COUNCIL VOTE
Joint Interest	MFI to accompany new model form Accounting Procedure	Draft 3 expected in Q3	TBD	Spring 2022
Joint Interest	MFI-40, 24-Month Adjustment Period for Joint Account Adjustments	Draft 1 expected in Q3		

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 is ongoing. Contact Revenue Committee Chair to volunteer.		

ON AIR

the OIL & GAS ACCOUNTING

PODCAST

hosted by SherWare + copas

COPAS has teamed up with SherWare, Inc. to host a weekly Oil and Gas Accounting podcast. COPAS Executive Director Tom Wierman and SherWare CEO, Phil Sherwood, are the co-hosts.

Why an Oil and Gas Accounting Podcast? Because there's so much happening in the world today, especially in oil and gas that affects the accounting function, we want to be a place that you can come to for relevant and timely information on the different accounting issues that you're facing. The weekly podcast will bring valuable accounting information to the folks who deal with oil and gas accounting on a daily basis. If you're a CPA, an accountant, a bookkeeper, an office manager, or if you work for an oil and gas operator doing the accounting yourself, you are who this podcast is for.

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RECENT PODCAST TOPICS:

Compliance in a Post-Covid Era
Must-have Reference Items in Your Oil and Gas Accounting Library
Retaining Employees and Creating a Positive Work Culture
Are You a Folder or a Crumpler?
Surviving Mergers & Acquisitions
How the Election Results Will Impact the Energy Section
How Derivatives Can Protect You in a Volatile Market
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GENERAL TEST INFORMATION

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Exams are administered by Scantron using their extensive testing center and online proctoring network. Exams may be given any day during the selected exam month, subject to testing facility and proctor availability. International testing options are available for a slightly higher fee.

For more information, contact Vanessa Galindo, APA® Administrator, by calling (303) 300-1131 or emailing Vanessa.Galindo@copas.org.

TESTING DATES

EXAM MONTH	REGISTRATION DATES
September 2021	June 1, 2021 – July 15, 2021
November 2021	August 1, 2021 – September 15, 2021
March 2022	December 1, 2021 – January 14, 2022
May 2022	February 3, 2022 – March 15, 2022
July 2022	April 1, 2022 – May 13, 2022

Live online proctoring and immediate scoring now standard

ABOUT THE CREDENTIAL

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

The APA® certification is a unique credential among other accounting certifications. While the Petroleum Accountant needs the basic concepts and understanding of all accounting matters, the petroleum industry operates under unique guidelines and principles. In preparing for and earning the APA® credential, the accountant will be exposed to all facets of the petroleum industry and achieve or exceed the knowledge required for competent practice as a petroleum accountant.

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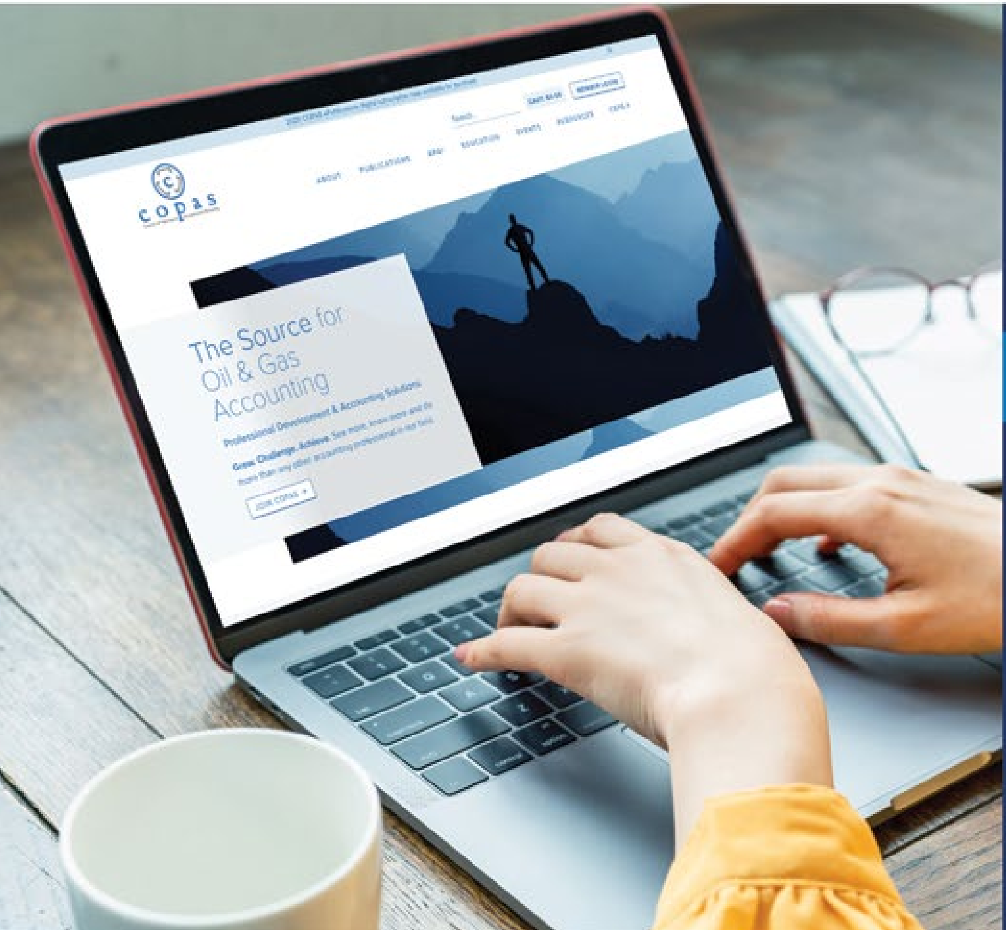

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- Principles of Payout and Payout Calculations
- Principles of Revenue Accounting Boot Camp
- Principles of Joint Interest Accounting Boot Camp
- Revenue Audit

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GAS BALANCING SERIES
Presented by Salomon Tristan

Make Up Gas (60 mins CPE: 1)	June 14	10AM CT
Settlement & Imbalance Reporting (75 mins CPE:1 .5)	July 12	10AM CT

All class and CPE information, COPAS policies, and course registration are provided in the CEE Store under the Education menu on COPAS.org. Recordings of past webinars are available, but CPE is available for live webinars only.

PRINCIPLES OF REVENUE ACCOUNTING (REVBC) SERIES

Presented by Salomon Tristan

Gas On and Off-lease Sales Accounting (120 mins CPE: 2.5)	June 15	10AM CT
Gas Plant Accounting I: Intro to Processed Gas (75 Mins CPE: 1.5)	July 13	10AM CT
Gas Plant Accounting II: Principles of Gas Plant Accounting (90 Mins)	August 17	10AM CT
Producer and Pipeline Imbalances (90 mins CPE: 1.5)	September 14	10AM CT
Production and Severance Taxes (60 Mins CPE: 1)	October 12	10AM CT
Private State and Federal Royalties (60 Mins CPE: 1)	November 16	10AM CT
Checkstub Processing (60 Mins CPE: 1)	December 14	10AM CT

PRINCIPLES OF JOINT INTEREST ACCOUNTING (JIBC) SERIES

Presented by Phil Fischer and Jeff Wright

Direct vs Indirect Costs (90 mins CPE: 1.5)	June 16	12PM CT
Overhead (90 Mins CPE: 1.5)	July 14	12PM CT
Materials (90 Mins CPE: 1.5)	August 18	12PM CT
Special Joint Venture Adjustments (60 mins CPE: 1)	September 15	12PM CT
Allocations (60 Mins CPE: 1)	October 13	12PM CT
Joint Interest Billings (60 Mins CPE: 1)	November 17	12PM CT
Accounting for Joint Venture Costs (50 Mins CPE: 1)	December 8	12PM CT

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KNOWING YOUR COPAS DOCUMENTS (KYCD) SERIES

Presented by Roger Gann

How Do I Allocate That? (75 mins CPE: 1.5)	June 17	9AM CT
COPAS 2005 and its Embedded Interpretations (75 mins CPE: 1.5)	July 8	9AM CT
Expense Audit Protocols and Practice (80 mins CPE: 1.5)	August 19	9AM CT
Building Joint Account Payroll Charges (80 mins CPE: 1.5)	September 16	9AM CT
Building Overhead Charges to the Joint Account (90 mins CPE: 1.5)	October 14	9AM CT
Help Me Process These Invoices (75 Mins CPE: 1.5)	November 18	9AM CT
COPAS Economic Factors - Behind the Numbers (75 Mins CPE: 1.5)	December 9	9AM CT

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LEGISLATIVE & REGULATIVE

NATE WOLF

NateWolf@copas.org

MIKE FOSTER

MikeFoster@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.

Limitations of Onshore and Offshore Drilling

Several states in 2021 continue their efforts to limit or restrict oil and gas development on lands within state jurisdiction. **Connecticut SB8** will prohibit offshore drilling of oil and gas wells while **Connecticut HB5625** will not allow surveys in Long Island Sound. **Florida HB333** and **SB722** prohibit the Department of Environmental Protection from granting permits for the drilling of wells for oil or gas within the Everglades Protection Area. **Florida HB283** and **SB720** prohibit the drilling or exploration for, or production of, oil, gas or other petroleum products on lands and waters of the state. **Massachusetts SD1707** will protect its coasts from offshore drilling while **Massachusetts HD1373** will only allow natural gas compressors in industrial zoning districts. **New York S1421** and **A4242** prohibits the leasing of state forests and wildlife areas for gas production. **South Carolina S119** prohibits approving a plan, license, or permit application for infrastructure used to facilitate the transportation of crude oil or natural gas from the Atlantic Ocean into the state and prohibits the exploration, development, or production of offshore crude or natural gas. **US HR455** and **US S28** provide additional restrictions on developments in the Gulf of Mexico and off the coast of California. **Virginia HB2292** to establish a moratorium on various fossil fuel projects including gathering lines or pipelines to transport fossil fuels, new facilities that generate electricity from fossil fuels and fossil fuel import or export facilities failed in committee.

Hydraulic Fracturing Restrictions and Prohibitions

Hydraulic fracturing remains the subject of legislative scrutiny at both the state and federal level. Connecticut (SB753), Oregon (HB2623) and Washington SB5145) all passed legislation in 2019 to ban or restrict this practice. Virginia (SB106) passed legislation in 2020 to restrict fracturing in designated areas. In 2021 Arizona (HB2199, HB2520 and SB1688), California (SB25, SB467), Florida (SB546, HB1575), Maryland (HB196), Massachusetts (SD20, SD21, HD2259, HD463 and SD1457), New Jersey (A656, S1517), New York (A1332, S4480, S355, A1404, S2914, A4027, S 4099, and A4918), and North Carolina (HB635) are all considering bills to either prohibit, further regulate, or further study hydraulic fracturing. Pennsylvania (HB353, HB838) proposes to require fluid tracers in hydraulic fracturing fluids and to require additional disclosures on the chemical content of fracturing fluids.

Well Setback Requirements

The **Colorado** Oil and Gas Conservation Commission's requirements that new oil and gas wells be drilled at least 2,000 feet from most buildings took effect on January 15. The previous commission rules required only a 500-foot setback. **Texas HB 2814** proposes public hearings on Applications for Permits to Drill wells within 1,500 feet of schools and other structures. **Pennsylvania HB1144** proposes a 200 feet setback from a building or water well. **West Virginia HB2975** to require a 2,500 feet setback from occupied structures failed sine die.

States Challenge President Biden Executive Orders

Some Executive Orders issued by President Biden with potential impact upon the oil and gas industry are being challenged in state legislatures and in the United States (US). Congress. (See Executive Order 13990 "Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis", Executive Order 14008 "Tackling the Climate Crisis at Home and Abroad" and Executive Order 13992 "Revocation of Certain Executive Orders Concerning Federal Regulations"). **US HR218** prohibits the Secretary of the Interior and the Secretary of Agriculture from issuing moratoriums on new oil and gas leases and permits. **US HR2131** will require that the federal government issue payments to Gulf of Mexico producing states for losses to revenue caused by moratoriums on offshore leases. **US HR159** and **US HR1726** state that any moratoriums on federal leasing will require the joint approval of both Houses of Congress. **US HR543** is known as the POWER Act and will prohibit presidential moratoria on leasing federal lands. **US HR 859** the Protecting American Energy Jobs Act will nullify specific executive orders. In addition to these proposed congressional bills, **Iowa** (HF577, HF578), **Louisiana** (HB617), **North Dakota** (HB1164), **Oklahoma** (HB1236, HB1237), and **Texas** (HB1283, SB1734, SB1248) are proposing to restrict or limit executive orders deemed to be contrary to individual state law or attorney general rulings. West Virginia (SB504, HB3063, HB3164) and **Wyoming** HB260 requiring a review of presidential executive orders all failed this year.

BLM
Security and Measurement Rules

On September 10, 2020, the BLM published new proposed Measurement and Site Security Rules. The rules will continue to require that producers apply for Facility Measurement Point (FMP) numbers to be used in filing the monthly Oil and Gas Operators Report (OGOR). They clarify that FMP numbers are needed for all measurement points relevant to determining the allocation of production to Federal or Indian leases, Unit Participating Areas or Communitization Agreements. They removed the requirements that measurement points be BLM approved and further state that plant tailgates are no longer recognized as measurement points. The proposed rules establish a 3-year timeline, commencing with the effective date of the rules, for producers to apply for FMP numbers based upon the level of oil and gas production from the well. Producers of wells producing more than 4,500 mcf or 500 barrels per month have one year from the effective date to apply for FMPs. Producers of wells producing more than 1,000 mcf but less than 4,500 mcf or producing more than 50 barrels but less than 500 barrels per month have two years from the effective date to apply for FMPs. Producers of wells producing less than 1,000 mcf per month or less than 50 barrels per month have three years from the effective date to apply for FMPs. The rules indicate that operators must start reporting production on the OGOR using the FMP number beginning the third production month after the BLM assigns the FMP number and every month thereafter.

Waste Prevention Rule (aka Venting & Flaring) (CFR 3179)

On July 15, 2020, the U.S. District Court for the Northern District of California vacated the 2018 Replacement Rule governing waste prevention with the vacatur being effective October 15, 2020. The California decision required industry to comply once again with the November 18, 2016 "Waste Prevention, Production Subject to Royalties and Resource Conservation" Rule (aka the "2016 Final Rule"). The 2016 Final Rule and the 2018 Replacement Rule have very different criteria for determining when flared gas is considered "avoidably lost" and as such, subject to royalties. To further confuse the waste prevention compliance effort, less than three months following the California decision the U.S. District Court of Wyoming (See State of Wyoming and State of Montana vs. United States Department of the Interior, Case No. 2:16-CV-0285-SWS) on October 8, 2020 vacated the 2016 Final Rule except for the amendments to Part 3103.3-1 (related to royalty rates) and Subpart 3178 (defining Royalty-Free Use of Lease Production). The Wyoming decision vacated Subpart 3179 (Waste Prevention & Resource Conservation) which included the BLM's definition of Unavoidably Lost, the definition of Avoidably Lost, the Gas Capture Percentage calculation and the required monthly gas capture targets. The Wyoming decision returned industry to the original Waste Prevention Rules defined by the Department of the Interior's 1979 Notice to Lessees and Operators of Onshore Federal and Indian Oil and Gas Leases (NTL-4A). The waste prevention directives appear to be far from resolved, however, as **United States HR 1492**, the Methane Waste Prevention Act of 2021 was introduced on March 2 by Representative Diana DeGette (D-CO) and proposes the development of another new set of regulations for methane emissions. This bill would also reinstate the 2016 Final Rule for an interim period until new regulations are issued.

ALASKA

The 32nd Alaska Legislature gaveled in January 19 and is expected to conclude on or before May 19. **SB62** states that a subsurface is not restricted if developed by drilling from acreage without surface restrictions. **SB71** and HB81 allow the Commissioner of Natural Resources to modify royalty and net profit shares on individual leases to prolong the economic life of an oil or gas field or pool where additional capital expenditures would make future production no longer economically feasible. **SB107** seeks to accomplish the same as SB129 for 2020, which is to raise severance taxes on legacy fields. The new provisions shown below only apply to fields/units that produce more than 40MBD and have more than 400MMBL of cumulative oil production, which today would only apply to Prudhoe Bay, Kuparuk and Colville River Units; all smaller fields/units and new fields/units pay under current law until they hit the 40/400 threshold. (a) A new minimum tax of 10% of GVPP (wellhead value) if ANSWC is less than $50/bbl, plus an additional 1% of GVPP for each $5.00/bbl ANSWC

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.

equal to or above $50/bbl; capped at 15% total at $70/bbl ANSWC. No credits, allowances, or deductions could be used to reduce the tax below this minimum level. (b) The per barrel tax credits in AS 43.55.024(i) and (j) cannot be used in either the net or minimum tax calculations. (c) The 35% of PTV (wellhead value less lease expenditures) in existing law stays plus an additional tax of 15% of PTV for the increment of PTV higher than $50. (d) Full ring fencing of fields/units for lease expenditures and carry forwards, and finally (e) All tax filings will be public record.

ARKANSAS

HB1273 was enacted on March 8 and grants mineral owners a lien on their percentage of ownership of production sales as security on the purchaser's obligations to pay. **HB1725** proposes to amend royalty interest to a minimum of one eight following integration orders on drilling units.

CALIFORNIA

SB47 expresses the intent of the California Legislature to enact legislation related to orphaned oil and gas wells. **SB84** and **AB896** pertain to hazardous or idle-deserted wells and facilities and require that the cost of plugging and abandoning a well or the cost of decommissioning deserted production facilities be obtained from the current operator before seeking to recover such costs from a previous operator.

COLORADO

Colorado which opened its legislative session on January 13 and is scheduled to end on May 12. 2021 continues to see local regulatory activity resulting from **SB181** "Protect Public Welfare Oil and Gas Operations (aka Omnibus Oil and Gas Bill)" implemented in 2019. A key provision of this bill allows local governments to regulate oil and gas operations above and beyond the regulations of the State. Several municipalities and counties have acted upon this bill over the past two years to regulate well setback requirements, to enact moratoriums on oil and gas development, to regulate drilling noise pollution and to notify neighbors of proposed new oil and gas developments. These include Adams County (1,000 feet well setback), Boulder City (moratorium on new drilling), Boulder County (moratorium on new drilling), Weld County (new county well permitting), Town of Erie and City of Louisville (moratoriums on new development), City of Lafayette (moratorium on new development), City of Broomfield (emergency noise ordinance, 2,000 feet well setback), Larimer County (1,000 feet well setback), and Town of Superior (1,500 feet well setback).

FLORIDA

Florida opened its legislative session March 2 and is scheduled to conclude on April 30. Current Florida Statute 211.0251 grants a credit for contributions to eligible nonprofit scholarship-funding organizations. The credit is allowed at 100% but may not exceed 50% of the oil production tax or gas production tax liability. **SB908**, **HB897** and **HB7061** propose beginning January 1, 2022, allowing a credit of 100% of a contribution made to an eligible charitable organization as defined by the Department of Children and Families under proposed section 402.62 titled ***Strong Family Tax Credit***. **HB3** proposes to allow a credit of 100% of an eligible contribution made to the ***New Worlds Reading Initiative*** against any tax due under oil production taxes or gas production taxes. However, the combined credits allowed may not exceed 50% of the tax due on the return on which the credit is taken. Each Bill is being heard in its respective chamber.

KENTUCKY

Kentucky opened it legislative session January 5 and closed March 30. **HB575** seeks to repeal the credit for production recovered from an inactive natural gas well. See statute **KY Statute 143A.033** for current regulation. This Bill resides in the House Revenue and Appropriations committee.

LOUISIANA

Louisiana convened its legislative session April 12 and is scheduled to conclude on June 10. **HB26** was prefiled on February 24. Present law exempts crude oil produced from certified stripper wells from severance tax in any month in which the average value is less than $20 per barrel. This Bill proposes to increase the value from $20 to $75 per barrel. **HB30** was prefiled on February 25. This Bill proposes several changes to the oil severance tax. First, it proposes to reduce the severance tax rate on oil over an eight-year period from 12.5% to 8.5% of its value at the time and place of severance. Secondly, it sets the severance tax rate for oil produced from a well incapable of producing an average of more than 25 barrels of oil per producing day during the entire taxable month, and which also produces at least 50% salt water per day, to 6.25%. Thirdly, it sets the severance tax rate for oil produced from a well that is incapable of producing an average of more than 10 barrels of oil per producing day during the entire taxable month to 3.125%. Lastly, it sets the severance tax rate for oil produced from a well in a stripper field to 3.125%. **HB57** was prefiled on March 5. It creates an exemption for oil produced from any orphaned well, newly drilled well, or newly completed well that is undergoing or has undergone well enhancements such as re-entries, workovers or plugbacks, when production occurs on or after January 1, 2022, and on or before December 31, 2024. It provides that the exemption for an orphaned well lasts for 24 months or until payout, whichever occurs first; provides that the exemption for a newly drilled well lasts for 12 months or until payout is achieved, whichever occurs first; and finally, provides that the exemption for a newly completed well that is undergoing or has undergone well enhancements lasts for six months or until payout is achieved, whichever occurs first. Please note that **HB658**, **HB661**, and **HB662** are identical to **HB57** except for the newly completed well lasting for 5,000 barrels rather than six months. **HB444** proposes to repeal the reduced severance tax rate for an incapable well taxed at 6.25%, to repeal the severance tax rate for a stripper well taxed at 3.125%, to repeal the reduced severance tax rate for an orphaned well taxed at 6.25%, and to repeal certain severance tax suspensions on horizontally drilled wells, certain inactive wells, and certain deep wells. **SB171** proposes that beginning October 1 oil produced from any inactive well that has been certified as an orphaned well that is undergoing or has undergone well enhancements that requires a Dept. of Natural Resources permit such as a re-entry, workover, or plug back, will be exempt from severance tax when production occurs on or after October 1. It requires the operator to remit an amount equal to the severance tax that would otherwise be due on the well to the Dept. of Natural Resources which will be credited to an associated site-specific trust account for the purpose of providing a source of funds for restoration of that oilfield site.

MISSISSIPPI

Mississippi opened its legislative session on January 5 and ended it on April 4. **HB145** proposing to reduce the recording fee for each oil and gas assignment failed. Two bills addressing the reversion of mineral interest to surface fee owners after various periods of inactivity also failed. **HB906** would have reverted mineral interest to the surface owner after 10 years of non-production. **HB555** would have reverted mineral interest to surface fee owners after 20 years with no bona fide attempt to drill for or produce minerals or no actual production of minerals. **HB664** has failed. It provided that the owner of the surface rights in real estate under which oil, gas or other mineral interests are owned or held separately may be exempt from paying 25% of the ad valorem taxes otherwise due on the real estate. However, the owner or holder of any ***nonproducing*** oil, gas or other mineral interest owned or held separately from the rights owned in the surface estate shall pay a prorated portion of 25% of the ad valorem taxes due on the land. *Please note that this language is written in the severance tax regulation (§27-25) and the ad valorem tax regulation (§27-31).*

MONTANA

Montana opened it legislative session and closed April 28. **LC2499** clarifies the primacy of the mineral estates and clarifies the jurisdiction of the Board of Oil and Gas Conservation by stating that natural resource laws may not alter the primacy of the mineral estate, limit access to the mineral estate or limit development of the mineral estate. **LC0540** creates the Natural Resource-Related Investigation Program within the Bureau of Mines and Geology to determine the existence of oil and gas deposits in the state and to determine if new production methods will improve production in existing fields and to locate new fields. **LC3185** was introduced March 18 and revises the descriptions and production tax rates for stripper natural gas, stripper natural gas exemption, stripper oil, and stripper well exemption. The stripper natural gas requirement is proposed at less than 60 MCF/day and taxed at two levels of production: less than 18 MCF/day is taxed at 5% and more than 18 MCF/day is taxed at 8%. The stripper natural gas exemption requirements are proposed at less than 60 MCF/day coupled with natural gas price received at $4.75 or less and is taxed at two levels of production: less than 18 MCF/day is taxed at 0.8% and more than 18 MCF/day is taxed at 5%. The stripper oil requirement is proposed at 15 bbls/day or less and taxed at two levels of production: less than 3 bbls/day is taxed at 5% and more than 3 bbls/day is taxed at 8%. The stripper oil well exemption requirements are proposed at 15 bbls/day or less coupled with Montana oil priced at $59/bbl or less and is taxed at two levels of production: less than 3 bbls/day is taxed at 0.8% and more than 3 bbls/day is taxed at 5%. Finally, the new or expanded secondary recovery production price is proposed to be tied to Montana oil rather than west Texas intermediate oil.

NEW JERSEY

New Jersey carries over from last year's legislative session **A3223** which proposes that a surface owner of real property may act to terminate a mineral interest if such interest is dormant for a period of 20 or more years. New Jersey is also proposing **AB5220** to implement a $0.065 per barrel tax to be levied upon the owner of any petroleum or petroleum product at the time the product is received by rail, at a marine terminal, storage or transfer terminal, or refinery to pay for the cost of training, equipment, and emergency assistance for local units to prepare for, and respond to, discharges of petroleum or petroleum products transported by rail. The tax is to be collected by the owner or operator of the marine terminal, storage or transfer terminal, or refinery.

NEW MEXICO

New Mexico opened its legislative session on January 19 and ended Sine Die on March 20. **HB181** failed. It proposed that the tax on carbon dioxide would be 0% until December 31, 2030 when used for a qualified enhanced recovery project that involved the injection of captured carbon dioxide in the process of displacing oil and other liquid hydrocarbons. A significant regulatory change in New Mexico occurred on March 25 when the New Mexico Oil Conservation Commission approved new **Gas Capture Rules**. The rules target the capture of ninety-eight percent of natural gas production by the end of year 2026. This capture target will be one of the most aggressive of all oil and gas producing states. The rules define venting and flaring as waste which opens the potential for royalty and severance taxes to be assessed on such waste. The new rules will have two primary phases. Phase One will run thru the remainder of year 2020 and involves an intense data collection and reporting of natural gas losses by both upstream and midstream companies. The data collected will be used to establish individual company gas capture baselines. Phase Two will commence in year 2020 and will require companies to develop and implement plans to achieve phased increases in their baseline gas capture performance cumulating in a 98% gas capture by the end of 2026. The rules indicate that penalties, curtailment and/or shut-in of production and/or denial of drilling permits will be the initial enforcement tools for companies not in compliance by December 31, 2026.

NEW YORK

A95 and **A331** require that gas produced, sold, purchased, acquired, stored, or injected in the State of New York be tested to determine the radon level of the gas. Gas with a radon level greater than 2 pCi/L (picocuries per litre) cannot enter a gas distribution system in the state after January 1, 2022. **A225** requires the governor's tax expenditure reporting include an enumeration of all fossil fuel related tax expenditures and imposes a five-year expiration upon any fossil fuel related tax expenditures. **A313** and **S2834** express the legislative intent for the State of New York to transition away from fossil fuels to clean renewable energy. They set a goal of achieving one hundred precent clean renewable energy for the generation of electricity by the year 2030. **A4304** repeals provisions related to compulsory integration and utilization in oil and natural gas pools and fields. **A5303** promulgates rules related to gas measurement and the use of electronic flow meters.

NORTH DAKOTA

North Dakota opened its legislative session January 5 and is scheduled to close on April 28. **HB1010** has passed and amends and reenacts sections of the North Dakota Century Code relating to the obligation to pay oil and gas royalties on leases owned and managed by the Board of University and School Lands. The bill changes the interest rate to be paid on unpaid royalties from 18 percent per annum to a flat 0.75% per month up to a maximum of 9% interest per year and allows the State Land Commissioner to waive all or a portion of the interest for good cause. Penalties on unpaid state royalties may be imposed by the Department of Trust Lands at a rate of 0.5% per month, to a maximum of 6% per year. The penalty provisions are tied to a formal notice being provided to the lessee by North Dakota Rules of Civil Procedure. A lessee has 90 days following formal notice to pay the royalty owned without being subject to a penalty. Penalties may also be waived by the Land Commission for good cause. Lessees may also pay "under protest" and stop interest and penalty assessments against the amounts they are alleged to owe. **SB1164** allows North Dakota legislative management to review an executive order issued by the president of the United States which has not been affirmed by a vote of the United States Congress to determine if the North Dakota attorney general and governor should seek an exemption from the application of the order or seek to have the order declared unconstitutional. The orders to be reviewed include those related to natural resources, including coal and oil. **SB2262** allowing a surface owner to request a review of the temporarily abandoned status of a well that has been on temporarily abandoned status for at least two years has failed. **SB2217** was subject to much debate during the legislative session and was revised multiple times from its initial version before being enacted on April 22. The final rule authorizes a study of deductions for post-production costs under oil and gas leases. Legislative management sponsoring the study shall report its findings and recommendations, together with any legislation required to implement the recommendations to the sixty-eight legislative assembly that will convene in year 2023. **SB2328** entitles a producer to a credit against the tax liability under the Oil Extraction tax equal to $0.75 per MMBTU of flare mitigation resulting from an onsite flare mitigation system on a qualifying well. The credit may be claimed for up to 12 months per well and may not exceed $6,000 per well per month. The flare mitigation system must be installed between June 30, 2021, and July 1, 2023. The credit only applies to production from wells located outside the exterior boundaries of the Fort Berthold Reservation unless the Three Affiliated Tribes notifies the tax commissioner that the Three Affiliated Tribes desires to include production from wells from within the boundaries of the Fort Berthold Indian Reservation. This Bill has passed the Senate and House. **SB2319** was introduced January 25. The taxes subject to this Bill are the state's Oil and Gas Gross Production and Oil Extraction taxes attributable to production from wells located within the exterior boundaries of the reservation and wells located on trust properties outside reservation boundaries. For purposes of this Bill, ***"Wells located within the exterior boundaries of the reservation" includes wells with one or more horizontal laterals that penetrate the reservation.*** This Bill has passed the Senate and is in the House Finance and Taxation Committee.

OFFICE OF NATURAL RESOURCES REVENUE (ONRR)

The ONRR 2020 Valuation Reform and Civil Penalty Rule (the 2020 Rule) was published in the Federal Register on January 15. The rule revised portions of the Consolidated Federal Oil and Gas Valuation Reform Rule (the 2016 Valuation Rule) that was effective January 1, 2017. The 2020 Rule was to be effective February 16 with compliance for the oil and gas valuation portions of the rules to occur on or after May 1. On January 20, the Biden administration froze all pending federal regulations for 60 days. On March 15, the ONRR solicited industry and public comments regarding the 2020 Rule Revisions and the impact of pending and/or revoking those revisions. On April 16, the ONRR announced that the effective date of the 2020 Rule is extended until November 1, but the implementation date of the rule is indefinitely suspended.

OKLAHOMA

Oklahoma opened its legislative session on February 1 and is schedule to end on May 28. **SB467** and **HB1833** are proposed rules to prohibit nuisance actions for oil and gas activities lawfully in operations for two years or more prior to the date of bringing the action. **SB476** rescinds the transfer of a well or wells that were done for improper or fraudulent purposes and in those instances specifies that the liability for plugging costs and any additional liability shall remain with the transferor. **HB2029** makes a minor wording change to the definition of a Division Order. **HB1003** modifies to nine months (vs. the previous six months) the date by which initial royalties from new wells must be paid from the date of first sales. **SB632** modifying the Oil and Gas Owner's Lien Act of 2010 was enacted on April 20. **SB389**.

Now through December 31 the Gross Production tax on the gross value of the production of oil and gas is 7%. Beginning January 1, 2022, the Gross Production tax will decrease from 7% to 6%. Wells spudded prior to July 16, 2018 through December 31, 2021 will be taxed at 5% of the gross value for 36 months. Beginning January 1, 2022, the Gross Production tax will decrease from 5% to 4%. If successful, this Bill will be effective January 1, 2022. This Bill has passed the Senate and is on its second reading in the House Finance Committee and then onto the Appropriations Committee.

PENNSYLVANIA

Pennsylvania opened its legislative session on January 5 and is schedule to end November 30. **HB1144** and **SB534** reintroduce the Conventional Oil and Gas Well Act. This is an act relating to conventional wells and the development of oil, gas, and coal. It imposes powers and duties on the Department of Environmental Protections and attempts to permit the optimal development of oil and gas resources consistent with the property rights of owners, to protect the safety of personnel and facilities employed in the exploration, development, storage of natural gas or oil or the mining of coal and to protect the safety and property rights of persons residing in areas where exploration, development, storage, or production occurs. A similar bill by the same name was passed in the previous legislative session but was vetoed by Governor Wolf on November 25, 2020. **HB1242** proposes that beginning July 1, 2021 a natural gas severance tax is proposed to be levied and payable by every producer. The tax imposed will be 3.5% of the gross value of natural gas and natural gas liquids. The tax rate will be adjusted annually on July 1 for the following 12 months. On or before April 1, 2022, and annually thereafter, when the average Pennsylvania hub price in the prior calendar year is between $0 and $2.50 per MCF the adjusted tax rate will be 3% of the gross value; when the price is between $2.51 and $3.00 per MCF the adjusted tax rate will be 4% of the gross value; and, when the price is more than $3.00 per MCF the adjusted tax rate will be 5% of the gross value. Exemptions from the severance tax are stripper wells, gas sold by an operator within five miles of the producing well for the processing or manufacture of tangible personal property, gas provided free of charge to the surface owner, and natural gas, dry natural gas, or natural gas liquids severed from a storage field.

TEXAS

Texas opened its legislative session on January 12 and is schedule to end May 31. Texas has proposed nine bills with focus on natural gas flaring and greenhouse gas emissions. These include **HB1976** which calls for a Railroad Commission study of gas flaring, **HB1975** requiring the Railroad Commission to publish a monthly report with the names of the 20 operators with the highest levels of flaring, **HB1452** requiring the Railroad Commission establish a policy by December 31, 2025 to eliminate the routine flaring of gas from wells or other facilities regulated by the commission, **HB3567** requiring the Railroad Commission conduct a study to assess the feasibility of and barriers to operators of oil and gas wells using flared natural gas for on-site generation of electricity, **HB1913** stating that the Railroad Commission may not issue a permit to drill, deepen, plug back, or reenter an oil or gas well unless the applicant submits with the application a gas capture plan to minimize flaring of gas from the well. Additionally, **SB388** and **HB1521** will require the University of Texas System to adopt a formal policy to eliminate routine methane flaring on university lands by the year 2025. **HB3636** requires that permits filed with the Texas Commission on Environmental Quality for natural gas liquefaction facilities and natural gas export terminals require elevated flare stacks or ground flares located at the facility to be constructed in a manner that obscures from public view any flaring occurring at the facility.

Texas also has proposed eight bills related to facility permitting and waste management. These include **SB367** to amend the information required on an Application for a Permit to Drill for wells adjacent to well blow out sites in certain counties. **HB2201** and **SB772** to establish standards governing permissible locations for commercial oil and gas disposal facilities. **HB2006** to require the publication of notice of an application for a permit for a commercial surface disposal facility including giving notice of the permit application to a river authority or groundwater conservation district whose territory contains the tract of land on which a disposal pit will be located or on which the disposal will take place. **HB4066** calls for the adoption by the Railroad Commission of a permit by rule for the beneficial reuse of domestic wastewater and for mobile drinking water treatment systems for wastewater produced at certain oil and gas drilling facilities. **HR4524** requires the Railroad Commission to adopt rules regarding the discharge of produced oil and gas water into waters in the state. **HB316** and **SB1335** amend section 122.004 of the Natural Resources code related to the treatment and beneficial use of oil and gas waste.

Texas has 11 proposed bills related to leasing, ownership, and owner payment obligations. These include **SB1032** and **HB2883** stating that a payee is to be provided, upon request, a copy of a division order, lease, pooling agreement, or unit designation within fourteen days of written request or be released from their obligation to sign such ratification or division order documents. **SB1033** and **HB2884** require that suspended payees must receive written notice and explanation of the suspension within 30 days after the date payment was suspended. Failure to provide this information will subject the payor to incur interest on the amount of the suspended payment. **SB1031** and **HB2882** amend Section 91.402 of the Natural Resource Code for horizontal wells whose wellbore extends outside of the tract on which a payee has an interest directly or through pooling. **SB1259** and **HB3262** state that payments withheld due to title are not actionable by the payee unless their contract specifies otherwise. **HB4218** states that a person may bring a cause of action for a bad faith washout of the person's overriding royalty interest in an oil and gas lease. A washout is defined as the elimination or reduction of an overriding royalty interest in an oil and gas lease by the forfeiture or surrender of the oil and gas lease by a lessee or the lessee's successors or assigns and the subsequent reacquisition of a lease, or all or part of the mineral estate associated with the lease, by the lessee or the lessee's successors, assigns, contractors or subsidiaries on all or part of the same land free of the overriding royalty interest.

Lastly, Texas has proposed four tax related bills, including: **HB1377** attempts to repeal the flared or vented gas exemption from severance tax. If the repeal is successful, it will be effective September 1. **HB1494** was introduced February 1 and relates to the gas production tax on flared or vented gas at an increased rate. This Bill proposes a severance tax of 25% of the market value of gas produced and flared or vented. Market value is determined by the Comptroller using the average cash value at the mouth of the well with no deduction for marketing costs. Marketing costs do not include the value of the gas that is flared or vented, or any cost associated with flaring or venting gas. Lastly, there is an annual exemption at the producer's discretion of either 1,000 MCF or 0.5% of the total amount of gas produced by the producer. If successful, this Bill will be effective September 1. **SB1293** was introduced March 9 and is identical to **HB1494** except for the annual flared or vented gas exemption volume. **SB1293** exempts 1,000 MCF or 0.005%, whereas **HB1494** exempts 1,000 MCF or 0.5%. **HB4367** relates to the reduction and plugging of orphaned oil and gas wells. An operator of an orphaned well on or after January 1, 2022 is entitled to receive: 1) a nontransferable exemption from oil and gas severance taxes for production from the well until the fifth anniversary of the date the commission designates the person as the operator of the well; 2) a nontransferable exemption from the oil and gas clean-up fees for production from the well until the fifth anniversary of the date the commission designates the person as the operator of the well; and 3) a payment from the commission equal to 50% of the lesser of: (i) the documented well-plugging costs; or, (ii) the average cost incurred by the commission in the preceding 24 months in plugging similar wells located in the same county or general area.

VIRGINIA

Virginia opened its legislative session on January 13 and closed on March 1. **HB2293** has passed and is awaiting the Governor's signature. It proposed that any county or city may adopt a license tax on every person engaging in the business of severing gases from the earth. The rate of tax will not exceed 1%. **HB2293** proposed to extend the sunset date from January 1, 2022 to January 1, 2024.

WEST VIRGINIA

West Virginia's legislative session ran from January 13 thru April 10. The following bills were considered but failed sine die. **HB2205** streamlined the process for abandoned mineral interests to vest in the surface owner. **HB2081** proposed to implement an income withholding tax on royalties paid to any nonresident lessor. **HB2132** and **HB2074** were to implement the recommendations required by the Natural Gas Horizontal Well Control Act related to the continuous monitoring of air, noise, dust, and particulates. These bills also changed the set back from horizontal well work activity to be 1,500 feet from a residence.

WYOMING

Wyoming began its legislative session January 12 and closed on April 2. **HB11** is unsuccessful. It attempted to provide an exemption for oil and natural gas severance taxes for new wells drilled after January 1, 2021 and those wells previously shut-in after July 1, 2020. The exemption was one-half of the severance taxes under W. S. 39-14-204(a)(iii) and all the severance taxes imposed by W.S. 39-14-204(a)(iv). The exemption was to apply when the average price of WTI is $45.00/bbl or greater for sweet crude; when WCS was $38.00/bbl or greater for sour oil; and when the Henry Hub was $3.00/MCF or greater for natural gas. The producer may have utilized this exemption for no more than one six-month period during the twelve-month period starting immediately after the spot price reached the threshold as specified. At the conclusion of the twelve-month period this exemption was set to expire without further legislation. **HB189** clarifies that natural gas consumed on-site is not exempted from severance taxes. Exceptions are granted for natural gas used for treating by-product water enabling the water to be acceptable for beneficial use in Wyoming, when pipeline capacity is not available, when it is uneconomical to connect to a pipeline, or when a producer is unable to secure a contract with a pipeline. This Bill has passed. **SF45** was an Ad Valorem tax Bill that made changes to the roll out of monthly ad valorem payments but was unsuccessful. **SF60** is another Ad Valorem tax Bill. This Bill eliminates the long-term rollout of monthly payments. Rather, it requires monthly payments to track with severance tax payments immediately in 2022. Monthly payments from 2020 and 2021 production are to be paid over 13 years at 8% installments. This Bill was successful and was signed by the Governor. **HB141** proposed that title to all public lands be transferred from the United States to the state of Wyoming on or before December 31, 2023. This bill failed by not being received by the House for consideration.

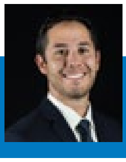
UNITED STATES CONGRESS

The following bills are all under consideration in the 117th United States Congress which is in session from 2021 thru 2022. **S624**, the Fair Returns for Public Lands Act of 2021, proposes to amend the Mineral Leasing Act to increase certain royalty rates, rentals, and minimum bid requirements. **HR1505** will amend the Minerals Leasing Act for surface-disturbing activities and reclamation costs. **HR1612** and **S683** amend the Internal Revenue Service Code of 1986 to clarify that products from tar sands are crude oil. **HR1329**, the Surface Transportation Investment Act of 2021, amends the Internal Revenue Service Code of 1986 to 'repeal loopholes for [major integrated] oil companies', including the foreign tax credit, deductions for intangible drilling and development costs, percentage depletion allowances for oil and gas wells and tax deductions for tertiary injection expenses. The House has not yet published full text for **HR2184** which proposes to Amend the Internal Revenue Service Code of 1986 to repeal fossil fuel subsidies for oil companies. **HR575** proposes additional regulation of border crossing facilities used for the import or export of oil and natural gas. **HR1575** proposes to repeal restrictions on the export and import of natural gas. **HR1819** and **S707** require that a percentage of exports be transported on United States flagged vessels. **S1011** amends the Natural Gas Act to provide for expanded natural gas exports. **HR1600** proposes to reduce methane emissions due to flaring from oil and natural gas drilling and production activities. **S2801** proposes to establish a durable framework for achieving long-term reductions in methane emissions. **S1326** prohibits the Environmental Protection Agency from issuing greenhouse gas emission rules until such time as China, India, and Russia adhere to the same Paris Agreement emission reduction targets as the United States. **S645** proposes that the Secretary of the Treasury levy an $1,800 per ton fee on oil and gas facility methane emissions. **HR1492**, the Methane Waste Prevention Act of 2021, proposes the creation of new federal waste prevention rules to reduce methane emissions to ninety percent of 2012 levels by the year 2030. This rule would also reinstate the Waste Prevention, Production Subject to Royalties and Resource Conservation rule (the 2016 Final Rule) published on November 18, 2016 (see 81 FR 83008). **HR2132** requires the regulation of oil and gas waste under the Solid Waste Disposal Act.

LEGISLATIVE & REGULATIVE

UPDATE 2021

COMMITTEE NEWS



AUDIT STANDING COMMITTEE

MATT PILKINGTON, CHAIR

The Audit Committee held a successful virtual meeting on April 21, as part of the Spring Meeting. There were 133 individuals in attendance and an outstanding 19 voting societies! Although most of us are itching to return to an in-person format, the attendance and participation from the societies has been great.

It's official. MFI-57, *Remote Technology Centers* was approved in the Audit Committee meeting, then approved at Council. It is now available on the COPAS website. A big congratulations to the entire project team. We all know that Deb Retzloff, the Team Lead, and the rest of the team have spent countless hours drafting the document, addressing comments, and presenting in our committee meetings. Great work, team!

The audit committee passed the Audit per Diem rate of $1,015.00, effective April 1. This was a 3.419% increase from the 2020 audit per diem rate. For some background, the percentage increase is calculated by the change in the average annual Bureau of Labor Statistics Professional and Technical Index from one year to the next. The index was down the majority of 2020 but increased in the late months of 2020, resulting in the 2020 annual average increasing 3.419% from the previous year.

Draft 4 of the 202X Accounting Procedure was released March 17. If you have not had a chance to read the new draft, be sure to read and review the new draft before the June 15 comment deadline. You can find a copy on the COPAS website or by reaching out to your local committee chair. The project team is anticipating a Fall 2021 committee vote, however, the project team is wrestling with a few issues, including technology, field agent functions, and legal expenses.

Other topics discussed in the meeting included an update from the MFI-40, *24 Month Adjustment Period for Joint Account Adjustments* Project Team and a discussion on well offset frac and remediation costs.

Mark your calendars for the Summer Meeting scheduled for July 15. The Summer Meeting is a working meeting, which lines up nicely with the upcoming 202X Accounting Procedure. If you want to contribute to the next COPAS Model Form Accounting Procedure, be sure to attend! The meeting will be virtual, and registration is open. See the meeting agenda for details.

EDUCATION STANDING COMMITTEE

AMY WHITLEY, CHAIR

The Education Committee met virtually on April 13 with 31 attendees present. The committee was provided with a brief overview of COPAS Accounting Procedures and discussed the upcoming project for putting together a 'Matrix' of the various provisions in existing (and future) COPAS Model Form Accounting Procedures. Several members volunteered to assist with the project and a lot of useful feedback regarding content and scope was received. A project notification form is being drafted and will be submitted.

We will continue with project working sessions at the Fall 2021 and future meetings and continue to look for other opportunities by which the Education Committee can add value to the COPAS membership and our industry peers. Any members interested in being involved with the Education Committee are encouraged to contact Amy Whitley at awhitley@hilcorp.com. Physical attendance is not required to be a team member on the upcoming projects or otherwise be involved with the committee.

JOINT INTEREST STANDING COMMITTEE

JASON POTEET, CHAIR

Another virtual meeting? Yes, but the days of in-person meetings seem to be on the horizon. The past year will be one we will not forget. Looking back, March 2020 saw the world practically shut down. Then came April with negative oil prices. But there was hope with the development of new vaccines and oil prices rising. The Oil and Gas Industry has shown how flexible and resilient it can be to keep the world going. That flexibility and resiliency would not be possible without the great people that make up the industry!

The Spring 2021 meeting was a busy and productive event. The committee met April 20 with 159 attendees representing 19 societies in attendance. Following updates from sub-committees, the committee voted and approved the 2021 Economic Factor Adjustments. The Committee recommended approval of MFI-57, *Remote Technology Centers* and retirement of AG-28, *Real Time Operations Centers* to Council. Join the Joint Interest Committee in thanking Deb Retzloff and the entire Remote Technology Centers drafting team for their hard work and long hours to see this document through!

Following the voting items, the Wellbore Remediation/Frac Protect Taskforce provided an update. The Taskforce was formed by an Emerging Issues request to explore the issue of having to shut in a well to protect it while a nearby well is being fracked. The Spring meeting discussion was productive and will be continued during the Summer meeting. Mike Cougevan provided a project status update on MFI-40, *24 Month Adjustment for Joint Account Adjustments*, also to be continued during the Summer Meeting. Dawn Bruno then updated the committee on the next steps for MFI-XX 202X Accounting Procedure. The Drafting Team requested comments be submitted by June 15. The committee vote could possibly occur at the Fall 2021 COPAS meeting. The final topic of the Spring 2021 JI Committee meeting was an update from Lee Harper on COPAS' response to COVID-19. Again, COVID will be further discussed during the Summer meeting.

As you can see the Summer 2021 JI Committee Meeting will be busy. Please join us July 15. This will be a virtual meeting, but the JI Committee, the taskforces and drafting teams would greatly appreciate the input from the great people that make up the Oil and Gas Industry!

MIDSTREAM/DOWNSTREAM SUBCOMMITTEE

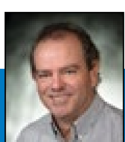
DAN HODGSON, CHAIR

Were you aware that COPAS has a Midstream/Downstream Subcommittee? This subcommittee is part of the Revenue Standing Committee structure.

Some of our COPAS members are employed by and/or involved with the Midstream part of the Oil and Gas industry; however, as a percent of COPAS membership, this is currently a small number. Let's invite our midstream contacts, co-workers, and peers to become members of COPAS.

Would you like to know more about accounting for midstream and how that affects the upstream accounting? Consider inviting speakers to your meetings and education days. That would help those who just want to know more and encourages those who are midstream accountants to know they can grow in their field through COPAS.

If you would like to grow the Midstream/Downstream part of COPAS, or if you would like to connect with others in this field, please let your local society know and let me know if you would like to join with me to activate the COPAS Midstream/Downstream Sub-committee. It would be great to have an active Midstream/Downstream Sub-committee in each society.



APA® BOARD OF EXAMINERS

MIKE MAY, CHAIR

Congratulations to Tiana Daniel, Chase Ezell, and Andy Hemphill on attaining their APA® credential in March.

The BOE held a virtual meeting in April. Discussion centered on making the APA® certification more valuable to the industry and credential holder as well as increasing participation in the program across all the societies. The BOE will be working on various marketing and value-add proposals to the BOD.

The BOE is also considering showcasing various APA® members and their motivation to engage in the APA® process. Please reach out to us if you would like to share your reasons!

Olga Sirovatco, Secretary

REVENUE STANDING COMMITTEE

PAM AKPOTAIRE, CHAIR

The COPAS Revenue Committee and the Revenue Sub Committees held our second virtual conference on Tuesday and Wednesday, April 20 and 21. We heard from four speakers and provided four (4) hours of CPE. Topics included Legislative and Regulatory Updates on Federal & Tribal Royalties and State Taxes & Royalties. Both days where well attended with 90 attendees from nineteen (19) societies.

Nate Wolf, Subcommittee Chair State Regulatory Affairs, and Mike Foster, Subcommittee Chair Federal, BLM & API Regulatory Affairs, updated us on State, Federal, BLM & API Taxes and Royalties Legislative and Regulatory topics. Both Nate and Mike are regarded as our in-house subject matter experts (SME) and continue to be regarded and respected in industry as such. If you are not receiving monthly emails from Nate and Mike on these topics, please contact them directly and request to be added to their distribution list. Kim Jackson and Chris Carey from ONRR discussed the current leadership within ONRR under President Biden's Administration. They also discussed upcoming ONRR initiatives regarding making the royalty reporting and payment process more user-friendly for industry. We received updates on the Dept. of Interior rules, regulations, and policies; and they discussed "hot topics" from the Royalty Valuation Team.

We thank all speakers for the generous donation of their time in preparing their presentations and thank all COPAS members who are not members of our committee for attending our meetings. A special thanks to Nate and Mike for sharing their many years of experience and knowledge and for their dedication and commitment to COPAS over many years. Without the support of our employers, sponsors, and industry professionals, COPAS would not be as successful as it has been over the past sixty (60) years.

As we prepare for the Fall 2021 Conference, we are working diligently with our Subcommittee Chair's to pull together relevant and interesting topics and speakers with knowledge and experience related to their committees. We would like to extend an invitation to all members to consider joining our efforts. Retired members of COPAS who would like to volunteer and be a part of our efforts, please know that you would be welcomed. You may contact any of the Subcommittee Chairpersons below:

- Federal, BLM Regulatory Affairs Subcommittee Chair, Mike Foster at mike.foster@conocophillips.com;
- Midstream / Downstream Subcommittee Chair, Dan Hodgson at dhodgson@stakeholderms.com;
- Non-Regulatory Subcommittee Chair, Amanda Allen at amanda.allen@glo.texas.gov;
- State Regulatory Affairs Subcommittee Chair, Nate Wolf at nate.wolf@conocophillips.com.

We are always open to members joining our committee and to new speakers, fresh ideas and topic suggestions from members and professionals in the industry. Please feel free to contact me at pamela.akpotaire@glo.texas.gov and/or the Vice Chair of the Revenue Standing Committee, Jeremy Norton, at Jeremy.norton@dvn.com.

Have a great Summer and we are looking forward to our upcoming Fall 2021 Virtual Conference!

COPAS HISTORY

CHEERS TO 60 YEARS

2021

copas
Council of Petroleum Accountants Societies
Turning Energy Into Synergy

VOTING RESULTS

SPRING 2021

- ☑ Minutes of Fall 2020 Meeting (majority)
- ☑ 2022 Membership Assessments (majority)
- ☑ MFI-XX, Remote Technology Centers (2/3)
- ☑ *Retire AG-28, Real Time Operations Centers (majority)*

ADVERTISING INDEX

SAVE THE DATES

3 Summer 2021 /// July 15, 2021 /// Virtual Meeting
12 Spring 2022 /// April 25-29, 2022 /// Galveston, TX
17 Fall 2022 /// October 17-21, 2022 /// Irving, TX

NEXT ACCOUNTS DEADLINE

August 3, 2021

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