Council of Petroleum Accountants Societies, Inc.

125th Council Meeting

Friday, September 22, 2023
8 a.m. MST

Cheyenne Mountain Resort
Colorado Springs, Colorado

copas
Council of Petroleum Accountants Societies

Council of Petroleum Accountants Societies, Inc.

Meeting Notice

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Council of Petroleum Accountants Societies

July 21, 2023

COPAS Board of Directors
Standing and Special Committee Chairpersons
Society Presidents
Council Representatives

Re: Notice of Fall 2023 Council Meeting

The 125th meeting of the Council will be held at 8 a.m. MST on Friday, September 22, to conduct business as outlined on the attached agenda, as well as any other business that may be brought before the Council. The voting items on the agenda meet the 60-day notice requirement. There may be other items presented for vote that have not met the 60-day notice requirement and they will be handled according to COPAS' Bylaws. The noticed voting items are listed below with a parenthetical indication of the vote required to approve that voting item.

1. 2023 COPAS Spring Council Meeting Minutes (majority)
2. COPAS Bylaws Amendment (2/3)
3. MFI-40, 24-Month Adjustment Period for Joint Account Adjustments (2/3)
4. Employee Benefits Upper Limitation of 35%, effective January 1, 2024 (majority)
5. Election of (3) Board of Directors for 2024 - 2026 term (top 3)
6. Election of 2024 Nominating Committee (majority)

The Board of Directors will meet on Tuesday, September 19 from 8:00 a.m. to 5:00 p.m. MST, and from 1:30 p.m. to 5:00 p.m. MST on Thursday, September 21.

Vice President Kim Peyton will lead the COPAS Leadership Conference. It is scheduled from 8:00 a.m. to Noon, Wednesday, September 20. The event is open to all COPAS members. An agenda will be posted on the website when it is completed.

Consider taking advantage of the optional charity Golf event on Monday, September 18 and the CPE offerings on Tuesday, September 19.

The full Council agenda and handouts are attached to this notice. They are also available on the COPAS website. Please call Vanessa Galindo, COPAS Office Manager, if you have any questions or need assistance in registering for the meeting. Registration is available by clicking the events tab on the COPAS website. There you will also find the link to book your hotel under the group rate.

I look forward to seeing you all soon.

Sincerely,

Craig Buck

Craig Buck,
President

Council of Petroleum Accountants Societies, Inc.

Meeting Agenda

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Council of Petroleum Accountants Societies

125th Meeting
Council of Petroleum Accountants Societies, Inc. (COPAS)
Cheyenne Mountain Resort, Colorado Springs, Colorado
Council Meeting Agenda
8 A.M. Friday, September 22, 2023

Call to Order	Craig Buck
Welcome	Colorado Society
Reading of COPAS Antitrust Policy	Melissa Gruenewald
Roll Call	Rebecca Paris
Minutes of Spring 2023 Meeting	Rebecca Paris
Vote – Approval of Minutes (majority)	
Financial Reports	Kevin Launchbaugh
COPAS 2023 Goals and Objectives	Craig Buck
COPAS Board of Directors Report	Kim Peyton
Bylaws Committee Report	Kim Peyton
Vote – COPAS Bylaws Amendment (2/3)	
Membership and Society Activity Report	Kim Peyton
Leadership Conference	Kim Peyton
First Timer Social	Kim Peyton
Research and Advisory Committee Report	Dalin Error
Executive Director's Report	Tom Wierman
Editorial Committee Report	Tom Wierman
Audit Standing Committee Report	Matt Pilkington
Joint Interest Standing Committee Report	Patricia Ellington
Vote – MFI-40, 24-Month Adjustment Period for Joint Account Adjustments (2/3)	

Vote – Employee Benefits Upper Limitation of 35%, effective January 1, 2024 (majority)

Education Standing Committee Report	Amy Whitley
Financial Reporting Standing Committee Report	Ken Nollsch
Revenue Standing Committee Report	Jeremy Norton
Small Oil & Gas Companies Standing Committee	Howard Hong
APA® Program Report	Mike May
CEPS Control Panel Report	Cody Deckard
John Jolly Memorial Fund Report	Nancy Brown
Desk & Derrick Liaison Report	Nancy Brown
University of North Texas Institute of Petroleum Accounting Board of Directors Report	Nancy Brown
Ring of Honor	Craig Buck
Eagle Award	Craig Buck
Nominating Committee Report	Craig Buck

Vote – Election of 2024 – 2026 Directors (3)

Vote – Election of 2024 Nominating Committee (majority)

Recognition of Retiring Board of Directors	Craig Buck
Spring 2024 Council Meeting, Permian Basin Society April 22 – 26, 2024, Hyatt Regency Riverfront Jacksonville, Florida	Savannah Ballard
Fall 2024 Council Meeting, San Antonio Society September 23 – 27, 2024, Westin Riverwalk San Antonio, Texas	Kirk Foreman

Future Meetings

Spring 2025	Arkansas/Tulsa
Fall 2025	COPAS Office
Spring 2026	Oklahoma City

Other Business	All Attendees
Adjournment	

Council of Petroleum Accountants Societies, Inc.

Voting Items

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Turning Energy Into Synergy

124th Meeting
COUNCIL OF PETROLEUM ACCOUNTANTS SOCIETIES, INC. (COPAS)

April 27, 2023

Marriott Country Club Plaza Hotel in Kansas City, Missouri

The 124th meeting of the Council of Petroleum Accountants Societies, Inc. (COPAS) was held on Thursday, April 27, 2023 at the Marriott Country Club Plaza Hotel in Kansas City, Missouri.

Call to Order
President Craig Buck called the Council meeting to order at 1:00 p.m.

COPAS Antitrust Statement
Nancy Brown read the COPAS Antitrust Statement.

Roll Call
Secretary Rebecca Paris called the roll of Council Members. Seventeen of twenty-four Participating Societies were present during roll call. The following societies did not have a representative present for the Council meeting: Acadiana, Appalachia, Canada, Dallas, East Texas, Fort Worth, New Mexico, and Wichita Falls. A quorum was present.

Fall 2022 Council Meeting Minutes
The minutes of the 123rd Council meeting held the Westin Irving Convention Center at Las Colinas in Irving, Texas were distributed in the 60-day notice and presented for approval.

Craig entertained a motion for approval of the minutes as presented. Tulsa moved and Michigan seconded the motion. Craig asked if there was any discussion; hearing none he requested a vote by acclamation. The motion carried 17 - 0 - 0.

Due to travel plans, the representatives from Anchorage and Ark-La-Tex societies were unable to stay throughout the meeting. President Craig Buck opted to move the voting items to the beginning of the meeting in order to have the most societies voting.

Membership Assessment
Treasurer Kevin Launchbaugh presented the proposed 2024 Membership Assessment rates of $110 for members of Participating Societies, $145 for COPAS Limited Members, and $25 for New Limited initiation fees of 2024.

Craig entertained a motion to approve the 2024 Membership Assessment Rates as presented in the 60-day notice. Tulsa moved and Houston seconded. Craig asked for any discussion. Hearing none he requested a vote by acclamation. The motion carried 17 – 0 – 0.

<u>Membership and Society Activity Report</u>

Vice President Kim Peyton began by discussing the Appalachia Society who has submitted a plan to come back into compliance. Kim also pointed out that suspension is not permanent, and if Appalachia is able to implement the plan the General Council can vote at a later date to remove Appalachia from suspension.

Craig entertained a motion to suspend the Appalachia Society. Michigan moved; Tulsa seconded. Craig asked if there was any discussion. Hearing none, Craig stated that due to the need for a 2/3 majority the voting would be done via roll call.
Motion passed 17-0-0.

Craig then called for a motion to suspend the Acadiana Society. Tulsa moved, and Houston seconded. Having no additional discussion, the vote was again done via roll call. Motion passed 17 – 0 – 0.

Craig called for a motion to dissolve the Abilene Society in the course of business having suspended them at the Fall 2022 COPAS Meeting at the Westin Irving Convention Center at Las Colinas in Irving, Texas. Arkansas moved and Tulsa seconded. After a quick discussion, Craig stated the vote would again be taken via roll call.
Motion passed 17 – 0 – 0.

Lastly, Craig called for a motion to dissolve the East Texas Society at the subject society's request. Tulsa motioned and Anchorage seconded. The vote was taken via roll call.
Motion passed 17 – 0 – 0.

The voting representatives from Anchorage and Ark-La-Tex left the General Council Meeting.

<u>Financial Reports</u>

Treasurer Kevin Launchbaugh presented the 2022 financial results, including the past five-year membership trend, 2019-2023. He illustrated that membership dipped but has leveled out now. The five-year trend of Revenues showed the streams of revenue for COPAS are Products and Publications, Member Assessments, Education, APA and Other

The five-year expense trend showed expenses have remained fairly flat other than the membership services increase in budget for increased travel for Tom to make in person presentations in an effort to increase membership.

The five-year profit and loss statements vs. budget again shows the 2022 spike in deposits due to the ERC funds. Kevin pointed out a slight increase in marketing in order to increase COPAS' presence and membership. The 2023 Revenue Budget shows much the same with the majority of revenue coming from Products and Publications and Member Assessments, though there is a concerted effort to increase education revenues. The 2023 Expense Budget shows the greatest expenses as membership services and the slight increase in marketing as mentioned earlier.

COPAS 2023 Goals and Objectives

Craig discussed the COPAS 2023 goals and objectives as presented below:

1. Increase COPAS Society Membership by 5% (approximately 75 new members).
2. Increase APA® Membership by 15% (approximately 20 new members).
3. Complete and Market APA® Review Course.
4. Re-Design CEPS Website.
5. Identify and Recruit Five New Members into COPAS Leadership Roles

COPAS Board of Directors Activity Report

Vice President Kim Peyton presented the Board of Directors Activity Report. Since the last report given at the Fall 2022 Council meeting, the Board has met multiple times.

The board met December 5, 2023, and took the following actions:

- Approved October 17, 2022, minutes
- Approved increase in price for all Model Form Interpretations for the COPAS Accounting Procedures other than MFI-58 from to $200 for non-members, a price of $250 for MFI-58, and $50 for MFI-8 for non-members. Members to a 50% discount.
- Approved a price of $50 for all COPAS Accounting Procedures prior to 2022. Members would receive a 50% discount.
- Approved Financial Review Report
- Approved of offering individual webinar credit hours at $50 per hour for members with a 25% discount and $50 per hour for non-members as well as webinar packages of 60 credit hours at $2,000 for members and $3,000 for non-members.
- Approved cancelling the contract with NOGS and other related agreements
- Approved the rates for the APA® Self-Study Review Course materials, retired exam questions, exam fee and one exam re-take at $1,600 for members and $2,000 for non-members with the first exam taken within one year of the purchase date and the exam retake taken within two years of the purchase date. The motion also included a temporary discount of $200 for members and $200 for non-members making the package price $1,400 for members and $1,800 for non-members through March 15, 2023 (depending on the availability of the review course).
- Approved 2023 Board appointments and assignments
- Approved a motion to add an email address for the drafting teams to receive and track comments on draft publications.
- Approved the Initial Project Notification Form for the MFI-57 AD-1 project
- Approved COPAS Spring 2023 registration fees as $350 for full registration attendees and $325 for guests.
- Approved 2023 Committee Chair and Liaison appointments
- Approved APA® Board of Examiner appointments

The board met January 25, 2023, and took the following actions:

- Approved December 5, 2023, minutes
- Approved paying $600 for coverage of commercial property and general liability and $787 to renew workers compensation and employers' liability
- Approved COPAS Education Foundation Committee Directors: Diane Kirk as President, Dan Triezenberg as VP, and Wade Hopper as Secretary
- Approved 2023 Presidential goals
- Approved an updated 2023 budget

The board met February 22, 2023, and took the following actions:

- Approved budget for APA® course review

The board met April 24, 2023, and took the following actions:

- Approved January 25, 2023, minutes
- Approved February 22, 2023, minutes
- Approved renewal of contract with Adobe Connect
- Approved change to rates for Revenue Audit Course to $600 for members, as well as an update to the course itself from a one day 8-hour course to a two day 12-hour course.
- Approved a budget for help getting the APA® Review Course loaded and ready to market

<u>Bylaws Committee Report</u>
Kim indicated that there was no new business to report for this committee, but she anticipated updates in the future.

<u>Research and Advisory Committee Report</u>
Dalin Error stated that the Research and Advisory Committee has met twice so far and are currently reviewing Bylaws and identifying where adjustments need to be made. Their primary focus and concern have been related to dissolution, suspension, and merging of societies. The committee will report to the Board of Directors and next steps will be discussed.

<u>Nominating Committee</u>
The Nominating Committee consists of Carole Tear, Tammy Miller-Davison, and Vanessa Green. Three Board terms will end this year: Rebecca Paris, Kirk Foreman, and Melissa Gruenewald. Rebecca and Kirk plan to run again, but Melissa will not. The Nominating Committee is working to identify nominees who cannot be from the Tulsa, nor the Houston society due to the current make-up of the Board.

<u>Executive Director's Report</u>
Spring Meeting
Executive Director, Tom Wierman, began by saying the conference hosted by the COPAS Board took a village.

APA® Review
The APA® Review Course is looking good and Tom W. feels good about the product being ready for sale by July 1.

ePub
Tom then asked that anyone who is aware that their company has not paid their Epub renewal, please do so.

CEPS
Payment for CEPS is due in December. A few people's accounts went delinquent, and their access was turned off. If this happened to you, and you need access, please let the COPAS office know.

Severance Tax Guide
The Severance Tax Guide will be posted on the website as soon as it is available.

COPAS Education
The Revenue Audit Course looks pretty good and is going to be offered in Oklahoma City during the summer. All are welcome to attend.

Society Visits
Tom W. will be visiting the San Antonio Society soon and hopes to make to the Permian Basin in September. Please let Tom or the COPAS office know if you are interested in him coming to visit.

Join Now
Societies who have received memberships through Join Now, and have received checks from the COPAS office, please cash those checks. A few checks sit in mailboxes for an extended period of time not getting cashed. COPAS may look into utilizing Venmo to pay societies when able.

Employee Retention Credit
Tom W. explained that this credit was available to most employers, even those who utilized the PPP money. We didn't want to leave money on the table, so Kim Peyton helped us get that filed and shortly after received the funds.

COPAS Forum
The COPAS office receives a fair number of calls asking about chargeability of particular activities. COPAS has members with a vast array of experience who can weigh in on questions. Let Tom W. know if you would like to be included in those communications.

Editorial Committee Report
Tom W. stated that we continue to experience delays in printing *Accounts* Magazine, from five days previously to twenty days currently, necessitating faster turnarounds for content. The next deadline is Monday, May 1. He asked that anyone providing a report would let the COPAS office know and try to have it to Tom by May 5 at the latest. Send photos and society news to Editor@COPAS.org.

Leadership Conference

Kim Peyton presented a summary of the Leadership Conference earlier in the week. The Leadership Conference kicked off the week Tuesday afternoon with between 60 and 70 COPAS members in attendance during the afternoon. We first heard discussion on the leadership transition process, handshake vs hand-off, to promote a successful organization. The presentation moved on to hearing from each standing committee chair which gave a brief overview of the who, what, where, and when of each committee. The subcommittees are also important to COPAS, and the small work and various committees help the goals and strengths of COPAS. Thank you to all the chairs who participated.

After the break with KC ballpark snacks, the group came back together to discuss the definition of an APA® since this a goal of the COPAS Board to grow the numbers of people with the APA® distinction. A group of those in attendance shared their testimonials on taking the test, study habits, and primary reasoning behind pursuing the APA® distinction.

To close out the day Tom W. gave an update and simulation of the long-awaited review course for the APA®. The goal is to have the review materials finished and made available in 45 to 60 days.

Kim mentioned we hold leadership succussion meetings every two months. Anyone is welcome and encouraged to attend to support each other in the hopes of reaching a common goal of successful leadership.

Audit Standing Committee Report

Matt Pilkington provided the report for the Audit and Joint Interest Committees combined session, as well as the Audit Breakout Session.

Combined Session

The Joint Interest and Audit Standing Committees held a joint meeting this morning, Thursday, April 27. The meeting commenced at approximately 8:05 a.m. with approximately 85 attendees.

Introductions were made, where first timers were recognized. The antitrust statement was read.

Mike Cougevan led the project update for MFI-40 and discussed the recently distributed Draft and comments received. Mike handled many questions during the presentation about the document and general 24-month limitation questions. The MFI 40 team is shooting for a vote at the summer meeting

Cody Deckard gave an update on Vehicle Sub-Committee Report, explaining what the committee does and how the rates are determined.

Audit Breakout Session

The Audit Standing Committee met separately immediately after the combined session. The meeting commenced at approximately 11:40 a.m. and concluded at 12:05 p.m. There were 12 societies present to vote.

Lucas Vaughn gave an update on the Emerging Issues sub-committee meeting that took place yesterday, April 26.

Kevin Launchbaugh gave the COPAS Board of Directors update.

The following items were approved:

1. Fall 2022 Meeting Minutes (Acclamation)
2. Winter 2023 Meeting Minutes (Acclamation)
3. Audit Per Diem Rate Effective April 1, 2022 (Majority)

The Audit Committee also discussed the summer meeting. They took a straw poll from voting reps to see how many would attend if it was in person.

Joint Interest Standing Committee Report

Patricia Ellington indicated that Matt Pilkington provided a report on the Audit and Joint Interest combined session; therefore, Patricia would provide report on the Joint Interest Committee break out session. David Farris from Vital Energy presented on ESG. After the MFI-40 updated Deb presented the MFI-57 Addendum draft 1 update commenting on the one society and two individual responses the team received. An additional draft will be coming and the team requests summer meetings for the societies. Deb continued with the MFI Review for Addendums task force. This information will be combined with the Board of Directors task force going forward.

After breaking out from the JI/Audit combined meeting, the Joint Interest Standing Committee met on April 27, 2023, at 11:40 A.M. to vote on the economic factor adjustments. The meeting began with the anti-trust statement. They had forty-two attendees representing twenty-four societies.

Dalin Error provided an update on the BOD activities.

Matt Haywood, Permian society, has agreed to join the JI Committee as Secretary and is the interim secretary with a vote to be taken at the Summer 2023 meeting.

James took roll call of society representatives to vote on the economic factors. JI representatives included sixteen of the twenty-four societies.

The economic factors effective April 1, 2023, included:

- Overhead Adjustment Factor - +8.5%
- Loading and Unloading Rates - $1.00 per hundred weight
- Workers Compensation Insurance Manual Rates
- Excluded Amount – Increase to $3,000
- Vehicle Rates as presented

The Joint Interest Committee then voted to vote on all economic factors combined by acclimation.

The vote for all economic factors passed by acclimation with no opposition or any society abstaining.

The meeting was adjourned at 11:59 A.M. Central Time.

Education Standing Committee Report

Kirk Foreman, the Education Committee Board Liaison, provided a synopsis of the Education Committee. There were 15 attendees.

Dalin Error provided an hour of CPE discussing the Education Committee Roundtable. Discussed the Education Committee Charter including

- Education Committee mission statement
- Nine focus areas for the Committee.

Other areas of discussion were

- COPAS Education for industry accountants
- Strategies to get more oil and gas companies educated on the benefits of COPAS
- How can companies effectively use COPAS to educate and train their accountants and get them involved in COPAS

Kirk Foreman also provided an hour of CPE in discussion of the Education Committee Project – Side by Side Comparison of the Model Form Accounting Procedures

- Over time the COPAS Model Form Accounting Procedure has varied for specific industry needs, or as technology processes have changed.
- This project is intended to provide a quick side-by-side reference tool for the various provisions or definitions contained in each vintage of Accounting Procedure.
    - Explain how the various provisions have changed over time

Tom W. also provided an hour of CPE discussing APA® Review Course Overview

- Questions answered:
    - What material is covered on the exam?
    - Where do you find study materials?
    - What tips, tricks, and tools are available to exam candidates?
    - How much time do you need to spend studying?
    - Where do I take the exam?

Financial Reporting Standing & Small Oil & Gas Standing Committee

Ken Nollsch provided the report for the Financial Reporting and Small Oil & Gas Committees.

The Financial Reporting Committee and the Small Oil and Gas Companies Committee had a combined meeting in person on April 26. There were 38 members in attendance. Nancy Brown, Board liaison, then provided an update from the COPAS Board of Directors. The meeting began with general introductions and a networking event that lasted for a little over an hour. Following the networking event, Angela Fischer, a director with Forvis, led a CPE session on topic - *ESOPs: Continuing Legacy*. This session focused on Employee Stock Option Plans as it relates to an option succession planning for companies. Following the ESOP session, Adriana Sauceda & Akshaya Jaisankar, from Moss Adams valuation practice, led a session on *Risks and opportunities in the Energy Industry in a time of volatility and transition.* The session focused on earnout structures as a way to facilitate transactions and offer upside to a seller and protect a buyer from commodity risk and then delved into a meaningful discussion on the petroleum industry's role in energy transition.

Ken thanked the the National Office – Tom and Vanessa for hosting a wonderful fall meeting. Kansas City was a great location. Thank you to Howard Hong, the Small Oil and Gas Companies Committee chair for his effort in helping to organize our meeting.

The Financial Reporting Committee has enjoyed meeting with the Small Oil and Gas Companies Committee at the COPAS meetings and will do so again at the COPAS Fall meeting in lovely Colorado Springs.

<u>Revenue Standing Committee Report</u>

Jeremy Norton provided a summary of the Revenue Standing Committee.

The COPAS Revenue Standing Committee and the Revenue Sub Committees held its meetings this week on Wednesday and Thursday, April 26 and 27, respectively. On Wednesday, Rebecca Paris provided the COPAS Board of Directors updates. The Committee then began their CPE presentations with topics ranging from the *Power of Production* to detailed legislative updates. Over the two-day period, we had eight (8) different presentations offering eight and a half (8.5) hours of CPE. Both days were well attended with twenty-nine (29) in attendance on Wednesday and twenty-five (25) on Thursday from thirteen (13) different societies.

Wednesday morning after Rebecca's Board of Directors update, they launched into their first presentation of the day from our very own Mike May with the Texas General Land Office. He provided a detailed overview of what the GLO does and how they manage royalty payments. On an interesting note, the GLO is responsible for the Alamo, and the committee learned that Phil Collins had a collection of Alamo artifacts that he donated. Following Mike, they heard from Derek Kitchen with the Office of Natural Resources Revenue (ONRR) on the topic of audits and the audit walk-through process. He provided additional insight regarding ONRR's expectations when it engages us in an audit. After Derek finished, Warren Martin with Kansas Strong provided insight into the *Power of Production*. He talked about the work his organization does to educate people on the importance of the oil and gas industry. The committee also learned how Wichita being known as the Air Capital of the World was driven by oil development in Butler County, Kansas. As many of us know, EVERYTHING is connected to oil and gas. Jeremy wrapped up the morning session with a review of COPAS documents Training Reference 7 (Severance Tax Guide) and Accounting Guidelines 6 (Oil Accounting Manual) and 15 (Gas Accounting Manual). He provided the background of the documents and the reason for proposed projects to update them that would be voted on by the committee Thursday.

After lunch, Nate Wolf provided a state severance tax legislative update on pending and passed legislation for this year. Deb Retzloff followed Nate to help the Revenue Committee better understand the COPAS Document Publication process. It’s been a while since the Revenue Committee has done a document update, so Deb’s presentation provided meaningful insight as they prepare to update Accounting Guidelines six (6) and fifteen (15). Jeremy wrapped up the day with an update on pending and passed federal and state royalty legislation.

On Thursday morning, the committee offered two- and one-half (2.5) hours of CPE. Karr Ingham from the Texas Alliance of Energy Producers provided them with an economic view of oil and gas in the post-COVID landscape. He spoke from a free-market economics perspective and provided a case for why governments should not intervene in the energy space. Nate Wolf followed up Karr’s presentation with an overview of how to research legislation and rules. He used a Texas severance tax example to explain items to consider when you are looking at statutes and rules as they apply to your operations.

The committee concluded Thursday with a vote on the removal of the *COPAS Revenue Standing Committee Checklist and Considerations for Oil and Gas Royalty and Tax Incentives* from the TR-7 set of documents and the votes to sanction the projects to update AG-6 and AG-15. There were eight (8) societies present for the vote and all proposals passed the committee unanimously. They will be taking the next steps to send the notification to the Board for final approval of these voting items following the closure of their meeting.

APA® Program Report

Mike May provided an update on the APA® Program. The Board of Examiners did not meet at the conference but held two virtual meetings recently. They are excited to see how the new review course will be received. They expect to see many new APA®’s in the near future.

The BOE would like to congratulate Jeffrey Davidson, Robert Sanders and Deven Lara on attaining the APA® certification.

CEPS Control Panel Report

Cody Deckard provided an update regarding the CEPS Control Panel. Panel sent annual surveys were sent in August of 2022. The panel met and reviewed survey results on December 8, 2023. There were numerous increases to the OCTG and Line Pipe markets in 2022 resulting in a cumulative increase of 33% for 2022. Since August 2022, they started to see drops in the tubulars markets; specifically, a -7% (Eff. March 2023) and -9% (will be Eff. May 2023); overall they have seen a cumulative drop of - 16% for 2023.
The Panel will continue to monitor OCTG and line pipe prices and make adjustments as prices fluctuate.

Industry Liaison Report

Nancy Brown presented the Industry Liaison Report.

John Jolly Memorial Fund

Mr. Hojoong Kim – a doctoral candidate in Department of Accounting at UNT was the John Jolly Fellow for 2022. He completed his research and got his paper published in the COPAS ACCOUNTS – Spring 2023 issue. The title of the article is "How do Oil Price Changes relate to investment sensitivity in the Oil and Gas Industry". He also presented the paper in AAA Southwest Region meeting in Houston in March 2023.

The Institute of Petroleum Board

A 9-hour Certificate program in Energy Accounting at UNT is being worked out for a likely launch in Fall 2024. They have expanded the number of courses in this program and the students will choose 3 courses for the certificate. Currently the proposal and the course content is undergoing a review process.

Oil and Gas Accounting course continues to be offered at Graduate level and the next offer is in Fall 2023. The textbook used is Petroleum Accounting by Brady, Jennings and Sheppard. Dr. Akhil Kumar is the instructor.

Dr. Akhil Kumar made a presentation in April 2023 to COPAS Dallas titled "Managing Governance Challenges in International Joint Ventures" as part of the Luncheon Speaker Series.

Association of Desk and Derrick

The Association of Desk and Derrick Clubs was formed in 1949 with four (4) clubs – New Orleans, Louisiana; Houston, Texas; Los Angeles, California and Jackson, Mississippi. The Association was chartered in 1951. In 1982 ADDC had 116 Clubs with a total of 12,750 Members. Fast forward forty-one (41) years, our Association has faced the same problems as other professional organizations and membership has diminished. However, its organization stands strong with 535 members of April 25, 2023, and our membership renewals and new membership applications continue to be received. The 2023 Annual Convention of ADDC will be held in Albuquerque, New Mexico, September 19-24, 2023. There are currently thirty-two (32) clubs located in the United States and Canada.

Future COPAS Meetings

Fall 2023 – Colorado Society in Colorado Springs. Tammy Miller-Davison stated the conference is scheduled for September 18 through 22. They will be following the four-day meeting calendar at the Cheyenne Mountain Resort in Colorado Springs. Monday afternoon there will be a golf tournament. Tuesday morning will be an all-day education opportunity, as well as the Board of Directors Meeting. Wednesday will be the Leadership Conference in the morning, and Emerging Issues, Revenue, and Financial Reporting Committees meeting in the afternoon. There will be a reception that evening, the Leadership Dinner, smores, and Colorado brews. Thursday contains meetings, and that evening here will be a banquet/reception. Friday will be the General Council Meeting.

The hotel room rate is $199/night. Registration is $375 for members, and $300 for guests.

Matt Hayward with the Permian Basin Society shared their intent to host the Spring 2024 meeting in Florida. Rates are around $189/night during the week of April 22 through the 26.

Kirk Foreman with the San Antonio Society stated the Fall 2024 meeting will be at the Westin Riverwalk Hotel. This will be the full five-day meeting format. Hotel rates are $245/night, the registration fee has not yet been set. The meeting is scheduled September 23-27.

Rick Jones with the Arkansas Society did not have an update for Spring 2025 other than this will be a joint effort with the Arkansas and Tulsa Societies, and they are aiming for Rogers, AR.

Oklahoma City is discussing hosting the Spring 2026 meeting.

Other Business

Craig asked the Council for other business. Tom W. mentioned the economic factors will be published soon.

Adjournment

Craig entertained a motion to adjourn. Colorado moved and Houston seconded. The motion carried 15-0-0. The meeting was adjourned at 2:45 p.m. (CDT).

Respectfully Submitted,

Rebecca Paris
COPAS Secretary

SUMMARY OF PROPOSED COPAS BYLAWS CHANGES

The Research and Advisory Committee of COPAS was charged with the review and proposal of revisions to the COPAS Bylaws for adoption by the COPAS Council. The Research and Advisory Committee participating in this review consisted of the following members:

Dalin Error
Wade Hopper
Kim Peyton
Tom Wierman – Ex-Officio

The primary objectives of this review included addressing the following concerns:

- Allowing for the consolidation of two or more COPAS Societies to one Society
- Allowing for the dissolution of a COPAS Society
- Determine the voting requirements for reclassification of Society Membership Classification
- Determine if there are any term limits established for Board of Director positions
- Add Board of Director officer position of President-Elect
- In addition, the review included a substantial review of grammatical and format changes as well as clarifying language and non-substantive wording changes to improve the conciseness and clarity of the document.

The substantive changes made in this proposed Bylaw revision are outlined below.

- Article II (B)(1) — No change required for Admission voting requirements
- Article II (B)(2) — No change required for Admission voting requirements
- Article II (C)(4) — No change required for removal from suspension voting requirements
- Article II (D) — No change required for change of membership type from Participating Society to Provisional Society Membership classification voting requirements
- Article II (E)(1) — Added language to provide for the Termination of a Society
- Article II (E)(2) — Added language to provide for the Dissolution of a Society
- Article II (E)(3) — Added language to provide for the Consolidation of Societies
- Article III (B) — Removes the Director designation of Ex-Officio for the immediate Past President and adds clarifying language that there is no term limitation for a Director

• Article III(F)	Added the Board of Director position of President-Elect
• Article IV(B)	Added the duties assigned to the Director position of President-Elect
• Article IV(C)	Added to the duties assigned to the Director position of Vice-President to assist the President in performance of duties
• Article IV(F)	Added the position of President-Elect to the officers to be elected by the Board of Directors
• Article V(B)	Allows the President-Elect to call a special meeting
• Article V(C)	Allows the President-Elect to call an emergency meeting

BYLAWS

OF THE

COUNCIL OF PETROLEUM ACCOUNTANTS SOCIETIES, INC.

ARTICLE I FORMATION OF COUNCIL

For the purpose of coordinating the efforts of various petroleum accountants Societies, a council to be known as “The Council of Petroleum Accountants Societies of North America” was formed in a meeting of representatives from various Societies at Midland, Texas on April 25, 1961. In the regular Council meeting held at Wichita, Kansas on April 25, 1980, the name was changed from “Council of Petroleum Accountants Societies of North America” to “Council of Petroleum Accountants Societies.” The organization was incorporated in 1999 as Council of Petroleum Accountants Societies, Inc. (hereinafter “COPAS”). COPAS, a non-profit organization, is dedicated to the following objectives:

A. Coordinate the work of the Participating Societies
B. Study and analyze accounting and other problem areas of the petroleum industry
C. Formulate and disseminate petroleum industry accounting practices, procedures and pronouncements through the use of guidelines and interpretative statements
D. Cooperate with other oil and gas industry associations and institutions as deemed advisable
E. Advance the individual capabilities of its members through the Accredited Petroleum Accountant(r) Certification Program and other programs of educational and professional development
F. Cooperate in the education of the public concerning the petroleum industry
G. Assist educational institutions through contributions for papers, books, speakers and scholarships
H. Provide a forum for exchange of information and ideas
I. Consider other matters relating to petroleum industry accounting that may be brought before COPAS.

ARTICLE II MEMBERSHIP

A. Types and Eligibility

1. *Participating Society Membership* – consists of an active Society of petroleum accountants within or outside the United States which has been elected to membership in COPAS and is entitled to participate in all activities of COPAS.

    a) <u>Eligibility</u>. To be eligible for a Participating Society Membership in COPAS, a Society must have adopted a set of bylaws that is not in conflict with the COPAS Bylaws, COPAS Code of Ethics, or COPAS Antitrust Policy, conduct a minimum of three local meetings per year, have been operational for a minimum of one year, and have a membership consisting of 25 or more individuals representing five or more companies. A Participating Society must also have a minimum of two accounting study committees actively studying accounting areas of interest similar to those of the COPAS Standing Committees.

    b) <u>Individuals</u>. Subject to Article II, Section C, Paragraph 5, members in good standing of a Participating Society are Participating Individual Members of COPAS and are entitled to participate in all activities of COPAS. Participating Individual Members shall be eligible to hold an elective or appointive position in COPAS. A Participating Society located outside the United States must designate at least 25 members representing five or more companies who are to be Participating Individual Members eligible to vote or hold elective or appointive office in COPAS. Each member so designated will be subject to the Dues requirements of this Article II.

    c) <u>Dues</u>. Each Participating Society shall contribute to the fiscal requirements of COPAS to defray operating costs. The amount of the contribution shall be determined annually by the Board of Directors subject to approval by the Council.

2. *Provisional Society Membership* – consists of an active Society of petroleum accountants within or outside the United States which has been elected to membership in COPAS, but which has limited participation rights in the activities of COPAS. Provisional Societies are not eligible to vote as a Council Member.

    a) <u>Eligibility</u>. To be eligible for a Provisional Society Membership in COPAS, a Society must have adopted a set of bylaws that is not in conflict with the COPAS Bylaws, COPAS Code of Ethics, or COPAS Antitrust Policy, conduct a minimum of three local meetings per year, have been operational for a minimum of one year, and have a membership consisting of 12 or more individuals representing three or more companies.

b) Provisional Member. Subject to Article II, Section C, Paragraph 5, members in good standing of a Provisional Society are Provisional Members of COPAS and are entitled to limited participation in all activities of COPAS. Provisional Members shall not be eligible to hold an elective or appointive position in COPAS.

c) Dues and Participation. Each Provisional Society shall contribute to the fiscal requirements of COPAS to defray operating costs. The amount of the contribution shall be determined annually by the Board of Directors subject to approval by the Council. All members of a Provisional Society will be welcome to participate in COPAS regular meetings and Standing Committee meetings but will not be eligible to vote as a Society in Standing Committee meetings.

3. *International Society Membership* – consists of an active Society of petroleum accountants outside the United States which has been elected to membership in COPAS, but which has limited participation rights in the activities of COPAS. International Societies are not eligible to vote as a Council Member.

a) Eligibility. To be eligible for an International Society Membership in COPAS, a Society must have adopted a set of bylaws that is not in conflict with the COPAS Bylaws, COPAS Code of Ethics, or COPAS Antitrust Policy, have been operational for a minimum of one year, and have a membership consisting of 12 or more individuals representing three or more companies. The International Society must be comprised solely of members who reside outside the United States.

b) Individuals. Individuals of an International Society are not members of COPAS but are entitled to limited participation in all activities of COPAS. Members of an International Society shall not be eligible to hold an elective or appointive position in COPAS.

c) Dues and Participation. The Board of Directors shall establish, separately for each International Society, annual fees or dues to cover the administrative cost of interaction with the Society, such as postage, printing costs, communication expense. All members of International Societies will be welcome to participate in COPAS regular meetings and Standing Committee meetings but will not be eligible to vote in those meetings.

4. *Individual Membership.* – Subject to Article II, Section C, Paragraph 6, consists of a Limited Member or Academic Member who has been approved for membership in COPAS pursuant to Article II, Section B, Paragraph 2, but has limited participation rights in the activities of COPAS. Individual members shall not be eligible to vote or be elected or appointed as an officer, Board of Directors member, Council representative, Standing Committee chairperson, or Standing Committee member.

a) Limited Member. A Limited Member is an individual involved in the petroleum industry, but who does not have a Participating Society in his/her geographical area. Limited Members must be actively engaged in petroleum accounting, public accounting, or education directly connected with the petroleum industry.

b) Academic Member. An Academic Member is a student in the academic field of accounting or related field desiring to affiliate with COPAS for the educational opportunities and benefits available in and through COPAS.

c) Dues. Dues and initiation fees for Limited and Academic Individual Memberships shall be determined by the Board of Directors and approved by the Council.

B. Admission to Membership

1. For a petroleum accountants Society to become a Member Society, the Society must submit an application for membership to the COPAS Office. The Board will review the application to ensure the membership requirements have been met and that the Bylaws of the proposed Society do not conflict with the COPAS Bylaws, COPAS Code of Ethics, or COPAS Antitrust Policy. Applications for admission will be voted on by the Council at the next Council meeting following approval by the Board of Directors. Applications must be submitted in a timely manner in order that they may be reviewed, approved by the Board of Directors, and submitted to the Council in time to meet the 60-day rule under Article V, Section C.

   The initial admission of a Participating Society, Provisional Society, or International Society shall require the approval of two-thirds of the Participating Societies present and eligible to vote at the applicable Council Meeting. Upon admission, the Society shall pay a pro rata share of the current year assessment as determined by the Board of Directors.

   Newly admitted Participating Societies shall be eligible for voting participation in committees or in any other Council business at the next scheduled Council or Standing Committee meeting after the meeting during which they were approved for membership.

2. To become a Limited or Academic Member, individuals must submit an application for membership to the COPAS Office. Applications may be submitted at any time and shall be subject to review and approval by the Executive Director or other designee approved by the Board of Directors.

C. Suspension of Society and Individual Memberships

1. A Society may be suspended from participation in COPAS activities by two-thirds approval of the Participating Societies present and eligible to vote at a Council meeting. Grounds for suspension may include the following:

   a) failure to pay its assessment of COPAS' operating costs within a time period specified by the Board of Directors

   b) failure to be represented and participate in COPAS activities

      1) Participating Societies: at least one Council meeting and one other COPAS activity each calendar year. (Other COPAS activities include the Leadership Conference, Board of Directors Meetings, and COPAS Standing, Special and Sub-Committee meetings.)

      2) Provisional and International Societies: at least one Council meeting or Leadership Conference each calendar year

   c) becoming inactive as a local Society

   d) failure to meet membership requirements for admission

   e) failure to comply with COPAS policies and procedures, including the COPAS Bylaws, COPAS Code of Ethics, and COPAS Antitrust Policy.

2. When a Society fails to meet the requirements described above in Paragraphs 1, a) through 1, e), the following actions will be taken:

   a) The Board will notify, in writing, any Society subject to suspension.

   b) Assistance will be offered by the Board to any Society subject to suspension to remedy any deficiencies.

   c) Any Society remaining deficient after a period of one year from Board notification may be recommended for suspension from Council activities. However, the Board, at its discretion, may recommend suspension of any Society sooner if warranted by the nature of the deficiency. Further, the Board may recommend an extension of this period if the Society has exhibited efforts to remedy the deficiencies.

3. Societies under suspension

a) Will be allowed and encouraged to attend all COPAS meetings, including Standing Committees, Special Committees, Board of Directors, and Council meetings, but will not be allowed to vote on any motions undertaken at any meeting.

b) Will continue to receive all COPAS mailings, including COPAS periodicals, if the Society pays its annual assessment. Suspended Societies are encouraged to continue to pay the annual assessment in order for their membership to stay abreast of COPAS issues and events during the suspension period. Members of a Society in suspended status which has not paid its annual assessment will be offered an Individual Membership, and no initiation fee will be charged.

c) Will have their status reviewed at least annually by the Board of Directors and will be recommended for a continued suspended status, termination of membership, or reinstatement of membership. Recommendations will be based on progress made regarding deficiencies and/or the specific desires of a suspended Society.

4. A Society may be removed from suspension when the grounds for suspension are corrected and upon approval of two-thirds of the Participating Societies present and eligible to vote at a Council meeting. A Society may be dropped from membership after one year's suspension and upon approval of two-thirds of the Participating Societies present and eligible to vote at a Council meeting.

5. Participating Individual Members and Provisional Members are automatically suspended when they cease to be a member of a Society or when the Society of which they are a member is suspended under terms of this Article II. This membership shall be terminated if the Society's membership is terminated. A member may be suspended or expelled pursuant to COPAS' Disciplinary Procedures.

6. Limited and Academic Members shall be suspended and/or terminated when they no longer meet the eligibility requirements or fail to pay the annual dues within 15 days after receipt of billing from the COPAS Office. Limited and Academic members may be suspended or expelled pursuant to COPAS' Disciplinary Procedures.

D. Change in Type of Membership

1. The Board of Directors may change a Society's membership type without a Council vote from a Participating Society Membership to a Provisional Society Membership, provided that the Society meets all eligibility requirements of a

Provisional Society Membership and only when the Society does not meet the membership requirements of a Participating Society.

a) The Board will notify, in writing, any Participating Society subject to a change in membership type.

b) Assistance will be offered by the Board to any Participating Society subject to a change in membership type to remedy any deficiencies.

c) Any Participating Society remaining deficient after a period of one year from Board notification may be changed to a Provisional Society Membership. The Board may extend this period if the Society has exhibited efforts to remedy the deficiencies.

2. Any Society holding a Provisional Society Membership, which had previously held a Participating Society Membership, may request reinstatement of that Participating Society Membership. Such reinstatement may be approved by the Board of Directors without a Council vote if the following conditions are met:

a) Society must be in good standing within COPAS.

b) The Society must meet all eligibility requirements of a Participating Society.

c) The Society must have maintained continuous associate membership in COPAS since the Participating Society Membership was held.

d) The request for reinstatement must be submitted at least 90 days prior to a Council meeting.

E. ~~E.~~ Termination ~~and~~ Dissolution and Consolidation ~~Resignation o~~of Society ~~Memberships~~ Membership

1. Termination of Society Membership

A Society under suspension as defined in Article II, Section C. above may have its membership terminated by two-thirds approval of the Participating Societies present and eligible to vote at a Council meeting. Such termination may be recommended to Council 6 months after notification to the suspended Society or at the next following Council meeting for failure to present a plan and make substantial efforts to comply with COPAS membership requirements.

2. Dissolution of Society Membership

A Society may elect to dissolve its membership in COPAS or Council may terminate a Society's membership in COPAS if the Society is no longer responsive or actively meeting and not in compliance with COPAS Society membership requirements defined in Article II, Section A, Paragraph 1(a) above. – Such dissolution shall be recognized by Council and effective at the next meeting of Council by two-thirds approval of the Participating Societies present and eligible to vote at a Council meeting.

3. ~~3.~~ Consolidation of Society Membership

Two Participating Societies may elect to consolidate the two Societies into one Participating Society. - The following procedure should be followed to effectuate the consolidation.

a) Each consolidating Society Board must elect to consolidate and form a single –consolidated Society.

b) Each consolidating Society Board will be responsible for creating and agreeing to a new set of Bylaws for the surviving Society unless the existing Society Bylaws of the Surviving Society are agreeable to both Societies as the new Bylaws for the surviving Society.

c) Each consolidating Society will be responsible for ensuring that all state and federal filings and taxes are properly filed and settled. The consolidation of funds from each consolidating Society shall be addressed and a formal plan of distribution shall be adopted by each Consolidating Society.

d) Once the items listed above have been agreed upon and all required plans for consolidation have been approved, the Societies shall notify the COPAS office of the plan of consolidation and submission of Bylaws and other required documentation shall be made to COPAS.

e) The COPAS office will notify the COPAS Board of Directors and establish the date for Council approval of the consolidated Participating Society. The Council will approve the consolidated Society in the same manner as any new Participating Society.

~~e)~~

ARTICLE III ORGANIZATION

A. The Council shall be composed of one representative from each of the Participating Societies, with said representatives to be designated by each Society according to its own bylaws; provided, however, such representative shall be a member, in good standing, of COPAS.

B. There shall be a Board of Directors composed of nine Participating Individual Members, who shall have all been endorsed by their local Society. Directors shall be elected by voting members of the Council. The ~~immediate past President, if a retired director, and the~~ Executive Director shall serve as an ex-officio member~~s~~ of this Board but shall not be eligible to vote. A Board Member may be removed, for good cause, pursuant to COPAS' Disciplinary Procedures. There shall be no term limitation imposed upon a Director.

C. At each annual election, there shall be elected three directors for a period of three years to replace directors whose terms expire. Each Society shall have one (1) vote for three different nominees for three different director positions with the three candidates receiving the most votes being declared the newly elected directors. In case of ties for an undecided position, a second vote shall be taken among the tying candidates, or if a winning candidate is unable to serve because of conflict with Article III, Section D, a second vote shall be taken among the remaining eligible candidates for the undecided position(s), with each Society having one vote for each position. If a second vote also results in a tie, the COPAS Board of Directors shall cast the determining vote.

D. A company or Society may have not more than two directors. The Nominating Committee is responsible for assuring that no company or Society shall have a nominee(s) that, if elected, would cause that company or Society to have more than two (2) directors. However, a director who relocates to a different company and/or Society shall be entitled to complete his/her term even though such relocation causes the Board to temporarily have more than two directors from a company and/or Society.

E. Elections shall be held each year at a Council meeting prior to year-end. A Society may not vote by proxy. Interim Board of Directors vacancies will be filled upon recommendation by the Board of Directors and approval of the Council at the next meeting of the Council.

F. There shall be ~~four~~five officers of the Council, a President, a President-Elect, a Vice-President, a Secretary, and a Treasurer. Officers shall be elected for one-year terms by a majority vote of the new Board of Directors, present and voting, at a meeting of the Board to be held after the Council meeting where elections were held, but prior to year-end. The officers' terms of office shall be for the calendar year commencing January 1st of the year following the election. If any elective office is vacated, it shall be the duty and responsibility of the Board of Directors to fill such vacancy for the unexpired term. The Board of Directors may remove an officer from his or her officer position, for good cause, by a vote of two-thirds of the Board of Directors.

G. There shall be a Nominating Committee for each Board of Director election, consisting of the immediate past President as Chairperson and three other members from Participating Societies elected by the Council by plurality vote at the Council meeting when elections were held.

H. There shall be an Executive Director of COPAS. Such a person shall be selected by the Board of Directors and approved by the Council whenever a vacancy occurs. The Executive Director will function as an employee of COPAS with compensation to be approved by the Board of Directors.

I. There shall be Standing Committees as authorized by the Board of Directors and approved by the Council. The Board of Directors shall approve the chairperson for each of these Standing Committees and there shall be at least four other members, with membership determined by the Committee charter. Each Participating Society may name a member to each Committee if the member is a person of experience in that field and such person is a COPAS member in good standing. The chairperson serves as a facilitator, not as a voting member from a Participating Society. Representation on any one of these committees is at the discretion of each Society. The Board of Directors shall approve a chairperson, giving due consideration to the recommendations of the Standing Committee and/or its leadership. A Standing Committee Chair may be removed, for good cause, pursuant to COPAS' Disciplinary Procedures.

J. There shall be Special Committees as authorized by the President, upon approval by the Board of Directors and/or the Council. The Board of Directors shall approve Special Committee chairpersons, giving due consideration to the recommendations of the Special Committee and/or its leadership. A Special Committee Chair may be removed, for good cause, pursuant to COPAS' Disciplinary Procedures. The Board of Directors shall approve each committee charge.

K. All chairpersons of Standing and Special Committees will serve for a period not to exceed two years but may be re-approved for an additional year. All liaisons to other industry organizations shall be approved by the Board of Directors. There shall be no term limit for liaisons.

ARTICLE IV DUTIES

A. President – The President shall preside at all meetings of the Council and the Board of Directors and coordinate all the activities of COPAS.

B. President-Elect – The President-Elect shall assist the President in the performance of duties and preside at Council meetings in case of the President's absence.

C. Vice President – The Vice President shall assist the President and President-Elect in the performance of duties~~, preside at Council meetings in case of the President's absence~~, enforce the Bylaws, and serve as parliamentarian of the Council.

D. Secretary – The Secretary shall keep a record of all Board of Directors and Council proceedings and distribute same to the Board and Council representatives in cooperation with the Executive Director.

E. Treasurer – The Treasurer shall be responsible for preparation of the annual budget, receive and disburse working funds, and prepare a report of cash receipts, disbursements, and balance on hand for each Council and Board of Directors meeting. The Treasurer shall be responsible for the management of funds on behalf of COPAS under the direction of the Board of Directors. The Treasurer will be responsible for arranging for the performance of an annual examination of the receipts, disbursements and accounts of COPAS records by the reviewer appointed in accordance with Section E of this Article IV.

F. Board of Directors – The Board of Directors, acting for the Council, shall maintain continuing surveillance over the operations of COPAS to assure that policies, projects, and other activities authorized by the Council are being executed in a proper and timely manner, in accordance with COPAS' policies and procedures. The Board will establish procedures for controlling COPAS materials copyrighted, published, and sold. The Board of Directors shall continually review the objectives of COPAS and the charges of committees, recommend projects for study, elect a President, President-elect, Vice President, Secretary, and Treasurer as provided in Article III, Section F, and act for the Council between meetings thereof upon matters specifically delegated by the Council. The Board of Directors shall meet at such times and in such manner as it may elect and report to the Council any action taken by it since the last preceding Council meeting. A quorum for conducting Board of Director meetings shall consist of five of the voting members of the Board of Directors. The President is not considered a voting member for the purposes of establishing a quorum. Except where these Bylaws otherwise provide, or where otherwise established by rule of procedure or law, a simple majority vote of those directors present shall be binding and constitute the decision of the Board. The President shall vote only in the case of a tie. Voting by proxy is not permitted. The Board shall, from time to time, adopt a written policy applying the above to evolving technologies and practices. Such policy shall be approved by a vote of two-thirds of the voting members of the Board of Directors.

The Board of Directors shall appoint a COPAS member (other than a Board of Directors member) or an independent CPA firm to conduct an annual examination of the receipts, disbursements, and accounts of COPAS. This annual examination may include the preparation and the filing of all applicable Federal and state tax returns. Such member or firm shall issue a report reflecting the results of such examination to the Board of Directors, which shall be made available to the Council upon request. Such reports shall be for the internal use of the COPAS Board of Directors, Council Representatives, and COPAS members only.

G. Nominating Committee – The Nominating Committee shall select nominees for election as members of the Board of Directors and submit its selections to Participating Societies and Council Representatives at least 60 days in advance of the Council meeting at which the election will be held. Such nominees must be members in good standing of a Participating Society and be in compliance with Article III, Section D. Societies may propose other nominees, but such nominations must be submitted to the voting Societies and Council Representatives at least 30 days in advance of the meeting at which the election will be held.

H. Executive Director – The Executive Director shall administer the normal business operation of COPAS and perform other functions as directed by the Council or the Board of Directors. Duties of the Executive Director will include, but not be limited to the following:

1. Act as an ex-officio member of the Board of Directors and all Standing and Special Committees
2. Assist in organizing and administering conferences, seminars, and other meetings
3. Coordinate COPAS activities with the member Societies
4. Manage the COPAS Office
5. Maintain a library of all COPAS publications
6. Maintain all files and records as directed by the Board of Directors
7. Act as a central contact for all COPAS communications and activities
8. Act as public relations director

I. Standing Committees – The Standing Committees shall be responsible for researching and reporting in a timely manner to the Board of Directors and Council on their respective committee's area of interest. This shall include research and surveys of petroleum industry problems, written opinions on current topics, dissemination of information on significant developments in their area of interest, and any other action requested by the Council or the Board of Directors. The specific objectives and duties for each committee shall be defined by such committee and be approved by the Board of Directors. Any subsequent revisions to the objectives or duties shall require approval by the Board of Directors.

ARTICLE V MEETINGS AND NOTICES

A. COPAS shall hold at least one Council meeting each calendar year in order to conduct such business as may be brought before the Council. Member Societies may host these meetings on a voluntary basis. If a member Society does not volunteer to host a meeting, the COPAS Board of Directors will be responsible for hosting a meeting.

B. Notice of all Council Meetings shall be given by the President at least 60 days prior to the date of the meeting, giving time, place, and purpose of the meeting in reasonable detail with agenda items identified on which a vote is anticipated. Council meetings may be held in person, or by electronic, electronic virtual or telephonic means or a combination of these means. The technology used for electronic or telephonic Council meetings must be commonly available to voting representatives and allow discussion among the representatives in attendance. Special meetings shall be called by the President, by the President-Elect, by a majority of members of the Board of Directors, or by a majority of Council representatives by giving notice ten days prior to the date of the meeting and giving notice of time, place, and purpose of the meeting.

In the event of an emergency or urgent Council voting matter only, a special electronic or telephonic meeting or an electronic virtual meeting shall be called by the President, by the President-elect, by a majority of members of the Board of Directors, or by a majority of Council representatives. The notice of the meeting shall be given by the President, or by the President-Elect, or Vice President if the President fails to issue such notice, at least ten (10) days prior to the date of the meeting giving the time and purpose of the meeting in reasonable detail with agenda items identified on which a vote is anticipated. Such meeting must be approved by at least two-thirds (2/3) of the Societies eligible to vote as of the date of the proposed meeting, via electronic means within five (5) business days following notice of such meeting. Business conducted at this meeting shall be limited to those items identified in the meeting agenda. Technology used must be commonly available to the voting representatives and allow open, immediate debate and discussion among the representatives in attendance.

C. Details of the Council agenda items on which a vote by the Council is anticipated shall be published and distributed to all Participating Societies by the Executive Director at least 60 days prior to the Council Meeting with notice that the item will be presented as an item on which a vote is anticipated.

D. A quorum for conducting Council Meetings shall consist of a majority of the Participating Societies.

E. The rules of procedure at Council Meetings shall be according to *Roberts Rules of Order*, as applicable ~~and when~~and not inconsistent with these Bylaws.

ARTICLE VI VOTING PROCEDURE

A. Each Participating Society represented at a Council Meeting and eligible to vote shall have one vote. A vote may be cast and will be counted only if the voting Society is represented as provided in Article III, Section A of these Bylaws, such representative is present at the time a vote is taken, and all membership dues or fees have been paid and provided the society is not under suspension. The voting representative shall vote as directed by his or her Society. No voting by proxy is permitted.

B. A resolution that meets the 60-day requirement under Article V, Section D shall carry if it receives the affirmative vote of a majority of the Societies present and eligible to vote at a Council Meeting, except when a vote is taken on Model Forms and related Modifications and Interpretations. A vote on the Model Forms and related Modifications and Interpretations shall carry if it receives the affirmative vote of two-thirds (2/3) of the Societies present and eligible to vote at a Council Meeting.

C. A resolution that does not meet the 60-day requirement under Article V, Section D can be voted on if the 60-day rule is waived by approval of at least two-thirds (2/3) of the Societies present and eligible to vote at a Council Meeting.

D. Votes shall be cast as follows:

1. Yes – Affirmative vote
2. No – Negative vote
3. Pass – Defer vote until other voting Societies have had the opportunity to vote and automatically request to be called upon to vote or abstain before voting closes

4. Abstain – Neither an affirmative nor negative vote. It is included in the calculation of a majority, or two-thirds (2/3), as applicable.

ARTICLE VII
LIMITATION OF LIABILITY AND INDEMNIFICATION

A. Any person providing services or any act of assistance without compensation from COPAS in the capacity of a Director or Officer shall not be deemed to have assumed a duty of care where none otherwise existed and shall not be liable to the Council or its members or to any third party for acts or omissions in good faith.

B. No member of the Board of Directors, Officer, or Executive Director of COPAS shall be liable for actions taken or omissions made in the performance of duties in such capacity except for wanton, willful, or unlawful acts or omissions.

C. The Council, acting by and through its Board of Directors upon the vote of a quorum of disinterested Directors, shall have the power and authority to indemnify any Director, Officer, or the Executive Director of COPAS for and against any liability (including reasonable fees, costs, and expenses) to a third party incurred as a result of any act of omission of such individual in connection with his or her service in such capacity for and on behalf of COPAS, if such act or omission was in good faith; was reasonably believed by the Director, Officer, or Executive Director to be in the best interest of COPAS; and was not wanton, willful, or unlawful or involved in the accrual of an improper personal benefit to the Director, Officer, or Executive Director.

D. The Council shall have the power and authority to purchase and maintain on behalf of COPAS or any person serving in the capacity of a Director, Officer, or the Executive Director such policies of insurance insuring against any liability, fee, cost, or expense with respect to which COPAS may indemnify as permitted by Section C of this Article VII.

E. The foregoing sections of this Article VII are intended to afford the fullest legal protection, rights, and power pertaining to the limitation of liability and permissive indemnification of Directors and Officers of non-profit organizations as shall be permitted by applicable statutes and laws governing COPAS.

ARTICLE VIII DISSOLUTION AND LIQUIDATION

Upon the dissolution of COPAS and the cessation of its conduct of business and existence, the assets of COPAS shall be distributed, after payment of all liabilities, to such non-profit organizations (which may or may not include COPAS members) as the Board of Directors shall determine, provided that the distributee(s) of the assets shall be required to dedicate and use such assets in furtherance of a non-profit activity consistent with the purposes, objectives, and principles of COPAS.

ARTICLE IX AMENDMENTS

Amendments to the Bylaws may be proposed by any COPAS Participating Society, Committee, or Participating Individual Member. Such proposals shall be in writing in accordance with Article V, Section D. Adoption of an amendment to the Bylaws must be approved by at least two-thirds (2/3) of the Societies present and eligible to vote at a Council meeting.

copas
Council of Petroleum Accountants Societies

Turning Energy Into Synergy

24-Month Adjustment Period for Joint Account Adjustments

MODEL FORM INTERPRETATION MFI – 40

Publication Date --- Xxxxxxxx, 2023

COMMITTEE-APPROVED DRAFT - July 20, 2023

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I. INTRODUCTION

Section I in all COPAS model form accounting procedures from the 1962 through the 2022 forms contain language limiting the time allowed for a non-operator to request Joint Account adjustments. This allows operators and non-operators to close their books in a timely manner. The language is almost identical in all model forms to this excerpt from Section I.4 (Adjustments) of the 2022 model form.

> …all bills and statements, including payout statements, rendered during any calendar year shall conclusively be presumed to be true and correct, with respect only to expenditures, after 24 months following the end of any such calendar year, unless within said period a Party takes specific detailed written exception thereto making a claim for adjustment.

The Section I language also stipulates an operator has the same 24-month adjustment period in which to make Joint Account adjustments favorable to it. From the 2022 model form:

> All adjustments initiated by the Operator, except those described in items (i) through (iv) of this Section I.4.B, must be made no later than 24 months following the end of the calendar year in which the original charge appeared or should have appeared on the Joint Account statement or payout statement.

The language in a specific model form may be slightly different from the 2022 model form language.

The 1995, 1998, 2005, 2012, and 2022 model forms allow an operator to make Joint Account entries after the 24-month adjustment period for reasons in addition to the physical inventory exemption listed in the 1986 and prior model forms. In general terms, these exemptions are:

(1) physical inventories of jointly owned Controllable Material
(2) offsetting entries which are the direct result of a specific joint interest audit exception granted by the Operator relating to another property
(3) governmental/regulatory audits
(4) working interest ownership or participating interest adjustments.

See Exhibit A for the specific provisions from each of the COPAS model forms.

Questions that may arise when applying the model form language include:

1. Are certain types of Joint Account debits or credits booked outside this 24-month period in which costs were incurred not considered “adjustments,” but which are, in fact, first-time charges to the Joint Account and therefore not subject to the strict 24-month adjustment period or subject to a different 24-month adjustment period?

2. May an operator book Joint Account entries after the 24-month adjustment period, relative to when goods or services were rendered, which are proper? That is, are there certain charges or credits for which the 24-month adjustment period does not start in the calendar year when the goods or services were received or when paid by the Operator?

3. What does the word “rendered” mean in the context of the Section I.4 adjustment provision?

4. Does conducting an expenditure audit at the end of a calendar year extend the time allowed for taking exception to Joint Account charges and credits?

This document is intended to provide guidance to the industry by addressing those questions and providing explanations and examples.

This COPAS Model Form Interpretation has been reviewed by various petroleum accountants societies through representation on joint interest and audit committees, approved by the Council of Petroleum Accountants Societies (COPAS), and is recommended as a guide in accounting for joint operations. This document does not supersede or override the provisions of any written agreement. Readers are advised to check the specific contract in question and situation when applying these guidelines and seek advice from qualified business experts and legal counsel.

II. INTERPRETATION

<u>First-Time Charges</u>

The model form accounting procedure language imposes the same 24-month adjustment period for a non-operator to request adjustment to the Joint Account as for an operator to make Joint Account adjustments. This ensures that each party may timely close its books for the period(s) beyond the 24-month period allowed for adjustment. There are situations, however, where it is permissible for an operator to book debits or credits to the Joint Account beyond the 24-month period allowed for adjustment, or to recognize the 24-month period may start at different times, depending on the circumstances. Such entries are not considered “adjustments” under the model form language but treated as first-time charges to the Joint Account so that the 24-month limitation on adjustments is not based on when the operator first incurred the cost. Examples of these situations are detailed below.

A. Physical Inventory

Adjustments resulting from a physical inventory of jointly owned Controllable Material as normally allowed under the provisions of the governing Accounting Procedure are usually permitted beyond the 24-month adjustment period. However, depending on the COPAS model form, adjustments are required to be made within either six months or 12 months of the taking of the physical inventory, or receipt of the non-operator inventory report. Therefore, such adjustments resulting from a physical inventory of jointly owned Controllable Material are an allowable adjustment to the Joint Account after expiration of the 24-month adjustment period to which the adjustment applies, provided they are made within any prescribed period after taking the physical inventory stipulated within the specific Accounting Procedure. Adjustments arising from an inventory of operator-owned Material are subject to the 24-month adjustment period.

Note there may be a potential conflict between the inventory provision which requires inventory adjustments within a certain time after taking the inventory and the 24-month adjustment period in Section I.

Assume an operator conducted a Joint Account physical inventory in February 2023 for the years 2019 through 2022. The operator would only have until the end of the allowed adjustment period for physical inventory adjustments in the governing accounting procedure to make any adjustments for the years 2019 and 2020. For any 2021 and 2022 inventory adjustments, the 24-month adjustment periods would still be open and the operator would have until December 31, 2023, to make the 2021 adjustments, and until December 31, 2024, to make the 2022 adjustments.

B. Audit Adjustments

Same Joint Account

Written exceptions on a specific Joint Account often result in adjustments to that Joint Account after expiration of the 24-month adjustment period. These adjustments are allowed if they are in direct response to and directly related to the charge or credit for which the exception was written.

Examples of directly related adjustments include:

Example 1: An exception regarding fixed rate producing overhead permits adjustment to well counts and/or overhead rates billed for a particular well or property for that particular month if one or both components are in error. Similarly, for drilling overhead, if an exception is written for one of the factors (days or rate), an operator can adjust the other factor if found to be in error, but only for the specific time period(s) referenced in the specific exception.

Example 2: An exception regarding overhead types such as Major Construction Overhead (MCO), Catastrophe Overhead (CO), and Environmental Overhead (EO) permits adjustment to the total cost amount and/or the tiered rate(s) applied if one or both components are in error, provided any costs subsequently added to or subtracted from the total cost amount is not otherwise barred by the 24-month adjustment limitation.

In determining if MCO, CO, or EO has been properly assessed, a non-operator will need to know the total cost base upon which the overhead was assessed. Charges within the 24-month period allowed for adjustment can be reviewed for compliance with the accounting procedure as part of the audit, but the sum of costs outside the adjustment period can only be used to determine if the total overhead charge and/or tiered rates applied are correct. The operator should furnish the total cost information to a non-operator from inception through the audit period, with such historical cost information not in violation of any 24-month limitation.

Example 3: An exception regarding charges for tubulars permits adjustment to the footage and/or pricing of the specific tubulars in the particular/specific well if one or both components are in error. This exception only pertains to the tubular string in the exception. A written exception for production casing does not allow late adjustments for surface or intermediate casing. If the written exception is for the price for a tubular string but fails to point out that there was a footage undercharge, the operator may correct the footage component for that same string.

Example 4: An exception regarding monthly volumetric production handling charges permits adjustments to the volume and/or the rate used to calculate the specific monthly charge for the particular well or property if one or both components are in error. If a non-operator takes exception to the volume used in the calculation but fails to point out that the rate charged was lower than the authorized rate, the operator may also adjust the rate when it adjusts the volumes used in the calculation.

Examples of adjustments that are not directly related include:

Example 5: A specific written exception regarding an allocation basis does not permit adjustment to costs within that allocation pool subject to that allocation basis or other aspects of the allocation. In addition, an exception regarding specific charges in the allocation pool does not permit adjustment to other costs included or not included in the allocation pool or any other aspect of the allocation.

This prohibition against adjusting both parts of an allocation pool charge is because the Joint Account charge from an allocation pool is not a single charge as discussed for overhead adjustments in Examples 1 and 2. Rather, charges from an allocation pool are commonly the product of two independent criteria: a cost pool multiplied by the Joint Account's share of the allocation pool based on well count, throughput, activity, or other criteria. Drilling or producing overhead, by contrast, is contractually a single Joint Account amount calculated as the dependent product of "x" (well count, drilling days, etc.) multiplied by "y" (rate).

<u>Example 6</u>: A specific written exception regarding the direct charge or allocation of an individual charge or specific allocation does not permit adjustment to direct charges or allocations of a like nature within the same or other periods for which the 24-months adjustment period has expired unless specific written exceptions were also submitted for those transactions. For example, exceptions written for a specific boat allocation, payroll charge, casing size, or operator-owned equipment charge do not permit adjustment outside the 24-month adjustment period for the same boat allocation, payroll charge, casing size, or operator-owned equipment charge in other months, unless the other direct charges or allocation periods in the audit period were specifically included in the exception.

<u>Different Joint Account</u>

Adjustments to the Joint Account to correct a specific exception raised by a third party that is not affiliated with the operator are not subject to the 24-month adjustment period. Such adjustments are not initiated by an operator or its affiliate and are considered first time transactions to the property receiving the charge or credit. Adjustments must be limited to the scope of the exception.

<u>Example 7:</u> A joint interest audit of Property A completed in the fourth quarter of 2022 for 2020 and 2021 results in a charge for goods or services paid for in 2020 being made to Property B in 2023.

The charge to Property B is not limited by the 24-month rule applicable to the original charge to Property A. An operator should not be expected to absorb 100% of the charge. Therefore, the adjustment to Property B should be allowed as a first-time charge and will be subject to the 24-month adjustment period, commencing with the end of 2023.

C. <u>Governmental/Regulatory Audit</u>

Adjustments resulting from an audit of an operator's records by a government entity or regulatory agency may pertain to activity that precedes the 24-month adjustment period because state and federal regulations and laws may differ from the audit deadlines and adjustment limitations in the Accounting Procedure. The 24-month adjustment period is considered to begin at the end of the calendar year in which the operator pays to or receives from the governmental entity or agency amounts owed or to be refunded or credited, consistent with the definition of Joint Account.

D. Working Interest Ownership Adjustments

Adjustments resulting from working interest ownership changes are sometimes determined after the expiration of the 24-month adjustment period following the close of a calendar year. Such Joint Account adjustments are allowed. Examples include the discovery of incorrect or incomplete lease or ownership data, division order title opinion revisions, settlement of ownership disputes, participating area adjustments, payout accounting back-ins, etc.

Joint Account means the underlying charges paid and credits received in the conduct of Joint Operations rendered through the Statements and Billings language. The Joint Account entries required to correct working interests are not accounting procedure issues because they do not adjust those underlying Joint Account transactions or the Joint Account itself. Rather, these adjustments booked after the expiration of a 24-month adjustment period pertain to the parties' ownership interests, not of the Joint Account itself; that is, who is charged versus what is charged.

E. Vendor Invoices

Amended charges or invoices that were not previously received from third parties are not considered adjustments, but rather as first-time charges to the Joint Account. The 24-month adjustment period for an amended or revised invoice does not begin until the end of the calendar year in which the amended invoice is received.

Third party invoices in an operator's possession but not booked to the Joint Account within the applicable 24-month adjustment period are not considered first-time charges to the Joint Account and may not be charged unless agreed to by the parties. In this case, an operator had physical or electronic possession of the invoice and should have charged or credited the invoice within the 24-month period applicable to when the invoice came into its possession. The bill or statement previously rendered for the month when the transaction occurred is deemed true and correct. See Section II.G (Costs Prior to Operations or Joint Account) for discussion on invoices for costs prior to operations or establishment of a Joint Account.

An operator may dispute a vendor's invoice, which results in the vendor issuing a new or revised invoice to the operator, possibly long after the goods or services were received. The 24-month adjustment period for the new or revised vendor invoice is considered to begin at the end of the calendar year in which the vendor issued the revised invoice or when the operator and vendor agreed on the amount due if a new invoice was not issued. If the Operator accumulated legal costs during the dispute and billed the costs to the Non-Operator(s) upon dispute resolution, those costs would also be allowed as direct costs, provided the costs were allowed as a direct charge under the Legal Services provision of the accounting procedure (Section II.8 of the 1962 and 1968 model forms, Section II.9 of the 1974, 1976, 1986, 1998, 2005, 2012, and 2022 model forms, Section II.10 of the 1984 model form, and Section IV.3 of the 1995 model form). The operator is expected to maintain documentation of correspondence confirming the nature of the invoice payment delay.

> Example 8: In 2022, the operator receives an invoice from XYZ Chemical Company for services rendered in 2019 that were not previously billed or invoiced.
>
> > This would be considered an allowable first-time charge to the Joint Account.
>
> Example 9: In 2020, an operator received an invoice from vendor XYZ Chemical Company in the amount of $150,000 for May 2020 chemical purchases. In July 2020, the operator advised XYZ Chemical that the invoice contained pricing errors; the correct invoice amount should have been $100,000. There is an extended dispute, which the operator and vendor settled for $110,000 in June 2023. XYZ Chemical issued a new invoice, which the operator paid and charged to the Joint Account in July 2023.
>
> > This $110,000 amount would be an allowable first-time charge to the Joint Account; the 24-month deadline to take exception to the charge would expire December 31, 2025.
>
> Example 10: In 2022, the operator discovers that an invoice received from XYZ Chemical Company in 2019 was paid but never billed to the Joint Account.
>
> > This would not be considered an allowable first-time Joint Account charge, unless the charges pertained to long-lead times, or reallocation of a well pad or facility. (Refer to II.G of this document).

F. Operator Internal Reviews Adjustments

First time or amended charges from internally generated accounting transactions such as overhead, allocations, self-insurance, payroll, material movements and/or pricing, and operator-owned facilities that are subject to different adjustment periods as explained elsewhere in this interpretation must always be booked within the applicable 24-month adjustment period.

> Example 11: In 2022, the operator conducts an internal review and discovers that overhead was not correctly billed to the Joint Account in 2019.
>
> > This would not be considered a first-time or allowable amended Joint Account charge.

Example 12: In 2022, the operator conducts an inventory of its 100%-owned inventory and finds casing or wellhead equipment that was not charged to the Joint Account when wells were drilled in 2019.

This would not be considered a first-time or allowable amended Joint Account charge.

G. Costs Prior to Operations or Joint Account

Technology, regulations, and operating changes have created many situations in which an operator incurs costs well before commencement of operations, sometimes several years prior. In many cases, a joint operating agreement (JOA) and associated accounting procedure for the project have not been executed or even proposed because the working interest owners and consenting parties in a planned operation, well, or facility that will ultimately benefit from such a cost are unknown when the cost is incurred. This situation often happens in onshore operations, such as the construction of a large drilling pad designed to accommodate many future wells. It also happens because of long lead times required to get permits, and the short time limits under the agreements to commence operations after the parties have made their elections. These wells may or may not have the same working interest owners or ownership interests when such is determined.

For example, an operator constructs a 24-well drilling pad in 2020 for wells to be drilled from 2021 through 2024. The parties' participation status, or even the names of the parties themselves, is unknown in 2020.

These 2020 costs, incurred prior to the existence of a Joint Account, elections to participate, or execution of a JOA, if applicable, are first-time Joint Account charges in 2023 and 2024. They are not adjustments favorable to the operator subject to the 24-month adjustment period from the date the cost was incurred because in that situation there was no Joint Account to which the costs could have been charged. An operator would have no contractual basis or way to allocate or charge the 2020 cost to an unknown participation status or ownership of wells drilled in 2023 and 2024.

In those cases, unless it is a certainty that the participation status or ownership of all wells to be drilled will be identical, an operator might not burden the first well drilled in 2020 with 100% of the costs it knows will benefit future wells. In that case, reallocations or charges to future wells would properly occur more than 24 months after the operator incurred the costs.

Examples of such expenditures could include, but are not limited to, the following:

Billable land costs	Damages and rights-of-way
Title costs and opinions	Rig moves

Site studies	Building or upgrading roads
Environmental surveys	Infrastructure
Soil surveys	Flowlines
Permitting	Electrical lines and distribution equipment
Unexpired drilling permits	Water impoundments
Location build	Production equipment

The 2020 costs are considered first-time charges to the wells drilled in 2023 and 2024 only to the extent (1) the 2023 and 2024 wells or operations benefitted from the specific expenditure and (2) such cost is allowed as a direct charge under the executed JOA and accounting procedure or other governing agreement for the wells drilled in 2023 and 2024. For example, if a 2020 offsite technical service or permitting cost is not allowed as a direct charge under the executed JOA/accounting procedure or other governing agreement, the cost would not be chargeable merely because the 2023 and 2024 wells benefitted from the expenditure.

An operator does not have an open-ended time in which to charge long-lead or reallocated shared costs to the Joint Account(s). In continuing with the above example, there is a time limit on when an operator is allowed to bill a qualifying and chargeable 2020 cost to the wells drilled in 2023 and 2024. It is the intent of all COPAS model form accounting procedures to establish a 24-month adjustment period following which all parties are allowed to close their books for a given year.

The question arises as to when the 24-month adjustment period commences for otherwise-chargeable costs that are incurred several years before establishment of a Joint Account. While all situations cannot be anticipated, the intent is to have the beginning of the operation receiving benefit from a share of costs previously incurred serve as the starting point for a 24-month adjustment period consideration, using whichever criteria is most applicable for that cost. For example, for consistency, equity, and ease of administration, COPAS recommends the 24-month adjustment period begins at the end of the calendar year in which any of the following occurs: (1) a well is spud or otherwise uses a well pad, even if the well is a dry hole, (2) subsequent operations in a well such as workover/recompletion/deepening/plugging back/sidetracking operations are commenced, and (3) the well is tied into flowlines, lease gathering lines, or pipelines, and/or a facility. In the case of materials, once a non-operator agrees to or is committed to participate in the operation, it can be charged for the cost of materials that are planned for use in the operation. This is generally consistent with the guidance in Accounting Guideline 29, *Shared Well Pad Cost Allocations*, which suggests reallocating shared well pad costs when the well receives benefit.

The COPAS 2022 Model Form Accounting Procedure differs from all prior model forms in that it contains specific language in Section I.4.C addressing these "<u>Costs Prior to Operations or Joint Account.</u>"

Any allocation or reallocation of preliminary project costs or costs for shared equipment, facilities or services among wells or projects receiving benefit should appear on the Joint Account statement or payout statement when the well or project receives benefit. Examples include location staking, permitting fees, rights of way and easement payment, environmental assessments, shared pads, production facilities, and drilling support facilities.

The interpretive language for the above language can be found in COPAS Model Form Interpretation 58 (*COPAS 2022 Model Form Accounting Procedure Interpretation*).

"Rendered"

An understanding and interpretation of the word "rendered" is critical to understanding both the commencement and expiration of the 24-month adjustment period for operators and non-operators.

Commencement of 24-Month Adjustment Period

The following sources all contain a similar definition and context of the word "render," that something is delivered to another party:

- …means to perform a service, to deliver or to yield and give up (Black's Law Dictionary)
- …to transmit to another: Deliver (Miriam-Webster dictionary)
- …to furnish for consideration, approval, or information (Miriam-Webster dictionary)
- …to give, present, or perform something (Dictionary.com)
- …to present or submit (accounts, etc.) for payment, approval, or action (ReversoDictionary)
- Bill rendered - A statement presented by a creditor to his debtor of an account or of money due; a paper presented setting forth the particulars and amount of a debt (TeachMeFinance.com)

Thus, for purposes of the commencement of the 24-month adjustment period, joint interest billings (JIBs), or other "bills and statements, including payout statements" are rendered to a non-operator or other party when they are received by that party. As an example, an operator sends a December 2020 JIB to a non-operator in January 2021; that bill was rendered in January 2021. The 24-month adjustment period to take specific written exception to transactions on that December 2020 JIB would expire December 31, 2023.

If a joint interest billing is rendered electronically, the billing is rendered when it is accessible by the non-operator.

Expiration of 24-Month Adjustment Period

Non-operator's right to submit exceptions to operator

All COPAS model form accounting procedures are clear that the end of a calendar year is the expiry of the 24-month period in which a non-operator is permitted to submit exceptions to an operator, using language similar to the following excerpt from Section I.4.A of the 2022 model form.

> Payment of a bill shall not prejudice the right of any party to protest or question the correctness thereof; however, all bills and statements, including payout statements, rendered during any calendar year shall conclusively be presumed to be true and correct, with respect only to expenditures, after 24 months following the end of any such calendar year, unless within said period a Party takes specific detailed written exception thereto making a claim for adjustment….(*emphasis added*)

Accordingly, for example, a non-operator must submit a "specific detailed written" exception on any cost rendered in 2021 by midnight on December 31, 2023.

Operator's right to make adjustments

The Adjustments section of each model form contains a 24-month adjustment period for an operator to make Joint Account adjustments. The language in the 1962 through 1986 model forms is the same, but differs from the 1995 through 2022 model forms language. The interpretation is the same for all model forms, but the different provisions are analyzed separately.

1962 through 1986 model form language

The provision governing an operator's right to make Joint Account adjustments is identical in the 1962 through 1986 model forms, with this excerpt from Section I.4 of the COPAS 1984 model form.

> No adjustment favorable to Operator shall be made unless it is made within the same prescribed period.

The "same prescribed period" corresponds with the 24 months following the end of any calendar year period discussed above for a non-operator to take written exception to an operator's charge. Accordingly, an operator must make Joint Account adjustments by December 31, 2023, for any charge rendered in 2021, just as a non-operator is required to submit exceptions by December 31, 2023, on any cost rendered in 2021.

Confusion may arise regarding adjustments to 2021 costs made by the operator in December 2023 and appearing on the December 2023 JIB, which is rendered to the non-operator in 2024. The Adjustment provision states, "all bills and statements, including payout statements, rendered during any calendar year shall conclusively be presumed to be true and correct…after 24 months following the end of any such calendar year."

Accordingly, an operator's December 2023 JIB cannot contain 2021 adjustments on a JIB rendered in 2024 <u>unless an operator can adequately and appropriately document that a 2021 adjustment was processed and booked into its accounting system on or before December 31, 2023</u>. In that case, the adjustment is allowable because the actual adjustment was made "within the same prescribed period" as allowed to a non-operator to take written exception to a charge rendered in 2021. This interpretation ensures an operator and non-operator have equal positions for review and adjustment of 2021 costs. Appropriate documentation of an operator's timely adjustment might include an approved voucher or accounting system entry confirming that the adjustment was booked into the Operator's accounting system on or before December 31, 2023.

If, however, an operator does not book the 2021 adjustment into its accounting system in December 2023, for example the adjustment was made/booked on January 5, 2024, prior to December 2023 accounting close but after December 31, 2023, such an adjustment would be prohibited because the entry was booked in 2024 which is not "within the same prescribed period" for both operators and non-operators.

It is worth noting in the example that charges appearing on the December 2023 JIB rendered in 2024, which include adjustments to 2021 costs, are auditable by a non-operator through the end of 2026 because the December 2023 JIB was rendered in 2024.

<u>1995 through 2022 model form language</u>
The provision in the 1995 through 2022 model forms governing an operator's right to make Joint Account adjustments is conceptually the same and almost identical in wording, with this excerpt from Section I.4 of the COPAS 2022 model form.

> All adjustments initiated by the Operator, except those described in items (i) through (iv) of this Section I.4.B, must be made no later than 24 months following the end of the calendar year in which the original charge appeared or should have appeared on the Joint Account statement or payout statement.

Section I.4 in these model forms does not have the "within the same prescribed period" language discussed above, but the effect is the same.

By way of example, if an operator wanted to make the same 2021 adjustment discussed above, the adjustment "must be <u>made</u> no later than 24 months following the end of the calendar year in which the original charge appeared or should have appeared on the Joint Account statement…" (*emphasis added*). That means the adjustment would have to be <u>made</u> by December 31, 2023. Just as discussed above for the 1962 through 1986 model forms, the adjustment would be allowed on the December 2023 JIB rendered in January 2024 only if the operator can document that the 2021 adjustment entry was processed and booked on or before December 31, 2023; in that case, the adjustment would be allowed because the actual adjustment was made "within the 24 months following the end of the calendar year in which the original charge appeared or should have appeared…" As with the 1962 through 1986 model forms, this is an equitable interpretation because it keeps an operator and non-operator in an equal position, that a non-operator's exceptions for bills rendered in 2021 are submitted, and an operator's 2021 adjustments are booked, by December 31, 2023.

<u>End-of-Year Expenditure Audits</u>

Joint interest audits may be conducted near the end of a calendar year which represents the end of the 24-month adjustment period. For example, an audit of 2019 expenses is conducted in December 2021. The issuance of the audit report in 2022 does not extend the 24-month adjustment period for taking written exception to the bills and statements rendered in 2019; all written exceptions must be submitted by the end of 2021. If the operator has not provided all relevant information or has not provided requested information on a timely basis, it is still the non-operator's obligation to take specific written exception in the form of a "to be determined" (TBD) claim. Likewise, an operator cannot initiate adjustments after the same 24-month adjustment period except as noted elsewhere in this interpretation.

Exhibit A

1962 COPAS Model Form

Section I.6 (Adjustments):

> Payment of any such bills shall not prejudice the right of any Non-Operators to protest or question the correctness thereof; provided however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four(24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of the Joint Property as provided for in Section VII.

Relevant language in MFI 1 (*COPAS 1962 Model Form Accounting Procedure Interpretation*):

None.

1968 COPAS Model Form

Section I.4 (Adjustments):

> Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided however, all bills and statements rendered to Non-Operators by Operators during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of the Joint Property as provided for in Section VII.

Relevant language in MFI 2 (*COPAS 1968 Model Form Accounting Procedure Interpretation*):

None.

1974 COPAS Model Form

Section I.4 (Adjustments):

> Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

Relevant language in MFI 4 (*COPAS 1974 Model Form Accounting Procedure Interpretation*)

None.

COPAS Arctic Model Form

Section I.106 (Right to Protest or Question Bills)

> Payment of such bills shall not prejudice the right of Non-Operator to protest or question the correctness thereof. Subject to the exception noted in Paragraph 107 of this Section I, all statements rendered to Non-Operator by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-six (26) months following the end of any such calendar year, unless within the said twenty-six (26) month period, Non-Operator takes written exception thereto and makes claim on Operator for adjustment. The provisions of this paragraph shall not prevent adjustments resulting from physical inventory of material as provided for in Section VI, Inventories, hereof.

Relevant language in MFI 3 (*COPAS Arctic Model Form Accounting Procedure Interpretation*):

None.

1976 COPAS Model Form

Section I.4 (Adjustments):

> Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

Relevant language in MFI 5 (*COPAS 1976 Offshore Model Form Accounting Procedure Interpretation*):

> A request for adjustment or explanation shall not change the normal two-year formal audit limitation unless agreed to by the Operator.

1984 COPAS Model Form

Section I.4 (Adjustments):

> Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

Relevant language in MFI 17 (*COPAS 1984 Model Form Accounting Procedure Interpretation*):

> A request for adjustment or explanation shall not change the normal two-year limitation unless agreed to by the Operator.

1986 COPAS Model Form

Section I.4 (Adjustments):

> Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

Relevant language in MFI 19 (*COPAS 1986 Offshore Model Form Accounting Procedure Interpretation*):

> A request for adjustment or explanation shall not change the normal two-year formal audit limitation unless agreed to by the Operator.

1995 COPAS Model Form

Section I.4 (Adjustments):

A. Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; however, all bills and statements (including payout status statements) related to expenditures rendered to Non-Operators by the Operator during any calendar year shall conclusively be presumed to be true and correct after 24 months following the end of any such calendar year, unless within the said period a Non-Operator takes specific detailed written exception thereto and makes claim on the Operator for adjustment.

B. All adjustments initiated by the Operator except those described in (1) through (4) below are limited to the 24-month period following the end of the calendar year in which the original charge appeared or should have appeared on the Joint Account statement or payout status statement. Adjustments made beyond the 24-month period are limited to the following:

   1) a physical inventory of Controllable Material as provided for in Section VII
   2) an offsetting entry (whether in whole or in part) which is the direct result of a specific joint interest audit exception granted by the Operator relating to another property

3) a government/regulatory audit
4) working interest ownership adjustments

Relevant language in MFI 30 (*COPAS 1995 Model Form Accounting Procedure Interpretation*):

> Joint Account transactions are conclusively presumed to be true and correct 24 months after the end of the calendar year in which the transaction was booked or should have been booked to the Joint Account. This presumption applies as much to the Operator under this provision as to the Non-Operator under Section, Paragraph 4.A. The only instances providing for an adjustment by the Operator beyond the 24-month period must be associated with one of the four events stipulated within this provision.

1998 COPAS Model Form

Section I.4 (Adjustments):

A. Payment of any such bills shall not prejudice the right of any Party to protest or question the correctness thereof; however, all bills and statements (including payout status statements) rendered during any calendar year shall conclusively be presumed to be true and correct, with respect only to expenditures, after 24 months following the end of any such calendar year, unless within said period a Party takes specific detailed written exception thereto requesting review for adjustment.

B. All adjustments initiated by the billing Parties except those described in (1) through (4) below are limited to the 24-month period following the end of the calendar year in which the original charge appeared or should have appeared on the billing Party's Joint Account statement or payout status statement. Adjustments made beyond the 24-month period are limited to the following:

   1) a physical inventory of Controllable Material as provided for in Section V
   2) an offsetting entry (whether in whole or in part) that is the direct result of a specific joint interest audit exception granted by the Party relating to another property
   3) a government/regulatory audit
   4) working interest ownership adjustments

Relevant language in MFI 39 (*1998 Project Team Model Form Accounting Procedure Interpretation*):

> Joint Account transactions are conclusively presumed to be true and correct 24 months after the end of the calendar year in which the transaction was recorded or should have been recorded to the Joint Account. This presumption applies as much to the Operator under this provision as to the Non-Operator under Paragraph A

above. The only instances providing for an adjustment by the billing Parties beyond the 24-month period must be associated with one of the four events stipulated within this provision.

The phrase "initiated by the billing Parties" includes any review of accounts or records which is not the result of a detailed written exception by a joint venture or government auditor as described in Paragraph A above.

2005 COPAS Model Form

Section I.4 (Adjustments):

A. Payment of any such bills shall not prejudice the right of any Party to protest or question the correctness thereof; however, all bills and statements, including payout statements, rendered during any calendar year shall conclusively be presumed to be true and correct, with respect only to expenditures, after twenty-four (24) months following the end of any such calendar year, unless within said period a Party takes specific detailed written exception thereto making a claim for adjustment. The Operator shall provide a response to all written exceptions, whether or not contained in an audit report, within the time periods prescribed in Section I.5 (*Expenditure Audits*).

B. All adjustments initiated by the Operator, except those described in items (1) through (4) of this Section I.4.B, are limited to the twenty-four (24) month period following the end of the calendar year in which the original charge appeared or should have appeared on the Operator's Joint Account statement or payout statement. Adjustments that may be made beyond the twenty-four (24) month period are limited to adjustments resulting from the following:

   1) a physical inventory of Controllable Material as provided for in Section V (*Inventories of Controllable Material*), or
   2) an offsetting entry (whether in whole or in part) that is the direct result of a specific joint interest audit exception granted by the Operator relating to another property, or
   3) a government/regulatory audit, or
   4) a working interest ownership or Participating Interest adjustment.

Relevant language in MFI 51 (*COPAS 2005 Model Form Accounting Procedure Interpretation*):

Joint Account transactions are conclusively presumed to be true and correct twenty-four (24) months after the end of the calendar year in which the transaction was recorded or should have been recorded to the Joint Account. This presumption applies as much to the Operator under this provision as to the Non-Operator under Paragraph A above. The only instances providing for an adjustment by the Operator beyond the twenty-four (24) month period must be associated with one of the four events stipulated within this provision. An exception is made for inventories because inventories are often performed on a cycle that exceeds the current-year-plus-two limitation. The other exceptions were made because they are often the result of factors that are generally beyond the Operator's control.

The phrase "initiated by the Operator" includes any review of accounts or records that is not the result of a detailed written exception as described in Paragraph A above or a government audit.

COPAS 2012 Model Form

Section I.4 (Adjustments):

A. Payment of a bill shall not prejudice the right of any Party to protest or question the correctness thereof; however, subject to Section I.3.B (*Advances and Payments*), all bills and statements, including payout statements, rendered during any calendar year shall conclusively be presumed to be true and correct, with respect only to expenditures, after twenty-four (24) months following the end of any such calendar year, unless within said period a Party takes specific detailed written exception thereto making a claim for adjustment.

B. All adjustments initiated by the billing Parties, except those described in (1) through (4) of this Section I.4.B, must be made no later than the twenty-four (24) month period following the end of the calendar year in which the original charge appeared or should have appeared on the billing Party's Joint Account statement or payout statement. Adjustments made after the twenty-four (24) month period are limited to those resulting from:

1) a physical inventory of Controllable Material as provided for in Section V; or
2) an offsetting entry, whether in whole or in part, that is the direct result of a specific joint interest audit exception granted by the Party relating to another property; or
3) an audit by a government entity having jurisdiction; or
4) changes in Working Interest ownership or Participating Interest Share.

Relevant language in MFI 53 (*COPAS Deepwater Model Form Accounting Procedure Interpretation*):

A. The 24-month period commences when the billing Party renders the bill or statement, i.e., submits it for payment or approval. The bill for December expenses is rendered in January, so the 24-month period starts that January. For example, the bill for December 2011 expenses is rendered in January 2012.

The 24-month period ends 24 months after the bill is rendered, or December 31, 2014.

B. Joint Account transactions are conclusively presumed to be true and correct 24 months after the end of the calendar year in which the transaction was recorded or should have been recorded to the Joint Account. This presumption applies as much to the Operator under this provision as to the Non-Operator under Paragraph A above. The only instances when the billing Party can adjust the bill after the 24-month period must be the result of one of the four events stipulated in this provision. The phrase "initiated by the billing Parties" includes any adjustments arising out of an internal review by the billing Party, or by its Affiliates.

Generally speaking, adjustments offsetting audit exceptions or government audits are allowed because the timing is due to factors outside the billing Party's control, as opposed to adjustments generated by an internal review done for the purpose of making additional charges. Adjustments due to physical inventories are allowed after the 24-month period because Operators historically have conducted inventories on a longer cycle count - e.g., every five years. Exceptions for changes in working interest or participating interest do not allow changes to what is billed, but rather changes to the proportion each Party must bear.

2022 COPAS Model Form

Section I.4 (Adjustments)

A. Payment of a bill shall not prejudice the right of any party to protest or question the correctness thereof; however, all bills and statements, including payout statements, rendered during any calendar year shall conclusively be presumed to be true and correct, with respect only to expenditures, after 24 months following the end of any such calendar year, unless within said period a Party takes specific detailed exception thereto making a claim for adjustment. The Operator shall provide written response to all written exceptions, whether or not contained in an audit report, within the time periods prescribed in Section 1.5 (Expenditure Audits).

B. All adjustments initiated by the Operator, except those described in items (i) through (iv) of this Section I.4.B, must be made no later than 24 months following the end of the calendar year in which the original charge appeared or should have appeared on the Joint Account statement or payout statement. Adjustments that may be made after such 24-month period are limited to those resulting from any of the following:

(i) a physical inventory of Controllable Material as provided for in Section V (*Inventories of Controllable Material*);
(ii) an offsetting entry (whether in whole or in part) that is the direct result of a specific written exception or inquiry relating to another property or agreement;
(iii) a retro-active adjustment resulting from an audit or assessment by a government entity; or
(iv) a working interest ownership or Participating Interest adjustment.

C. Any allocation or reallocation of preliminary project costs or costs for shared equipment, facilities or services among wells or projects receiving benefit should appear on the Joint Account statement or payout statement when the well or project receives benefit. Examples include location staking, permitting fees, rights of way and easement payments, environmental assessments, shared pads, production facilities, and drilling support facilities.

Relevant language in MFI 58 (*COPAS 2022 Model Form Accounting Procedure Interpretation*):

A. The 24-month limit applies to expenditures subject to this Accounting Procedure; it does not apply to revenue or other costs included in the bill or statement.

A Party may question or challenge a bill by giving the Operator written notice. The written exception may be the result of a desk review of the bill, previous discussions with Operator, previous audits, unusual entries, etc. or it may be the result of the Non-Operator exercising its audit rights under Section I.5 (*Expenditure Audits*).

Written exceptions should provide an explanation of why the Non-Operator believes the charge is incorrect and include documentation to support the claim. It is critical that the Operator be able to understand how the Non-Operator determined the dollar amount of the exception. A vague exception that merely asks the Operator to prove the charges in an account are correct essentially asks the Operator to perform a self-audit and is not a proper exception. Likewise, Operators might reject exceptions based on sampling because that amounts to the Non-Operator's asking the Operator to perform a self-audit. An improperly documented written exception might result in the Operator denying the claim, so the Non-Operator should be aware of and follow the Operator's documentation requirements.

Refer to COPAS MFI-40, *24-Month Accounting Adjustment Period for Joint Account Adjustments*, for more information. Refer to the Agreement for provisions relating to sending notices.

The phrase "initiated by the Operator" includes a review of accounts or records that is not the result of a detailed written exception as described in Paragraph A above or a government audit. An adjustment to a specific cost that is allowed outside the

24-month adjustment period does not allow either Party to review and adjust similar charges. Refer to COPAS MFI-40, *24-Month Accounting Adjustment Period for Joint Account Adjustments*, for more information and examples.

Adjustments resulting from physical inventories are allowed after the 24-month period because Operators historically have conducted inventories on a longer cycle - e.g., every five years.

An offsetting entry to the Joint Account that is a direct result of a specific written exception relating to another property or agreement is allowed after the 24-month adjustment period because the adjustment is not initiated by the Operator and the timing is generally beyond the Operator's control. The written exception does not necessarily have to be in a formal audit report, so long as it is in writing and submitted timely. For example, a written information request submitted during a joint interest audit of another property causes the Operator to make an adjustment to the Joint Account. The offsetting entry is allowed after the 24-month limit because the information request that generated the adjustment was in writing and timely submitted.

Usually, the offsetting entry is the result of an exception pertaining to another property – e.g., a miscoding to property A results in credit to property A and charge to property B. The exception that triggers the adjustment is submitted by a party to the agreement governing property A (who could also be a party to the agreement covering property B or a third party). The offsetting entry adjustment could also happen when working interest owners in a given property are subject to different agreements or terms and conduct separate audits. Even though there is one property, there could be multiple Joint Accounts, with offsetting entries, due to non-consent or carried interest arrangements (e.g., force pooling order, joint development agreement, or participation agreement).

Exceptions for changes or corrections in working interest or Participating Interest do not allow changes to what is billed, but rather changes to the proportion each Party must bear.

Costs may be incurred prior to establishing the Joint Account. In these cases, service dates do not determine the 24-month adjustment period. The adjustment period cannot begin until the well or project is approved, and the participants determined - i.e., the Joint Account is established. The Non-Operator may need to look at other documentation to determine the date benefit is received.

Spud date is commonly used to determine the 24-month period to allocate pre-drill costs. That does not mean the Operator cannot charge costs sooner, once the AFE is approved. In the case of a well pad, a new well receives benefit when it begins to use the well pad. If the well is going to tie into an existing facility, it receives benefit when it ties into the facility.

Refer to AG-29, *Shared Well Pad Cost Allocations*, for more information.

copas
Council of Petroleum Accountants Societies

July 13, 2023

Mr. Tom Wierman
Executive Director
Council of Petroleum Accountants Societies
P.O. Box 21272
Wichita, KS 67208-7272

COPAS Employee Benefits Limitation for 2024

Dear Mr. Wierman:

The COPAS Employee Benefits Subcommittee has calculated the 2024 employee benefits limitation using the procedure approved by Council at the Fall 2014 COPAS meeting.

The Employee Benefits Subcommittee reviewed the most recent four quarters of data representing employee benefits in the private sector for natural resources, construction & maintenance occupations. Based on the average of the percentages from Q2 of 2022 through Q1 of 2023, the BLS employee benefits as a percent of total compensation is 32.53%. In accordance with the approved procedure, 2 percentage points were added, and the rate rounded to the nearest whole number. The result is a 35% Employee Benefits Limitation Percentage upper limitation for 2024, which is the same as the 2023 limitation.

The Employee Benefits Subcommittee, in conjunction with the Joint Interest Committee, submits for approval by Council the Employee Benefits Upper Limitation Percentage of 35%, effective January 1, 2024. We request approval of this economic factor be placed on the agenda for the Fall 2023 COPAS meeting, subject to approval by the Joint Interest Committee.

The Employee Benefits Subcommittee thanks the Joint Interest Committee and Council for their consideration of this economic factor.

If you have any questions, please contact me at stephanie.schwindt@ovintiv.com.

Sincerely,

Stephanie Schwindt

Chair, COPAS Employee Benefits Subcommittee

COPAS EMPLOYEE BENEFITS LIMITATION PERCENTAGE

Historical Survey Results

Survey Year	Year of	BLS Percentage	Calculated Limitation Percentage	Effective Date
1978	1977		22%	1/1/1979
1979	1978		23%	1/1/1980
1980	1979		26%	1/1/1981
1981	1980		26%	1/1/1982
1982	1981		24%	1/1/1983
1983	1982		23%	1/1/1984
1984	1983		23%	1/1/1985
1985	1984		21%	1/1/1986
1986	1985		21%	1/1/1987
1987	1986		20%	1/1/1988
1988	1987		20%	1/1/1989
1989	1988		20%	1/1/1990
1990	1989		19%	1/1/1991
1991	1990		22%	1/1/1992
1992	1991		23%-revised	1/1/1993
1993	1992		22%	1/1/1994
1994	1993		23%	1/1/1995
1995	1994		23%	1/1/1996
1996	1995		23%	1/1/1997
1997	1996		22%	1/1/1998
1998	1997		21%	1/1/1999
1999	1998		20%	1/1/2000
2000	1999		23%	1/1/2001
2001	2000		26%	1/1/2002
2002	2001		27%	1/1/2003
2003	2002		28%	1/1/2004
2004	2003		32%	1/1/2005
2005	2004		32%	1/1/2006
2006	2005	33%	33%	1/1/2007
2007	2006	33%	36%	1/1/2008
2008	2007	32%	35%	1/1/2009
2009	2008	32%	30%	1/1/2010
2010	2009	33%	38%	1/1/2011
2011	2010	33%	38%	1/1/2012
2012	2011	33%	37%	1/1/2013
2013	2012	33%	34%	1/1/2014
2014	2013	34%	33%	1/1/2015
2015	2014*	34%	36%	1/1/2016
2016	2015*	34%	36%	1/1/2017
2017	2016*	33%	35%	1/1/2018
2018	2017*	33%	35%	1/1/2019
2019	2018*	33%	35%	1/1/2020
2020	2019*	33%	35%	1/1/2021
2021	2020*	33%	35%	1/1/2022
2022	2021	33%	35%	1/1/2023
2023	2022	33%	35%	1/1/2024

*Based on BLS data for 4 most recent quarters (Q2-4 of prior year and Q1 of current year).

U.S. BUREAU OF LABOR STATISTICS

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Databases, Tables & Calculators by Subject

Change Output Options: From: 2013 To: 2023 GO

include graphs

More Formatting Options

Data extracted on: July 10, 2023 (2:59:12 PM)

Employer Costs for Employee Compensation

Series Id: CMU203G000400000P (D)
Series Title: Total benefits as a percent of total compensation for private goods-producing industries workers in natural resources, construction, and maintenance occupations
Ownership: Private industry workers
Component: Total benefits
Occupation: Natural resources, construction, and maintenance occupations
Industry: Goods producing
Subcategory: All workers
Area: United States (National)

2020	**Qtr1**	32.9	1.8
2020	**Qtr2**	32.9	1.8
2020	**Qtr3**	32.8	1.8
2020	**Qtr4**	32.7	1.3
2021	**Qtr1**	32.6	1.5
2021	**Qtr2**	32.1	1.3
2021	**Qtr3**	32.4	1.6
2021	**Qtr4**	32.8	1.8
2022	**Qtr1**	32.8	1.8
2022	**Qtr2**	32.7	1.8
2022	**Qtr3**	32.6	1.8
2022	**Qtr4**	32.5	1.9
2023	**Qtr1**	32.3	1.8

D : See www.bls.gov/ncs/ect/mapnote.htm for the definition of the goods-producing sector.

Q2 2022	32.7
Q3 2022	32.6
Q4 2022	32.5
Q1 2023	32.3
Average	32.53

DATE: July 13, 2023

TO: COPAS Board of Directors, Standing and Special Committee Chairpersons, Society Presidents, Council Representatives and COPAS Members

FROM: 2023 COPAS Nominating Committee

RE: **Candidates for the COPAS Board of Directors (2024 – 2026)**

The Council will elect three directors at the Fall Meeting to serve three-year terms beginning January 1, 2024. The Nominating Committee reviewed the qualifications of the following individuals and determined they are in good standing with their societies and meet all other COPAS Bylaws requirements to be members of the COPAS Board of Directors. In addition, election of any three will not cause a conflict with Bylaws Article III, Paragraph D, stipulating no society or company may have more than two directors.

The Nominating Committee is pleased to present its slate of candidates.

Nominee	Company	Society
Kirk Foreman	EOG Resources, Retired	San Antonio
Rebecca Paris	Devon Energy Corp	Oklahoma – Tulsa
Carole Tear	Chesapeake Energy	Oklahoma City

Each candidate's biography, COPAS experience, and ideas and vision for COPAS are included with this notice.

These director positions are currently held by:

- Kirk Foreman, San Antonio
- Melissa Gruenewald, Oklahoma City
- Rebecca Paris, Oklahoma – Tulsa

COPAS Bylaws Article IV, Paragraph F, allows societies to nominate others for election to the Board of Directors by submitting a nominee's name to Participating Societies and Council Representatives at least 30 days prior to the September 22, 2023, Council Meeting. Please review the Bylaws for details.

Here is a complete list of the current COPAS Board members, their companies societies, and terms of office.

Director	Company	Society	Term
Melissa Gruenewald	Green Forest Financial PLLC	Oklahoma City	2021 – 2023
Kirk Foreman	EOG Resources – Retired	San Antonio	2021 – 2023
Rebecca Paris	Devon Energy Corp	Oklahoma – Tulsa	2021 – 2023
Craig Buck	Martindale Consultants	Oklahoma City	2022 – 2024
Dalin Error	Beacon Offshore	Houston	2022 – 2024
Kim Peyton	Peyton & Company	Mississippi	2022 – 2024
Tom Batsche	Talos Energy	Houston	2023 – 2025
Kevin Launchbaugh	Gas Equities	Tulsa	2023 – 2025
Nancy Brown	Consultant	Arkansas	2023 – 2025

The Nominating Committee members' names and contact information are listed below. Please feel free to contact any of us if you have any questions or need additional information.

Dalin Error – Committee Chair
Houston
dalin.error@outlook.com

Tammy Miller-Davison
Colorado
tmillerdavison@gmail.com

Vanessa Green
Oklahoma-Tulsa
vanessa.green@conocophillips.com

Carole Tear
Oklahoma City
carole.tear@chk.com

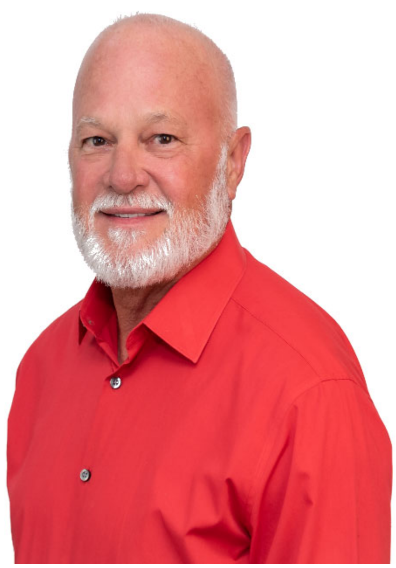
Sincerely,

Dalin Error

Dalin Error
2023 Nominating Committee Chair

Candidate Board of Directors
2024—2026

Kirk
Foreman
San Antonio Society



INFORMATION FORM FOR COPAS BOARD OF DIRECTORS NOMINATION

Please consider Kirk Foreman of the San Antonio Society as a nominee for the COPAS Board of Directors for the three-year term 2024-2026. The requested information on this nominee is listed below.

Personal History: I was born in Southeast Texas in a small town called Groves. I attended Lamar University in Beaumont and then transferred to the University of Texas Arlington and graduated with a BBA in Accounting in 1989. I received my CPA in 2002. My hobbies are cycling, hunting, swimming, golf, woodworking, and reading.

Industry Experience and Affiliation: I've worked in the Oil & Gas industry for approximately 33 years. I began my career in 1990 working in the audit department for Union Pacific Resources (UPR) in Fort Worth, TX. I worked for UPR for 10 years until Anadarko Petroleum bought the company in 2000. I was fortunate to find another job at Burlington Resources (BR) located right down the road from UPR's office. I worked in the revenue department for BR for seven years until ConocoPhillips bought the company in 2007. I again was fortunate to find my third Oil & Gas job working for EOG Resources (EOG) located right down the road from BR. After eight years of working for EOG in our Fort Worth division operations accounting office, I was transferred to San Antonio to work in our Eagle Ford division operations accounting group. I've worked in the EOG San Antonio office for seven years as the Accounting Manager for LOE, Frac Sand and Lease Accounting. I retired from EOG at the end of April 2021. I am currently working as a Vendor and Joint Interest audit consultant.

Society Experience and Participation: I have been a member of COPAS for 28 years. I served as President for the Petroleum Accountants Society of Ft Worth in 2003. I currently serve as the President of the Petroleum Accountants Society of San Antonio. I am also the Chair of the San Antonio Joint Interest Committee.

COPAS Experience and Participation: I have served on the National COPAS board of directors since January 2021. I am also currently chairing the Education Committee side by side comparison of all the Accounting Procedures.

One of the challenges facing COPAS is how to improve membership numbers and engagement as we face retirements and a lack of new leadership at the local society level and nationally. Please share your ideas on ways to achieve this initiative successfully: For COPAS to recruit young people and grow membership, COPAS and its many benefits must be communicated directly to the Oil and Gas Managers and Supervisors who make the decision to allow their employees to participate in COPAS. COPAS will be targeting four to five companies where the largest membership decrease has occurred and will send the COPAS executive director to give lunch and learns about the COPAS organizations value to members and the Oil & Gas industry.

Another challenge facing our organization is how to promote and enhance our educational offerings and the APA® program to pass on the institutional knowledge to our industry colleagues. Please provide your ideas on how COPAS can best reach petroleum accountants and provide the right education in the best delivery method possible: I believe the APA® Program has been significantly improved over the past 3 years. COPAS has just created and released an APA® review course that will create high interest in the study and taking of the APA® exam. Over the next three years there should be a significant increase in APA® accountants. My goal is to study and take the APA® exam in 2024. We need to continue heavily promoting our Oil & Gas webinars. The webinars are a great source of knowledge and training for accountants and provides a good income stream for COPAS.

If elected to the Board of Directors, please share one key initiative you would submit to the Board of Directors for consideration during your term: The Oil & Gas industry is rapidly changing. I will continue introducing ideas that will help COPAS increase membership and better serve its members and the Oil & Gas industry. At the end of my three-year service, it is my goal that a new a better COPAS organization will exist that will better serve Oil & Gas accountants and the industry for the next decade.

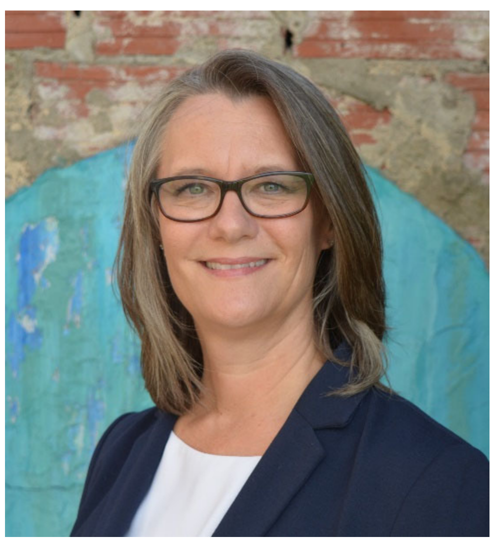
Other Comments:

By: David Garza

Title: SECRETARY

Candidate Board of Directors
2024—2026

Rebecca
Paris
Oklahoma – Tulsa Society



<u>INFORMATION FORM FOR COPAS BOARD OF DIRECTORS NOMINATION</u>

Please consider Rebecca Paris of the PASO-Tulsa Society as a nominee for the COPAS Board of Directors for the three-year term 2024-2026. The requested information on this nominee is listed below.

Personal History: I have a Bachelor of Science in Accounting from Oklahoma State University (1999) and Master of Business Administration from Southeastern Oklahoma State University (2019). I have been married to my husband, Nathan Paris, for 29 years and we have two sons, Connor and Ian, and a bright shining star of a daughter-in-law, Erin.

Industry Experience and Affiliation: I began my career as an Accountant at a small manufacturing company in south Tulsa where I worked for nearly eleven years before hiring on at Williams in October of 2010. It was at Williams that I became familiar with oil and gas accounting, specifically Federal and Indian royalty reporting. I was part of the 2012 split of the exploration and production arm of Williams to WPX Energy, and worked my way up to Manager of Accounting over Federal and Indian Royalty Reporting and Williston Revenue before WPX Energy merged with Devon Energy in January of 2021. I hired on with Devon, working remotely for the most part, as the Lead of the ONRR Compliance Team at Devon.

Society Experience and Participation: I have been an active member of PASO since December 2010, attending most lunches and seminars, and several nights out. I worked with other PASO members to start a New Professionals Committee several years ago, and in 2019 and 2023 I was part of the team who put on the bi-annual PASO Workshop first championed by Bob Wilkinson, focusing on the BLM and Federal and Indian royalties. I presented both at the 2015 and 2015 conferences.

COPAS Experience and Participation: I was the COPAS Revenue Committee Chair from 2018-2020 and am proud to have been included in first timer activities for several conferences. I was also able to help out with the 2019 Fall COPAS Meeting in Tulsa, and plan to again when Tulsa pairs with the Arkansas society for the Spring of 2025.

One of the challenges facing COPAS is how to improve membership numbers and engagement as we face retirements and a lack of new leadership at the local society level and nationally. Please share your ideas on ways to achieve this initiative successfully.

I think we need to be sure that our active members are holding the ladder down, so to speak, to up and coming accountants who are not aware of the impact COPAS can have on their careers and personal success. Much like that of a good manager, our goal as COPAS members should be to lift others up to our level and above, knowing that their success is linked to the success of the entire organization.

Another challenge facing our organization is how to promote and enhance our educational offerings and the APA® program to pass on the institutional knowledge to our industry colleagues. Please provide your ideas on how COPAS can best reach petroleum accountants and provide the right education in the best delivery method possible.

I will be promoting education and the APA program in an upcoming Lunch-n-Learn at Devon Energy in early August in an effort to both bolster membership, and provide colleagues with tools to help them succeed.

If elected to the Board of Directors, please share one key initiative you would submit to the Board of Directors for consideration during your term.

I am torn between membership and leadership in this response, but in my mind they are inexorably linked. By providing mentorship to our new members and those who are new to industry, as well as empowering our knowledge base to do the same both formally and as a natural course of business, we will inspire loyalty in our members. Loyalty breeds excitement which makes others take notice.

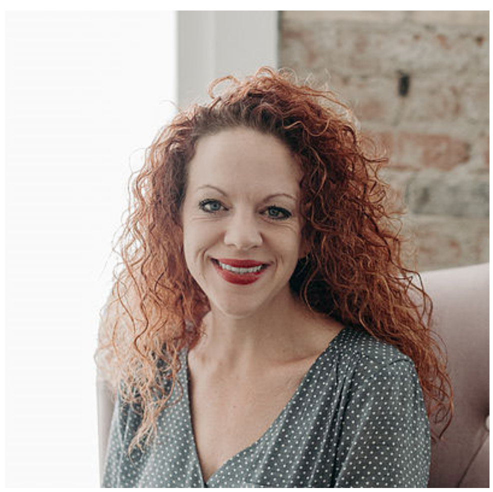
Other Comments: My life path has been varied and unique among most accountants, never quite fitting into the norm. I think there was a time when I felt this was a detriment to my success, but I know now I am the person I am today because of my out of the box problem solving and bull headed determination that has landed me on the path I *should* be on even when it isn't the one I was aiming for.

By: Natter Wolf July 17, 2023

Title: President of PASO - Tulsa

Candidate Board of Directors
2024—2026

Carole
Tear
Oklahoma City Society



INFORMATION FORM FOR COPAS BOARD OF DIRECTORS NOMINATION

Please consider Carole Tear of the Oklahoma City Society as a nominee for the COPAS Board of Directors for the three-year term 2024-2026. The requested information on this nominee is listed below.

Personal History:

Carole Tear is a native of Oklahoma, growing up in the rural football town of Morrison. Carole graduated from Oklahoma State University with honors degrees in Accounting and Management with the intent of entering law school but fell in love with joint venture accounting during her semester off. Carole has worked at Chesapeake Energy for most of her professional career, with the exception of a four-year stint as Chief Accountant for Mandalay Resort Group, Reno, Nevada. In 2020, Carole and her husband launched Artisan Security Integration, a company that provides low voltage systems including, cameras, access control alarm, network, and A/V. In 2023, Carole received her Master of Accountancy from Keller Graduate School of Management. Since 2006, Carole has been a volunteer for City Care OKC, a local non-profit that serves the homeless and those living on the margins in her city, In 2024 Carole will serve as Chair of the Board of Directors for City Care. Carole has three amazing adult children that astound her daily, and she enjoys traveling and visiting friends and family.

Industry Experience and Affiliation:

Carole Tear is a CPA and an accounting advisor with over 25 years of experience in joint venture accounting. In her various roles at Chesapeake Energy, Carole has been responsible for joint venture audit hosting, auditing, and resolution, providing litigation support and testimony related to joint interest billing issues, providing training and support to land and legal teams related to negotiating and interpreting the various COPAS accounting procedures, and other joint venture and corporate accounting responsibilities. Carole served on the team that transitioned Chesapeake from Full Cost Pool to Successful Efforts accounting. Carole held positions in corporate accounting supervising the fixed assets team, internal audit performing methods and procedures reviews, and briefly in revenue accounting supervising the gas balancing function. Carole was responsible for the Chesapeake Accounting intern program for five years and has been an active recruiter for Chesapeake. Carole has also contributed to industry education by presenting to the OSU's Oil and Gas Accounting classes, for the local OKC CAPDOA chapter, and at the 2023 NADOA Symposium.

Society Experience and Participation:

Carole has been a member of COPAS OKC since 1999. She served as OKC's Audit chair from 1999 to 2004 and as OKC's Education Committee chair from 2012-2016. Carole has served two three-year terms on the COPAS OKC Board of Directors and was President in 2013 and 2016. Carole currently serves on the nominating committee for COPAS OKC.

COPAS Experience and Participation:

Carole currently serves as COPAS National Emerging Issues Subcommittee co-chair and a member of the national nominating committee. Carole served on the COPAS 2022 Accounting Procedure drafting committee for five years. Carole served as COPAS National Education Subcommittee chair for two years and has enjoyed her role as a COPAS mentor at several national meetings. Carole also participated in the Benefits TF subcommittee in 2014.

One of the challenges facing COPAS is how to improve membership numbers and engagement as we face retirements and a lack of new leadership at the local society level and nationally. Please share your ideas on ways to achieve this initiative successfully:

I think recruitment is a personal thing. Some of our experienced members could make a significant impact by recruiting and mentoring on a one on one basis. I have embraced this challenge by serving on the nominating committee at the local and at the national level, and I have really enjoyed getting to know more people in my industry and bringing them to into COPAS. I think we could do even more if we encouraged strong members to choose and encourage just one person in their circle that might benefit from and enjoy COPAS. People sometimes step up if someone they respect sees something in them and just lets them know they are valuable.

Another challenge facing our organization is how to promote and enhance our educational offerings and the APA® program to pass on the institutional knowledge to our industry colleagues. Please provide your ideas on how COPAS can best reach petroleum accountants and provide the right education in the best delivery method possible:

It is important to look at how our industry is consuming education. The trend seems to be on-line, on-demand, and cost effective options. That is a tough reach, but to be competitive, we might need to look at how to make learning opportunities available not just to large companies, but also individuals with time and money constraints.

It feels like the APA is designed for and marketed to COPAS members. Perhaps to encourage broader participation we could consider teaming up with some universities and offering the review course and testing for free to college students entering the industry, or maybe students participating in the Oil and Gas accounting classes. It might give those students a boost in finding a job in our industry and could start to build a more visible group of young APAs.

If elected to the Board of Directors, please share one key initiative you would submit to the Board of Directors for consideration during your term:

I would like to enhance members' experience of COPAS by creating a variety of challenging, rewarding opportunities to allow new and experienced members to participate and contribute. I think COPAS could benefit from a focus on creating fun teams with smaller, achievable projects and goals, and a lot of positive acknowledgement of efforts and contributions. We are a working organization and fostering a culture that leaves members feeling wanted and engaged has a potential to boost not just morale and productivity, but also recruitment and retention.

Other Comments:

By: [signature]

Title: COPAS OKC SOCIETY PRESIDENT