

COUNCIL OF PETROLEUM ACCOUNTANTS SOCIETIES

ACCOUNTS

SPRING 2021

FEATURED



IN THIS ISSUE:

New President Message
No One Was Watching
Meeting Updates



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"No One Was Watching"

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PRESIDENT'S MESSAGE



There's no reason to become alarmed, and we hope you'll enjoy the rest of your flight. By the way, is there anyone on board who knows how to fly a plane? Elaine Dickinson from Airplane!

I started flying lessons in the fall. Yes, that's right; flying airplanes. Now, why would a perfectly safe, logical oil and gas accountant put herself in control of a machine that could cause death and destruction? It all started with safety.

My husband started flying again about a year and a half ago. He started his flying journey in college, but while we had plenty of time, we had no money. He picked up his dream again, and this time he had enough money, but possibly not enough time, in our busy lives. He made time for it, especially during the pandemic, and now has nearly all of the pilot ratings, including instructor (he is currently searching for a place to get his seaplane rating, which means he could land planes with floats on the water).

We bought a single-engine piston plane and could fly the two of us and our four kids in it. I quickly realized the wisdom in having backups and redundancies because it takes a lot to fly an airplane, especially one with my kids in it. My husband was the only one who knew how to fly a plane, and if he were to become unconscious or have a medical emergency in the air, there needed to be someone to land the plane with my babies in it. That someone was going to be me. I would learn to fly. Safety first for the babies.

I quickly realized that learning to fly was more than just being able to land the plane in an emergency. If I learned to fly, I could assist my husband on flights by running the radios, navigating, and flying the plane to give him a quick break. This would reduce his pilot load, especially during take-off and landing. Safety first for my husband.



MELISSA GRUENEWALD

My journey into flying started out of a need for safety, redundancy and backup, which is something that any accountant can support. Then, it was time for my first solo flight. That means that my instructor said that he was fine with me flying an airplane by myself near the airport. It didn't necessarily mean that I was fine with it. I was happy to fly around with someone else who had more experience and could get me out of trouble if needed. This did not seem like safety first for me.

Your first solo flight is a big deal in aviation. It is highly celebrated, including taking pictures and videos of my take-offs and landings (I had to do three of them), receiving a lot of high fives and thumbs up from everyone at the airport, and your instructor cuts up your shirt (don't worry, I had a spare and was wearing one underneath). Anyone in aviation who hears about your solo flight will congratulate you. You instantly become part of a community of people.

After my first solo flight, I realized that flying for me was about so much more than just safety. It was about restoring my confidence when I had lost it. It was about doing something on my own that I never thought I could do. It was about a community of people to support and train you in your flying journey.

It reminded me of my journey in oil and gas accounting and in COPAS. I got into oil and gas accounting because I needed a

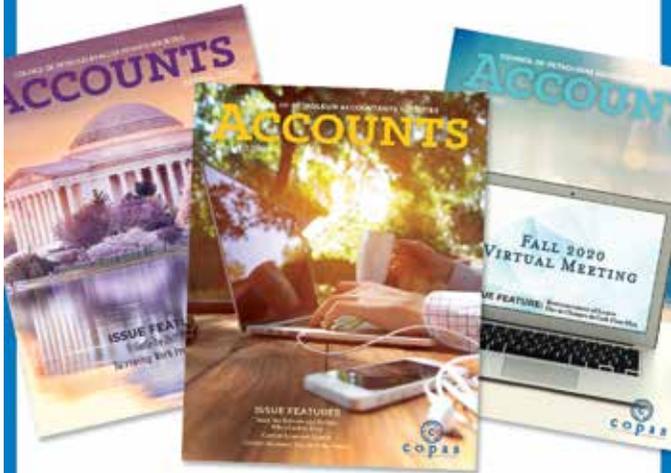
good paying job with benefits to provide for my husband and me (safety and security). I got involved in COPAS because my boss encouraged me and wanted me to learn more about the industry (safety and security to keep the good job with the benefits). I became a leader at my local COPAS society, and then I became a leader at the national level in COPAS.

Looking back, becoming a leader in COPAS nationally was like my first solo flight. I really didn't feel like I had the experience, knowledge, or expertise to lead at the national level, just like my first solo. I was terrified and excited to lead at the national level, just like my first solo. Now that I am leading at the national level, I realized that I have more confidence than I thought, and I am doing things that I never thought I would do 20+ years ago when I started in the industry. And, the best part is the community of people in my COPAS journey.

I am so humbled and privileged to lead an organization like COPAS. I encourage everyone reading this to get involved in COPAS, take a risk (your future self will thank your current self), and discover something new about yourself and this great community that we have in COPAS. And, I promise I won't cut up your shirt at the next meeting!



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SUBMISSIONS



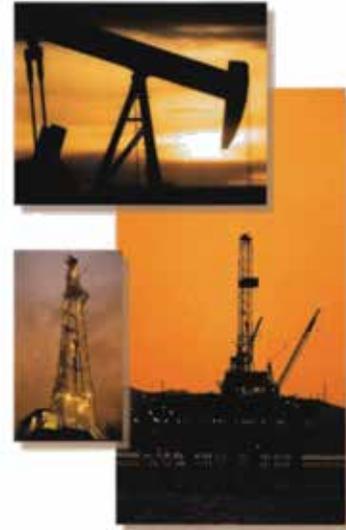
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REGISTRATION: Registration will open May 1.
Meeting agendas will be announced on the website registration page.



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HOME OFFICE MESSAGE

Tom Wierman, COPAS Executive Director
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It is the time of year when COPAS changes officers and board members. It's been fun getting to know Melissa Gruenewald more (see pages 2 and 3), especially as she was completing her solo flights to obtain her private pilot license. We have a great time with the famous lines from the movie *Airplane*. "What's our vector, Victor?" Or "We have clearance, Clarence." "Roger, Roger." (I hope that brought a smile to your face. Maybe it's just my warped sense of humor.)

The bitter cold temperatures that much of the central United States recently encountered are behind us. It was brutal for many, with a great deal of disruption of basic necessities and property damage occurring. The COPAS CEPS product is hosted on a server in Texas. We encountered a few days of an outage before power was restored and the server came back online. I hope nothing was too severe for any of our members. Events like that make you appreciate the heating and electricity that we may take for granted.

The feature article in this issue is longer than usual, but it is a must-read. Rick Roybal does a great job of presenting an actual fraud situation in a murder-mystery like unveiling. We'd like to think that something like this would not occur, but I think a few of us have been involved in uncovering similar type issues during our careers. Sometimes they can just be billing errors that get resolved, but when patterns of significant irregularity are detected by accountants, we really demonstrate our value.

As you read this issue of *ACCOUNTS*, you will notice a banner across the Save the Date meeting promotions announcing a change. Unfortunately, we are forced to have another year of virtual meetings. The pandemic has just made it very difficult and challenging to get in person attendance at meetings. After considering a variety of options, it became clear what had to be done when member surveys were returned indicating that attendance in person was virtually



impossible even with the meeting site being “open.” We couldn’t cancel the hotel contracts for Spring and Fall, but we were able to get them moved out a year.

The Spring meeting will run much like we’ve had for the last few COPAS meetings. Committee meetings are scheduled over several days. None of these will be concurrent, meaning that you can attend other committee meetings that you might not otherwise attend. Registration for the Spring meeting is open. A few emails have been sent announcing the changes and providing the Council Meeting agenda items. Visit the Events tab on the COPAS website to register and get access to the various agendas and handouts for the meeting. As always, registered users will receive an email a few days prior with the meeting link. If you don’t receive the link please check your spam or junk folder. You can also call the office for assistance.

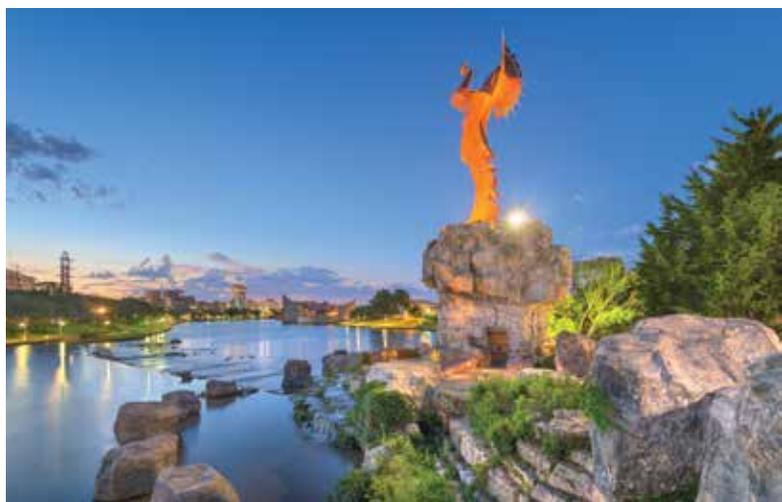
Are you a folder or a crumpler? I’m talking toilet paper. I know that seems like a bizarre question, but it relates to back to a recent Oil and Gas Accounting podcast I recorded with Phil Sherwood. Our guest, Drew Groelinger, wrote a book on the topic; “Folder of Crumpler. Wipe away your misconceptions, understand your strengths and get the most from others.” Yeah, this topic is a little bit off the beaten path of oil and gas accounting, but it was a lot of fun to read Drew’s book and understand personalities and relationships and how speaking in their language, if it’s different than yours, helps you to be more effective. The podcasts have been so much fun to do. We have been steadily gaining listeners since the first episode aired in October 2020. Don’t know what I’m referring to? See page 45 to learn more. Better yet, why not subscribe to have the podcasts arrive in your inbox?!

You may have seen that we publish a new blog on our website every month. The most recent blog provides tips for surviving and thriving in uncertain times. Here is a link to the blog page: <https://www.copas.org/blog/>

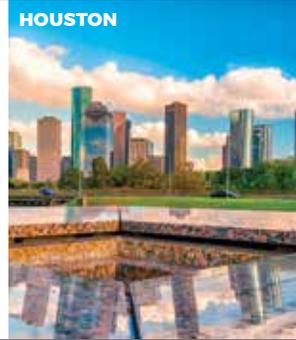
Congratulations to our newest APA®s. You’ll find those names listed on page 23. Registration for upcoming test windows can also be found there.

Soon we hope to be providing a monthly Facebook live segment to get the word out about COPAS. I’ll update you more on that when we’ve started.

Lastly, Happy Birthday COPAS! The first meeting of COPAS was held April 25, 1961 in Midland. Twelve societies were present and charter members of the organization. We’re thrilled to be celebrating our 60th year during 2021!

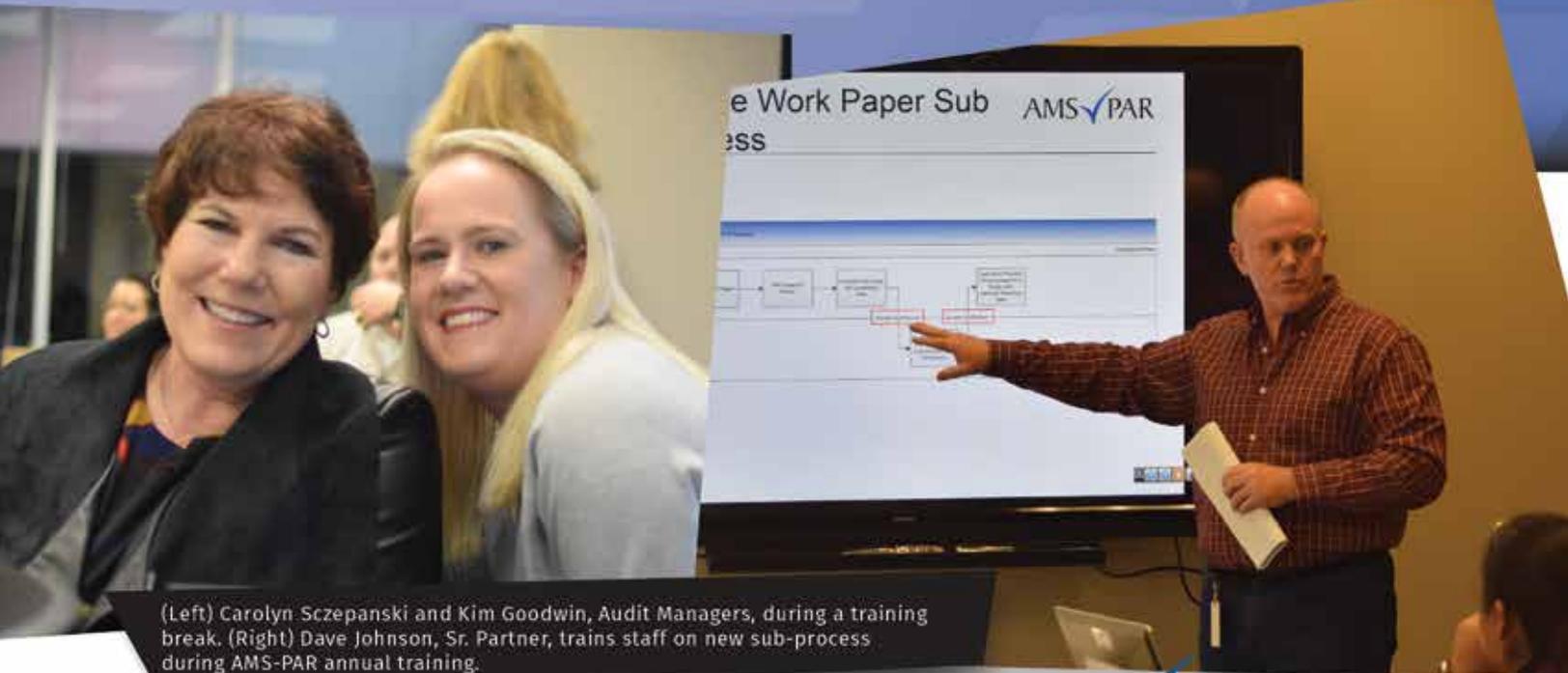


MEETING SCHEDULE

	EVENT	DATES	HOST	LOCATION	
	2021				
	Spring	April 19-22	COPAS Office	Virtual Meeting	
	Fall	October 18-21	COPAS Office	Virtual Meeting	
	2022				
	Spring	April 25-29	Houston	San Luis Resort Galveston, Texas	 
	Fall	TBD	Dallas	Westin Irving Convention Center at Las Colinas Irving, Texas	
	2023				
	Spring	April 17-20	COPAS Office	TBD	
	Fall	TBD	Rocky Mountain	TBD	
	2024				
	Spring	TBD	COPAS Office	Virtual Meeting	
	Fall	TBD	Colorado	TBD	

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

JOINT VENTURE AUDIT



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

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No One Was Watching

Tapped out from the day's one-on-one training with her predecessor, Katelyn flopped into her office chair and breathed a huge sigh of relief. Beaming with pride and pausing between words for emphasis, she audibly said, "I can't believe I've landed this job!" Her words of excitement were genuine. Had it not been for a bit of luck, two well-written recommendations from previous supervisors, and her new employer's desperate search for a back-office accounting manager, she might be glumly lounging on her ten-year-old loveseat instead of sitting in her contoured bonded leather, ergonomically-designed chair. She quietly smiled, gently leaned her sandy blonde hair on the headrest, and rhythmically patted her hands on the soft leather of her chair's armrests. She smiled as she moved her gaze around her office. She had found her place.

In addition to the contemporary desk and chair, she had been provisioned with a newly-purchased 17-inch laptop. Snuggly cradled within its docking station, the laptop displayed the desktop's icons on the two 24-inch monitors. Her eyes darted up and down the displays, taking in visually the applications' shortcuts and other desktop items.

"Geez. *Really* light on the applications. But hey! Look at my new laptop!" she said quietly, but enthusiastically, to herself.

While no expense was spared on her IT hardware, Pearce Salt Water Disposal Facilities' antithetical philosophy to back-office software made Katelyn scratch her head. Instead of leading-edge software, Pearce SWD (as their customers referred to them) relied on a free word-processing application for generating invoices, an online spreadsheet application for tracking costs and payments, and a \$10 per month solution for running payroll. Nala Pearce, the owner, was miserly when it came to back-office software. If asked why they didn't have a back-office solution, she would snobbishly scoff remarking, "Why waste money on something like that!? Any sophisticated accounting software is a fatuous purchase for a company our size!"

While Nala's back-office accounting strategy may have succeeded during the early years of her business, exponential growth within the oil and gas industry helped propel her company to one of Belmont County's largest employers. Pearce's SWD now boasted over 100 water-hauling customers disposing produced water at her four tri-state locations on any given day, and today's \$35-million revenue organization demanded more than free accounting software to run their back-office operations. But, it was a futile argument; Nala was convinced that her company just didn't need a back-office ERP.

Katelyn received back-office "training" her first two days from Danielle Beard. Danielle, who was more than pleased to hand over the accounting reigns to her successor, had been asked to walk Katelyn through the undocumented roles and responsibilities of Pearce SWD's Accounting Manager position. Danielle, known for wearing shirts emblazoned with the Pittsburg Steeler's emblem and for her slow and steady gait, rarely made it to the office before 9:30. After several cups of coffee, Danielle would slump into the chair next to Katelyn. Her interpersonal skills included that of shrugging half-heartedly at Katelyn's questions or staring blankly when asked to walk through certain accounting processes.

About two hours into her first day of training, Katelyn quickly surmised that if she were going to receive the requisite training for the role, she would have to learn it on her own. This, however, was the real issue.

On paper, the role was not much more than a basic office manager position. In reality, this role was more akin to that of a controller. Katelyn, who held an Associate's degree in Child Development, had recently held a Dispatch role for one of Pearce's customers, a small water-hauling outfit. While she understood the general operations of Nala's business, Katelyn was not an accountant. Katelyn, whose previous accounting and spreadsheet experience

amounted to little more than filling out expense reports, was now responsible for overseeing financial decisions, preparing and overseeing budgets, filing federal and state reports, and managing all aspects of billing, payroll, accounts payable, and accounts receivable. Nala placed all of these responsibilities in her lap and gave tacit approval to hiring part-time help, but “only if you *really* need the help.” Katelyn understood that to mean, “I’m paying you a generous salary, so you need to do what it takes to get the job done...by yourself.”

On the evening of the first Friday of her new job, Katelyn and her husband Wilson Page relaxed at the bar of their town’s newest restaurant. The smooth strum of guitar and harmonies of Henley and Frey echoed in the background as they sipped their preferred drink, a Moscow Mule. She mused at her husband of 23 years and said, “This job is exactly what we needed.” She smiled and continued. “I know that I’ll now be able to provide if you relapse.” She paused and gazed deeply at her husband. She quietly finished her thoughts. “My love, money’s not going to be a problem this time.” Wilson returned a closed-mouth smile that served as his words of gratitude.

Pearce SWD’s revenue grew exponentially during Katelyn’s first year of employment. There was no shortage of incoming money as operators had few choices when it came to disposing of their produced water. Within a 100-mile radius of their main SWD disposal facility, there were approximately 1,000 gas wells. And, while there were other SWD disposal facilities to choose from, both operators and haulers chose Pearce because they boasted a large number of disposal bays and a state-of-the-art SCADA system -- ironically, Nala didn’t mind spending money for operational software.

Haulers also preferred Pearce because of the free water and soft drinks waiting for them at some of their facilities. Every Monday and Thursday, Danielle’s commute would include driving to three of their SWD locations to stock water bottles and cans of soda in a cooler next to the ‘dog house’, the small roofed area housing the human-machine interface that allowed the haulers to open the disposal valves. The cold drinks and three hours of Danielle’s time were a small price to pay to attract the haulers. It paid off: haulers tended to come to their locations first.

This steady stream of revenue meant that Pearce’s business bank accounts continued to grow. Unfortunately, this also meant Katelyn would regularly leave the office after 7:00 each evening and work for a few hours on Sunday afternoon, as well. On Fridays, however, Nala would often peek her head into Katelyn’s half-closed office door and ask, “Time for a drink?” Though she had only been working for Pearce SWD for a year, Katelyn and Nala had grown close. Their Friday evening escapes to the Brainerd Brewery on South 4th Street was a welcome reward for the hours they had logged each week.

With the music blanketing the entire restaurant, Nala felt that no one might be eavesdropping in on their private conversation, so she entreated Katelyn with questions about her husband’s pancreatic cancer.

She leaned in and asked. “How is Wilson doing? You haven’t mentioned his name in a while.”

Katelyn, who had been imbibing her first of many vodka tonics (her second favorite drink, but only if it contained vodka) of the night, swallowed and responded with a pursed-lip frown and a slow back-and-forth of her head. Tears welled up. She finished a sip and answered despondently, “He’s, um, not well.” She paused and looked down at the table for a couple of seconds. She gathered her words and returned her boss’s concerned look with an update on Wilson.

“A few weeks ago,” she began in a brittle voice, “Wilson’s back started acting up again. Then, for several days in a row, he was nauseated.” Her voice began to crack. “He didn’t eat a thing; so of course, he’s lost a lot of weight. His oncologist said...” Katelyn’s voice trailed to a stop. She paused for a few seconds and began again. “He said...if we see some of these typical signs redevelop then we might assume the cancer...” This word halted her sentence. With her eyes closed, lips pulled together tightly, and a trembling chin, the tears rolled down her cheeks.

Nala turned immediately to her purse and quickly pulled several tissues from a soft plastic pack. She offered them to Katelyn, who wiped at her tears. She gave a brave smile and grateful nod to Nala. She sniffed and wiped her nose. She whispered, “Thank you.” With a half-smile and a quick giggle said, “I need another one of these!” She picked up the glass that contained nothing but halfway-melted ice cubes. The jingle of ice in the glass caught the attention of the nearby server.

The next few weeks were a grind on Katelyn. Incoming payments and gigabytes of operational data gathered at the disposal punctuated that customers were using their disposals more than ever. Countless invoices had to be generated, but her regular accounting duties continued, as well. Each month, before running payroll, Katelyn would transfer anywhere between \$85,000 to \$100,000 from the State Bank account to the Tri-State Credit Union account. The latter bank account was used for issuing direct deposits for their employees. Logging into these accounts and utilizing the basic electronic bank-to-bank transfer methods took just a matter of minutes. This routine process was made even easier with the fact that Nala and Katelyn had continued to use the same username and password for over a year. While the bank boasted account reporting features, Nala rarely logged in to monitor the accounts.

Instead, each time a transfer was made, an automated email was sent to a generic email account, admin@pearceswd.com. While the email account was accessible to Nala and Katelyn, they had set up this alert as a detective control to monitor large-dollar transfers. For the first six months of Katelyn’s employment, Nala would occasionally review the emails to make sure that everything seemed valid. Beyond checking for reasonableness, Nala rarely had the time or the energy to review the transfers in detail. After twelve months, Nala loosened the oversight reigns even further. Nala preferred being the operational face of the company as opposed

to the financial backbone. Nala mused, "Wasn't it Katelyn's job to watch the money?"

Nala had recognized that, in order to attract someone to this role, she would have to compensate them with a salary above the going-rate for the Martin's Ferry, Ohio area. Katelyn did not negotiate when the salary of \$95,000 per year was offered as part of her compensation; she had never made that kind of money. Inclusive of this salary was a 20% year-end bonus, which was dependent on factors such as company performance and safety record. With her new salary and generous bonus, Katelyn's and Wilson's combined salaries afforded them a comfortable lifestyle. However, with the specter of his returning cancer, Wilson was faced with resigning so that he would be able to receive proper cancer treatments.

Though Katelyn was hopeful her salary, bonus, and health insurance would cover the costs if he were to stop working, she, like many millions of Americans working within the oil and gas industry, was unable to forecast the decline of oil prices. With an impending recession *and* OPEC's targeting of the US Shale's fracking revolution, dark clouds around the industry loomed. Unfortunately, oil and gas vendors and contractors, like Pearce SWD, would become the limping casualties of the US Shale - OPEC battle. If protracted over years, they would become the war's detritus. Having now worked in the industry for several years, she could presage her company's demise. She worried to herself, "What would happen to Wilson and me if this happened?"

A year later and with oil prices having fallen in half, Katelyn's worries were coming to fruition. Today, she didn't have time to worry about the collapse of her industry. And, though life called, it would be the industry's economic woes that shook her and began to make her worry.

On the front-edge of their living room loveseat with his back towards the kitchen and his wife, Wilson sat with his empty coffee cup grasped in both hands. His eyes were glued to the television. Though the volume was louder than normal, Wilson leaned in slowly towards the wall-mounted television as if each word emitted was pulling him in with the strongest of gravitational forces. He was mesmerized with the reporter's piece. He came out of his stupor for a brief moment but still found himself compelled to maintain his eyes' gaze. Without turning his head but making sure that his voice's volume exceeded the television's, he asked, "Honey, are you watching this?"

There was no response. Though her husband's question was heard, she refused to acknowledge him. She was irritated with him, because he had made a beeline to the television and loveseat from the bedroom without the slightest of affection for or attention towards her. Katelyn's attention was on seemingly more pressing matters: she was running late to work, had to get their breakfast prepared, and brew a second pot of coffee.

"Just because you are ill doesn't mean that you can't show me affection," she muttered.

Wilson attempting to get Katelyn's attention over the din of the grinding of the coffee beans, he shouted, "Katelyn! Are you listening to what they just said?" He turned the volume up to drown out the grinder. He was successful. She turned the grinder off, drew an exasperated breath and with a heavy sigh of frustration, returned with a yell. "What? Can't I finish this? You said you wanted more coffee."

Though her teeth were clenched, she paused as she heard the reporter broadcasting from Williston, North Dakota. Based on the background music and collage of pictures and videos snippets, Katelyn quickly surmised that the piece was ending. The CNN reporter rhetorically asked, "Is the sun setting on 'Boomtown'? It all depends on how far oil falls and for how long. Leaving the promise of what tomorrow will bring on the minds of just about everyone here."

Wilson put his cup down on the coffee table and muted the television. Rubbing the back of his neck, he asked, "Does it worry you? Because it certainly does me."

"Well, my love, that's not going to happen here. We're insulated." She lied. "Ohio operators run things differently, and they know they depend on companies like us."

Katelyn's eyes slowly moved away from Wilson. She now found herself staring at the granite countertop. Her thumb and index finger of her right hand rhythmically turned her wedding ring. Katelyn had even lost a great deal of weight. *Stress. Grief. Pressure.* The ring, now only held in place by the knuckle of her ring finger, had become a familiar object to bring a sense of calm. Would the ring eventually fall off, or would she remove it permanently in the near future?

Katelyn was, in fact, worried. She and Nala had recently had a discussion about the slowing down of their business. Nala had explained that many of the operators in the area had slowed their drilling operations. For Pearce SWD, this meant that completions activities would drop, too. There would be fewer trucks bringing in flowback. While produced water was a fairly constant aspect of the company's revenue, it was the money from the 24-hours a day hauling that helped boost the company's bottom line.

Wilson turned off the television and slowly walked over to the kitchen. His eyes were locked on Katelyn's. When he reached for her, he instinctively placed his hands right below her shoulders. Tears were now streaming down her red cheeks. His hands slid down the length of her arms and tenderly latched to her hands. With his piercing gaze, he responded calmly, "You've always been by my side. We've weathered some storms much greater than this one. And, I know we can find our way through this one, too." He paused briefly to gather his thoughts and consider his words.

“Even if it means that we cut back on everything. It’s going to be hard financially. We *know* what those medical bills can look like, but we will cut back and sell the house if we need to. But, no matter what, we will have each other. Right?”

As she drove to work, she replayed their conversation about his battle with cancer and their finances in her mind. While he meant well, she knew that it was not feasible. Move out of the house? Where would they go? Sell the cars? How would she get to work or take him to the doctor? Cut back on their living expenses? How would those minor expenditures alleviate the high cost of his oncology bills? In the end, she knew it wouldn’t, so she would have to find another way. While it worried her deeply to be thinking this way, she concluded that there was only *one* way. She had been unable to sleep and eat for weeks. In exchange, she drank copious amounts of coffee in the morning and attempted to lull herself to sleep with vodka. In the evenings, she was miles away from Wilson emotionally. Instead, she pondered *that* plan for weeks. On a Sunday afternoon in late February, she decided to act on it.

When she returned to work the next morning, Katelyn was relieved to remember that Nala was going to be out for a few days visiting with her infirmed mother in Florida. She entered the office and curtly greeted Danielle. Katelyn closed her office door and went straight to the safe.

Before she was hired, Katelyn’s office had been Nala’s. At the time, Nala had purposely placed the company’s safe in her office. The wall safe, covered by Caravaggio’s *Cardsharps*, was used to secure the petty cash box, a company checkbook, Nala’s .45 Colt handgun, and a list of bank and other online application passwords. Today, Katelyn had passwords memorized, carried her own .9mm in her purse, and thought taking cash was too risky. It was the checkbook she was after.

As she removed the knock-off painting to reveal the safe, paranoia set in as the painting’s figure’s cardsharp eye honed in on *her* movements. Breathing rapidly, she whispered to herself, “Don’t blow this, don’t blow this.” Despite the Mona-Lisa like eyes and her own accelerated heart rate, her fingers moved methodically across the 10-digit passcode. But, she flinched when she heard noise from the lobby. Realizing that it was nothing more than Danielle moving her desk chair, she continued.

With the safe open, Katelyn gazed into the mostly-empty metal containment. On any other given day, she would’ve taken the checkbook without reservation. Now, her stomach and conscience burned. Stunned by her criminal intent but determined to fight those demons, she quickly tore off the top check and slammed the safe shut. She swung around, moved quickly to her desk, and fell into her chair as if someone had released all of her life’s air. Her office was quiet except for the wall clock. *Tick, tick, tick.* She made no overt movements except for the furtive glances back and forth across the room; she could still feel the cardsharp’s eye burning a hole in the back of her head.

Had anyone accidentally walked in and saw her opening the safe?
Had someone heard her whisper while she was opening the safe?
The minutes of silence absolved her conscience.

Within a few minutes, life returned to Katelyn. She sat up and wrote out check number 4568 to “Katelyn Wilson”. She paused at the signature field, and then proceeded with a forged signature. “Looks just like Nala’s,” Katelyn quietly gloated.

Having left the Amount field blank, Katelyn contemplated the dollar figure. “\$1,245? It’s random, but too high for the first time. \$534? Still too high.” Katelyn completed the field with \$125. She knew it would never be missed; she was the accounting manager after all.

She folded the check in half, and though the door was closed and the room was empty, Katelyn’s eyes remained laser focused on the door as her hands surreptitiously slipped the company’s money in her purse. She stood up, straightened her skirt, and left for the bank.

That evening during dinner, Katelyn’s cell buzzed and caterpillared across the veneered table. She peered over a freshly-poured glass of chardonnay. Her heart began to race and pins splintered her stomach.

While focusing his eyes on his roast beef, Wilson used his cellular-caller prognostication skills and said with certainty, “It’s Nala.”

Katelyn turned the cell phone to observe the caller ID. It revealed Nala’s name, but Katelyn hesitated to answer. Wilson furrowed his brow. She then tapped the answer button and put the phone to her ear.

“Hello,” she quickly answered as if she had no idea who was calling.

“Oh, hi, Nala.”

As she listened to Nala speak, a small smile returned to her.

“Alright. I’ll let everyone know. Thanks for calling. Take care.”

Katelyn tapped “End” and placed the phone back on the table.

Before Wilson could ask a question, Katelyn said in a monotone voice, “Nala’s mother passed. She’s going to stay in Florida for a couple more weeks.”

There was a long pause between the couple. Wilson’s head slightly tilted with a curious look. His eyebrows once again furrowed. “Honey, if her mother passed, why did I see you smile?”

Shaking her head slightly, Katelyn clinched her lips as she was trying to find the right words.

Speaking with some rapidness, she retorted with an agitated tone.

“What? I did? I can’t believe I smiled. It’s sad news.”

Katelyn quickly pushed her chair back, picked up her half-eaten plate of dinner and placed it near the sink signaling that she wanted Wilson to take care of the dishes. She walked past their dog and went straight to their room. Quickly closing the door, leaning her back into the door as a human lock to Wilson, she closed her eyes, took a deep breath, and quietly began to cry.

Three days later, Katelyn decided to write another check. With her office door closed, she wrote the check out to Wilson for \$540. The amount, she reasoned, was random and still small enough not to catch Nala’s eyes *if* she even looked at the bank statements. Katelyn folded the check and placed it in her purse to deposit after work.

Over the next few weeks, Nala remained in Fort Meyers attempting to resolve issues with her mother’s estate and affairs. Each evening, however, she sent Katelyn a text with a brief summary of the day and a couple questions about the business. Katelyn would respond in kind. The following day, Katelyn would write a check out to herself or to Wilson.

As the time approached for Nala to return, an enormous load of guilt burdened Katelyn’s mind. At lunch one day, with her office door closed, she closed her eyes and replayed the fraudulent check writing and subsequent bank deposits. Her stomach burned and chest tightened. She briefly considered confessing as soon as Nala returned. She would write a check to Pearce SWD, Nala would forgive her and chalk it up as a momentary loss of her senses due to the stress of Wilson’s cancer. Their weeping over Nala’s mother’s passing and Wilson’s pancreatic cancer would ameliorate the theft. Eventually, they would wipe their own tears and smile ever so gently to reinforce their friendship.

Katelyn awoke from her daydream and quickly realized the truth of the situation: no amount of late nights of drinking and long heart-to-hearts about their families would put right Katelyn’s pilfering of the business’ money. Nala would fire her and then prosecute. Katelyn opened the word processing application. As basic as the application was, it did offer a variety of templates from which to build specific documents. Katelyn chose a vendor invoice template. The template contained the requisite fields one might see if they were to receive an invoice, but it lacked a logo and a bit of flair. She googled “free logos” and found a site that gave users color and shape options for building their own logo. Inserting the logo on the invoice gave it that “real” feel she was looking for. The next steps were then quite easy.

She filed several documents with the state of Ohio and submitted an application for an Employer Identification Number. Two weeks later, she opened a new bank account and was ready for business. Nala had returned from Florida. Introspective and preferring to be alone, Nala was not the same since her mother’s death. She found herself arriving at the office closer to lunch than breakfast. Financial reports of her business were neglected. The few internal

controls she had implemented to identify financial malfeasance were skipped or perhaps even forgotten. She mentioned her lack of focus to Katelyn; however, she received little sympathy. Katelyn, on the other hand, found herself planning her next moves which included observation of Nala’s weaknesses.

“Katelyn, I’ve been meaning to thank you for taking care of the business in my absence. I know it’s certainly put a lot of strain on your marriage. Plus, I know that it’s been difficult to juggle your work and Wilson’s oncology appointments.” She paused hoping to get a response from Katelyn. Nothing.

“So, next week, I really want you to use some of that vacation time you have saved up. Plus, I’m going to give you another week off; and that’s not to be counted against your vacation. How does that sound?”

Again, she paused hoping to get some type of response from Katelyn. Her response, however, was not what she expected.

“Thank you, Nala, but I really can’t take off now. We’ve got month-end close and payroll coming up. It’s just not a good time.” Katelyn paused as if she were trying to come up with a way to placate Nala. “I will take off a few days here and there next month. I think that Wilson may have turned the corner, and he has been wanting to take a weekend trip. I’ve saved up enough for a getaway to the Big Apple!”

Using a new email address, Katelyn submitted two invoices from her fictitious online office-supply company the following day. The amounts of \$222.18 and \$110.45 were simply numbers she had come up with. Again, she reasoned that if the invoice amounts were below a \$500 threshold (one that Katelyn came up with), they would simply slip past Nala’s inattentiveness. Katelyn was correct. The next day, Katelyn paid Shepherd’s Supply a total of \$332.63. Confident that Nala would never put two and two together, Katelyn had decided to name her business after her maiden name in the event any questions were raised as to veracity of the business from the state of Ohio or the IRS. Armed with conviction and a faith that her plan to embezzle from her unsuspecting employer would go undetected, Katelyn used three methods of stealing money over the next several months: periodic checks written to herself or her husband, “ghost” vendor payments, and bank transfers from company accounts to her own.

Almost a year to the day when it all began, Katelyn had successfully succeeded in tripling Wilson’s and her annual salaries with the pilfering of company funds. Reviewing her bank account balances daily, she believed the means justified the ends. The account balance read \$850,000.

She was able to take care of Wilson while he was painfully wasting away. If the medication was not going to help ease the pain, at least she was able to afford him opportunities to enjoy his remaining time on earth.

What had once been a shameful guilt of being caught by Nala, Katelyn now experienced an unexplainable exhilaration. The more she stole, the less anguish she felt of Wilson's impending death. And, while he rested at home, she found comfort in another one's arms.

On a mid-October afternoon in which the entire state of Ohio was experiencing a welcome Indian summer day, the door of the Mercedes S 450 sedan opened. Katelyn gracefully slid away from the leather seats and stood behind the door of the \$120,000 vehicle. With the door still opened and hands on the top edge of the door, as if shielding her, Katelyn turned to the opposite side of the car and waited for the passenger to emerge. A 6-foot 2-inch, well-built man 10 years her junior emerged. He was dressed in a slim-fit black suit with his white dress shirt unbuttoned halfway down his chest. Katelyn offered him a smile. He pulled off his Ray Ban Wayfarer sunglasses and returned her adoring glance with a kiss blown across the car. From across the field where the memorial service was to be held, the luxurious vehicle and Katelyn's apparent "date" caught Nala's eyes and many of those who were attending Wilson's final goodbye.

She and her "comfort" strolled across the street and up the slight hill to the gravesite. No one spoke, yet the eyes of everyone followed them as they took their place on the first row of seats. Nala was seething. She could feel her pulse rising; heat flushed through her body. All Nala could do to control herself was to hide her hands in her jacket; the pockets hid the clenched fists. After a few minutes and once the minister had begun the graveside service, she began to control her breathing. She also took comfort in the fact that Katelyn would be off for the next two weeks; Nala had insisted that she take time off.

On the Monday of Katelyn's expected return, Nala kept peering up at the front door of the office every time someone walked in. It was already 10:30 A.M. Katelyn usually arrived at 8:00, so two and one half hours late, Nala suspected a problem. She could've texted Katelyn, but Nala couldn't bring herself to do it; she was still angry. Today, she was going to confront Katelyn. Nala wanted answers. She was not aware of the embezzlement, but she did want to know where her employee had gotten the money to afford the Mercedes. And, who exactly was the paramour?

Her thoughts and questions were interrupted with a call to her direct line. "Ugh, finally!" she thought as she quickly surmised it was Katelyn and answered her office phone without glancing at Caller ID.

"Yes?" Her curt greeting was meant to express her anger. "Oh. I'm really sorry. Yes, this is she." Nala listened intently for a couple of minutes, said goodbye, and hung up the phone.

She got up from her desk, walked over to Danielle, and whispered (though no one else was in the office) that they were going to have visitors arrive in the next thirty minutes.

Like clockwork, the IRS Special Agents arrived, introduced themselves, and asked to meet with Nala in a private room.

"Last year, we conducted an audit of one of your employees, Katelyn Page. The results of the audit were handed over to our group, Criminal Investigation. Our work confirmed the results of the audit: omissions of income and egregious exaggerations of deductions. And, normally, we would meet directly with the subject of our case, but our investigation has identified financial impacts to your business."

At 1:15 p.m., Nala and the Special Agents finally emerged from the room only to find Katelyn speaking with Danielle. Katelyn stopped mid-sentence. Her chest tightened when she saw her employer accompanied by men in dark suits. Her breathing was labored. Her eyes darted back and forth between the agents and Nala. They stopped at Nala's. They stared at each other, but Nala's eyes told her everything.

Someone *had* been watching.

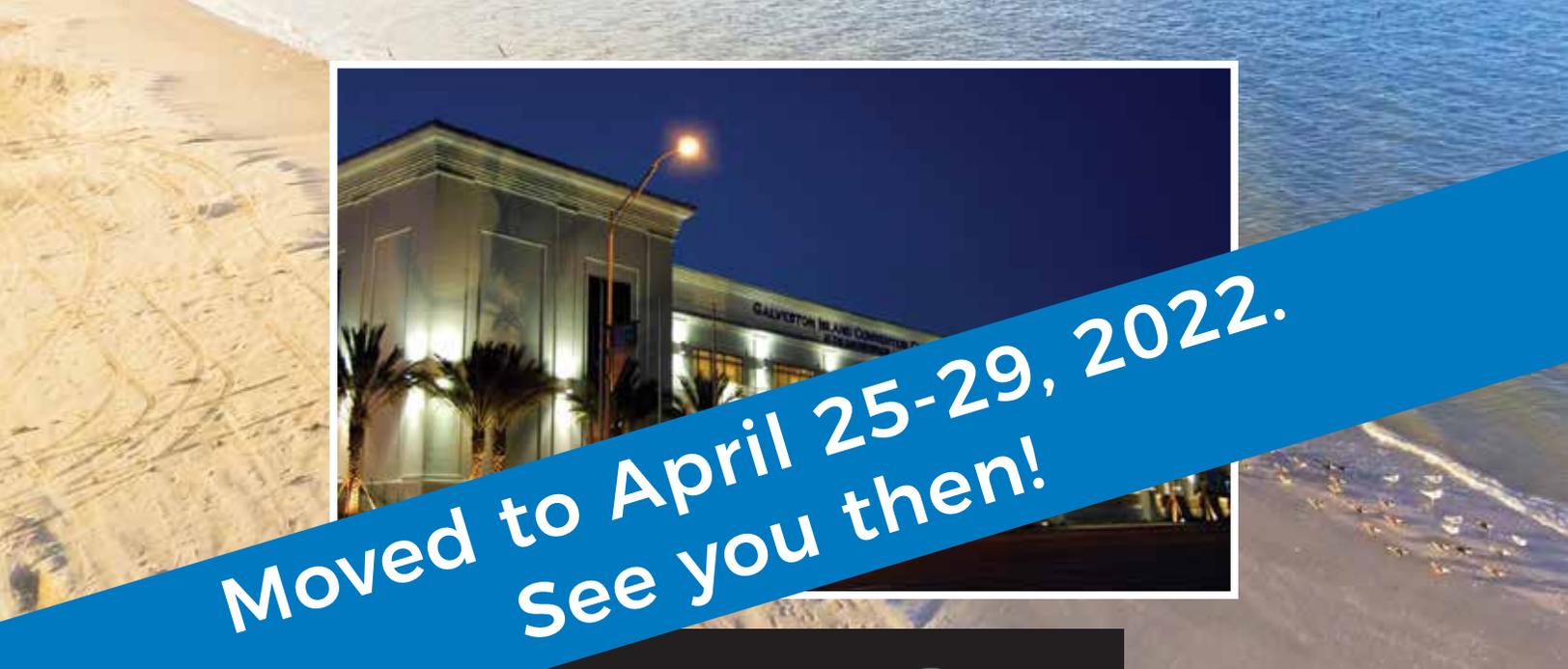
Where did things go wrong for Pearce Salt Water Disposal Facilities? What were the points of failure?

- Pearce's antiquated back-office accounting system?
- Lack of documented roles and responsibilities?
- Informal employee training?
- No business code of conduct policy?
- Hiring a person without the requisite skill set for the role?
- Lack of segregation of duties for check writing? Vendor setup?
- Too much access to applications and systems? No monitoring of user access?
- Blurring of the line between professional and personal relationship?
- Little to no oversight and review of cash and variance reports?
- No monthly accounting reconciliations?
- Pearce SWD not requiring employees to take vacations?



RICK ROYBAL, CISA, CFE
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Vendor-Risk Management "activist", author, and speaker, Rick Roybal has worked in the oil and gas industry for over 15 years. His early career in technical writing fostered a desire for organizational policy and procedural development. Today, Rick is a project manager for Martindale Consultants. Rick also serves as the President and Chair of the Vendor Roundtable. Rick has earned three degrees: B.A. Russian, M.A. Linguistics, and M.B.A. Finance & Accounting. Rick is a Certified Fraud Examiner (CFE) and Certified Information Systems Auditor (CISA).



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INDUSTRY NEWS

A COLLECTION OF PUBLISHED NEWS ARTICLES

President Joe Biden signed an executive order to halt oil and gas leasing on federal lands and waters and to review existing leasing and permitting practices related to fossil fuel development. Oil and gas drilling on tribal land would not be barred. Biden also recommitted the U.S. to the Paris climate agreement and revoked a permit for the Keystone XL pipeline. The Associated Press found that oil companies stockpiled leases and pushed through drilling permit applications on public lands in the waning months of the Trump administration, giving the industry a large inventory. Biden's halt on new oil and gas leasing also does not affect activities on private or state lands, where 90% of the country's oil and gas development occurs.

The **Western Energy Alliance** filed a lawsuit in the U.S. District Court for the District of Wyoming challenging President Biden's executive order banning oil and natural gas leasing on federal public lands. The complaint challenges **Biden's** order as exceeding presidential authority and constituting a violation of the Mineral Leasing Act,

National Environmental Policy Act, and the Federal Lands Policy and Management Act. Wyoming ranks first in federal natural gas production and third in oil and has more federal acres leased than any other state. According to the Wyoming Energy Authority, Gross Domestic Product (GDP) across eight western states would decline \$33.5B, 58,676 jobs would be cut annually, wages would drop \$15B, and state tax revenue would decrease \$8.3B. Wyoming and New Mexico would be hit the hardest.

Diamondback acquired **QEP** in a \$2.2Bn all-stock transaction, including QEP's net debt of \$1.6B and includes 49,000 net acres in the Midland Basin. The merger will result in annual savings of at least \$60 - \$80MM of G&A, cost of capital and interest expense, capital efficiency from high-graded development, physical adjacencies to increase lateral lengths, and Permian midstream assets.

Chevron committed \$2B towards development of its Permian Basin assets after its acquisition of **Noble**.

Enerplus acquired all shares of **Bruin E&P**, a pure play Williston Basin privately held company, for \$465MM, including 151,000 net acres in the Williston Basin, with 30,000 net acres contiguous with Enerplus' tier 1 acreage position. Bruin's properties are all in ND with significant production and development inventory concentrated in the Fort Berthold. Bruin's current production is 24,000 BOEPD.

BP, ENI, Equinor, Galp, Oxy, Repsol, Shell, and **Total** have agreed to apply six principles as part of an "energy transition," including public

COMMODITY SPOT PRICING COMPARISON

CRUDE OIL WTI (CUSHING) PER BBL					HENRY HUB NATURAL GAS SPOT PRICE DOLLARS PER MILLION BTU			
MONTH	2018	2019	2020	2021	2018	2019	2020	2021
January	63.70	51.38	57.52	52.00	3.87	3.11	2.02	2.71
February	62.23	54.95	50.54		2.67	2.69	1.91	
March	62.72	58.15	29.21		2.69	2.95	1.79	
April	66.25	63.86	16.55		2.80	2.65	1.74	
May	69.98	60.83	28.56		2.80	2.64	1.75	
June	67.87	54.66	38.31		2.97	2.40	1.63	
July	70.98	57.35	40.71		2.83	2.37	1.77	
August	68.06	54.81	42.34		2.96	2.22	2.30	
September	70.23	56.95	39.63		3.00	2.56	1.92	
October	70.75	53.96	39.41		3.28	2.33	2.39	
November	56.96	57.03	40.94		4.09	2.65	2.61	
December	49.52	59.88	47.02		4.04	2.22	2.59	
YTD Average	64.94	56.98	39.23	52.00	3.17	2.57	2.04	2.71

Information obtained from the U.S. Department of Energy, EIA Website eia.doe.gov. These prices should not be utilized as an indication of market pricing, but are provided for comparison purposes only.



← KODY IMPSON

Kody joined Martindale Consultants in 2008 and has been an integral part of Martindale's management team, seeking new opportunities to fuel growth and develop a talented staff to better serve clients. Kody holds bachelor's degrees in finance and accounting and a MBA. He is also a Certified Fraud Examiner. Kody is excited to continue the standard set by Mike Cougevan providing newsworthy industry updates to COPAS members.

support of the Paris Agreement, decarbonization, energy system collaboration, development of carbon sinks, transparency, and reporting information about memberships of main industry and trade associations and their alignment with key climate advocacy and policy positions.

BP acquired a majority stake in **Finite Carbon**, a firm that pays landowners to manage forests, generating carbon offset credits which can be sold. Finite currently has 50 carbon projects on three million U.S. acres and has generated more than \$500MM in revenue for landowners.

Total acquired **Fonroche Biogaz**, a leading producer of renewable gas in France with nearly 500 gigawatt-hours of installed capacity. Total plans to invest over \$2B in this segment in 2021.

ENI plans to produce green hydrogen through electrolyzers powered by renewable energy. The electrolyzers will be located near two Eni refineries where green hydrogen appears to be the best decarbonization option. The projects will feature an electrolyzer of 10 megawatts and are expected to start generating green hydrogen by 2022-2023.

Oxy was the first major U.S. oil company to announce plans to slash greenhouse gas emissions to net-zero by 2050. Oxy currently stores 20MM tons of CO2 underground in the Permian every year, which is enough to offset the emissions from more than 4MM cars. Oxy plans to reduce emissions from its own operations to a net-zero by 2040 and extend this to the use of its products by customers by 2050.

Shell acquired **Ubricity**, which operates the largest public electric vehicle charging network in the U.K. The deal will add over 4,000 public and private charging points to Shell's portfolio in Europe.

Exxon Mobil formed a new business unit focusing on technologies to lower carbon emissions. The new business unit will invest \$3B

through 2025 on lower-emission energy technologies, primarily carbon capture and storage projects. The investments would represent 3% to 4% of Exxon's planned annual capital expenditures.

Desert Mountain Energy exercised acreage options to acquire 8,510 acres on private land in Navajo County, AZ for helium in different horizons within the same wellbore where fracking is not required for helium production. The company will be looking to drill in this area early in the second quarter of 2021 with a multi-well package.

Diamondback acquired **Guidon Operating** for 10.63 million shares of Diamondback common stock and \$375MM cash, for 32,500 net acres in the Northern Midland Basin and 395 estimated gross horizontal locations with an average lateral length of over 10,500 feet and where 95% of acreage is operated with an average 82% working interest.

Enverus projects that the hot M&A market experienced during the second half of 2020 will continue into 2021 but then slow considerably as the year progresses. The Permian region accounted for 83% of the value of deals made during the fourth quarter. The

RIG COUNTS

LOCATION | WEEK OF:

	2.15.19	5.10.19	7.19.19	2.14.20	5.8.20	7.31.20	10.30.20	2.5.21
Gulf of Mexico	21	20	25	23	15	12	13	16
Canada	224	63	118	255	26	45	86	171
North America	1275	1051	1072	1045	400	296	382	563
Oil	857	805	779	678	292	180	221	299
Gas	194	183	174	110	80	69	72	92
Directional	70	71	69	47	27	22	22	18
Horizontal	915	872	829	713	338	216	254	354
Vertical	66	45	56	30	9	13	20	20
Major State								
Alaska	12	9	10	9	3	3	3	4
Arkansas	0	0	0	0	0	0	0	0
California	11	15	17	14	5	4	4	7
Colorado	35	33	31	22	8	5	4	8
Louisiana	66	61	66	52	38	29	37	47
New Mexico	109	102	107	113	70	49	47	61
North Dakota	57	56	55	52	20	11	11	12
Oklahoma	119	105	95	50	13	11	14	18
Pennsylvania	44	43	37	24	23	20	18	18
Texas	509	485	454	397	173	104	133	189
West Virginia	18	21	21	14	7	5	8	12
Wyoming	37	30	32	22	4	1	3	5

Source: Baker Hughes at www.bakerhughes.com

been home to roughly half of all the nation's active drilling rigs for almost a decade and with natural gas prices remaining stuck in a low trading range, the focus remains on crude oil and other liquids; the Permian is the most liquids-rich region in North America. The limiting factor for consolidation in 2021 will be the number of available attractive merger partners. The total value of mergers and acquisitions in the US oil and natural gas sector climbed from \$21B in the third quarter to \$27.1B in the fourth quarter, boosted by the three multi-billion dollar deals focused on the Permian Basin. A total of 140 deals were struck in 2020, the lowest deal making volume since at least 2006.

Topaz acquired overriding royalty interest valued at \$130MM on over 720,000 gross acres of **Tourmaline Oil's** developed and undeveloped lands in the Alberta Deep Basin, which is contiguous with Topaz's existing royalty interest acreage. Topaz also acquired overriding royalty interest on predominantly crude oil production on approximately 61,000 gross acres of **Tamarack Valley Energy's** developed and undeveloped lands in the Clearwater area of Alberta valued at \$16MM.

Whitecap Resources acquired **TORC Oil & Gas** for \$704MM and will result in the largest pure play conventional light oil producer in Canada with more than 100,000 BOEPD.

Seadrill Partners filed for Chapter 11 bankruptcy protection listing \$4.58B in assets and more than \$3.12B in debt.

Bassoe Offshore reported that offshore rig values have declined almost 42% in 12 months, equating to a loss of \$30B. The pandemic and collapsing commodity prices have resulted in dozens of cancelled rig contracts, project delays, increasing numbers of stacked rigs, operators requesting dayrate reductions and a wave of rig owners going into bankruptcy. In addition, the energy transition has also taken off much quicker than most had planned, resulting in many energy companies pledging heavy investment in alternative energy sources leaving less investment for oil and gas projects.

Global liquid fuels supply and consumption patterns experienced two distinct periods in 2020 due to the COVID-19 pandemic and its associated economic effects. From January through the end of May, declines in oil consumption outpaced declines in oil production and resulted in global oil inventories rising by 1.2B barrels, which contributed to the monthly average Brent crude oil spot price falling to \$18 per barrel in April, the lowest price in real terms since February 1999. In the second half of the year, rising oil consumption, reduced crude oil production from OPEC and lower U.S. crude oil production caused inventories to fall, pushing Brent prices to a monthly average of \$50 per barrel in December. EIA forecasts that global oil consumption and production will rise during 2021 and 2022, and global oil inventories will continue to decline.

Superior Energy Services filed Chapter 11 bankruptcy protection amassing \$1.38B in debt compared to \$885,000 in assets.

According to **Haynes and Boone**, North American oil and gas producers as well as oilfield services companies bankruptcies in 2020 was \$98B, the highest in the past six years. The total amount of secured and unsecured debt involved since 2015 is approximately \$286B with 2020 accounting for over 34% of total aggregate debt.

Gas demand lost in 2020 is expected to recover in 2021, fueled by growth from the Asia Pacific region, as China and Asian emerging markets recover economically and benefit from attractive gas prices. Mature markets in Europe, Eurasia, and North America are expected to recover most of their consumption losses in 2021 as demand from the industrial and power generation sectors returns. Future natural gas growth during 2022-2025 will be driven by fast-growing Asian markets that will account for over half of incremental consumption by 2022. Additional demand in the Middle East will be driven by large gas-producing markets such as Saudi Arabia and Iran. Most residual growth will be in Africa and North America, from domestic market needs and export-driven energy sector demand. Gas consumption will increase by an average of 0.5% per year to a record 35.4 tcf in 2050. Production will outpace that, hitting a record 43.0 tcf by that period. That means the rest of the gas produced in the U.S. will be exported or stored. LNG exports will rise by an average of 2.6% per year to a record 5.0 tcf in 2032 and hold near that level through 2050. Gas will account for about 36% of U.S. electric generation by 2050, while the share of coal, currently 20% and nuclear (21%) will fall by about half. Renewables are expected to double from its current 20% by 2050.

U.S. crude oil production is expected to rebound to a new record in 2023 after being hit by the coronavirus pandemic, but U.S. gasoline demand is already past a peak reached in 2018. The United States and other major world economies are trying to engineer a massive shift in consumption and production habits away from fossil fuels to head off rising temperatures around the globe. The coronavirus pandemic's travel restrictions that crushed oil demand and prices, have accelerated plans as they try to get a foothold in renewable energy production. The EIA projects U.S. crude output to top the 2019 record of 12.25MM barrels per day in 2023. Production in 2020 tumbled 6.4% to 11.47MM barrels per day. It is forecasted to peak at 13.88MM barrels per day in 2034 before declining. Gasoline demand will rise 9.1% to 8.97MM barrels per day in 2021 before it steadily declines through 2050. At its peak in 2018, gasoline hit 9.33MM barrels per day.

PROJECT STATUS REPORT



COPAS MODEL FORMS

COMMITTEE	PROJECT	STATUS	COMMENTS BY	ANTICIPATED COUNCIL VOTE
Joint Interest	Accounting Procedure	Draft 4 expected in Q1		



COPAS MODEL FORMS MODIFICATIONS AND INTERPRETATIONS

COMMITTEE	PROJECT	STATUS	COMMENTS BY	ANTICIPATED COUNCIL VOTE
Joint Interest	Remote Technology Centers	Final voting draft distributed end of January. JI & Audit Committee vote in April.		April 2021, contingent on committee approval & waiver of 60-day notice
Joint Interest	MFI to accompany new model form Accounting Procedure	Draft 2 expected in Q1		
Joint Interest	MFI-40, 24-Month Adjustment Period for Joint Account Adjustments	Draft 1 expected by April meeting		



COPAS ACCOUNTING GUIDELINES

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



COPAS TRAINING & REFERENCE

COMMITTEE	PROJECT	STATUS	COMMENTS BY	ANTICIPATED COUNCIL VOTE
Revenue	TR-7, Severance Tax Guide	Volunteers needed for ongoing updates. Contact Revenue Committee Chair to volunteer.		



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Dates to be determined.



SAVE *the* DATE

FALL 2021 MEETING | OCTOBER 18-22, 2021 | IRVING, TX

HOTEL: Westin Irving Convention Center at Las Colinas
HOSTED BY COPAS OF DALLAS





NEW!

LIVE ONLINE PROCTORING AND IMMEDIATE SCORING NOW AVAILABLE

Candidates now have the option to complete the exam from their own computer via an internet connection at a time and place of their choosing (such as home or the office). Testing sessions are available 24/7/365, based on seating availability, and candidates must have webcam capability to participate.

As well, we're pleased to provide immediate exam scoring. After pressing submit, exam results will be provided to you. ***No more waiting to find out!***

Registration for the May 2021 exam is **now open through March 19**. For more information on taking the exam, please visit the COPAS website or contact the APA® Administrator at APAAdministrator@copas.org.

GENERAL TEST INFORMATION

The APA® exam is a single exam consisting of 175 questions. It is offered in the odd calendar months, except January. Registration is required no later than 45 days prior to the exam window and is available on the COPAS website.

Exams are administered by Scantron using their extensive testing center and online proctoring network. Exams may be taken on any day during your selected exam

month, subject to testing facility and proctor availability. Test results are provided to the candidate immediately following the examination. International options are available for a slightly higher fee.

For more information, contact Vanessa Galindo, APA® Administrator, by calling (303) 300-1131 or emailing Vanessa.Galindo@copas.org. The office is open from 8 a.m. to 5 p.m., Mountain Time, Monday through Friday.

TESTING DATES

EXAM MONTH

May 2021
July 2021
September 2021
November 2021

REGISTRATION DATES

February 1, 2021 - March 19, 2021
April 1, 2021 - May 17, 2021
June 1, 2021 - July 15, 2021
August 1, 2021 - September 15, 2021



ABOUT THE CREDENTIAL

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

The APA® certified professional is equipped with knowledge and understanding of the industry and petroleum accounting sufficient to excel in job performance and provide a heightened level of accuracy and ethics in the performance of tasks. The APA® designation should be a required element in employee selection, promotion, and retention in the petroleum industry.

ELIGIBILITY

To be eligible for the credential, a candidate must possess a four-year degree with 12 hours of Accounting, plus one year of petroleum accounting experience, OR have five years of petroleum accounting experience.

Eligibility will be verified upon receipt of the exam registration.

NEW APA®S

Congratulations to the newest APA®s. These are the successful candidates from the November 2020 test window:

Sharon Chen, APA®

Deanna Duell, APA®

Jeff Howard, APA®



TEST PREPARATION

After pilot testing review course options during recent test windows, we are moving ahead with a review course. The review course will evolve over time and is not currently in a final form. Enhancements will be part of the future.

Initially the new study material bundles will include retired exam questions. If you have the study materials offered in a previous bundle, the retired questions will be offered for an additional fee. As the review course moves forward, more content will be added and suggested COPAS Energy Education courses will be announced.

Not every candidate who had the test questions was successful, but the evidence has pointed to more than just casual success with everyone who participated in the pilot program. It should be noted that there is never any guarantee of passing. Every candidate in the pilot test has indicated some additional time to review the full study material has been required.

Contact the APA® Administrator for additional information at APAAdministrator@copas.org.

RECORDED WEBINAR PACKAGES



If you do not need CPE, our webinar series are available as recorded webinars (2020 recordings) and you can take the full series at your own pace!

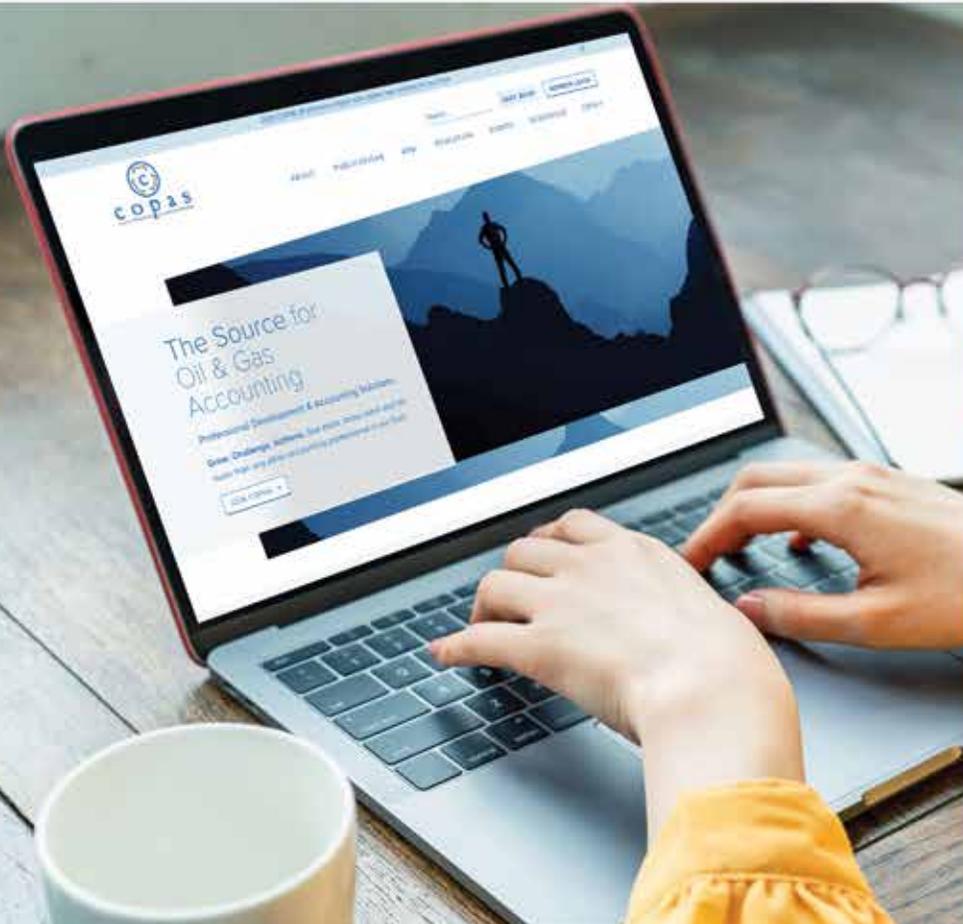
Individual recorded webinars are also available, and you can now purchase a "mix and match" package of 5 recorded webinars of your choice for one fixed price.

Select your recorded webinar series package in the CEE Store today!



COPAS 60th Anniversary Special 60 CPE Credits for \$1800!

Celebrate 60 years with us! Get 60 shareable webinar CPE credits for only \$1800. (No other discounts apply.) Affordable, accessible CPE is our way of ensuring another 60 years of successful oil and gas accountants. See details in the CEE Store, call 303.300.1131, or contact copasoffice@copas.org.



**We are offering
interactive Virtual
Classroom courses
this year.**

REGISTRATION IS OPEN IN THE CEE STORE NOW FOR:

Joint Interest Accounting Bootcamp
March 22-25 | 12:00PM - 4:00PM CT

Revenue Accounting Bootcamp
April 6-9 | 9:00AM - 1:00PM CT

Payout Calculations and Revenue Audit will run in May 2020 - watch for registrations opening in the CEE store at the end of March.

WEBINAR SCHEDULE

Registration for COPAS Energy Education Webinars is open at COPAS.org! Take advantage of your COPAS Membership 20% discount on regular webinar pricing.



GAS BALANCING SERIES

Presented by Salomon Tristan

Statements & Pipeline Flow (90 mins CPE: 1.5)	March 15	10AM CT
Exhibit E - JOA (100 mins CPE: 2)	April 12	10AM CT
Gas Balance Statement (60 mins CPE: 1)	May 10	10AM CT
Make Up Gas (60 mins CPE: 1)	June 14	10AM CT
Settlement & Imbalance Reporting (75 mins CPE:1.5)	July 12	10AM CT

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



PRINCIPLES OF REVENUE ACCOUNTING (REVBC) SERIES

Presented by Salomon Tristan

Oil Lease Sales Accounting (100 mins CPE: 2)	March 16	10AM CT
Oil Off-Lease Sales Accounting (100 mins CPE: 2)	April 13	10AM CT
Gas Operations Production Accounting (80 mins CPE: 1.5)	May 11	12PM CT
Gas On and Off-lease Sales Accounting (120 mins CPE: 2.5)	June 15	10AM CT
Gas Plant Accounting I: Intro to Processed Gas (75 Mins CPE: 1.5)	July 13	10AM CT
Gas Plant Accounting II: Principles of Gas Plant Accounting (90 Mins CPE: 1.5)	August 17	10AM CT
Producer and Pipeline Imbalances (90 mins CPE: 1.5)	September 14	10AM CT
Production and Severance Taxes (60 Mins CPE: 1)	October 12	10AM CT
Private State and Federal Royalties (60 Mins CPE: 1)	November 16	10AM CT
Checkstub Processing (60 Mins CPE: 1)	December 14	10AM CT

INTRODUCTION TO EXPLORATION, PRODUCTION, AND UPSTREAM OPERATIONS (OPS) SERIES

Presented by Phil Fischer

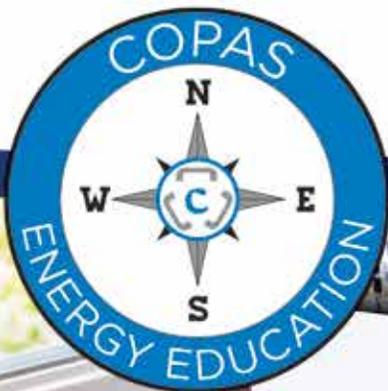
Casing, Cementing, and Logging the Well (75 mins CPE: 1.5)	March 10	12PM CT
Completing the Well & Special Drilling Situations (90 mins CPE: 1.5)	April 7	12PM CT
Horizontal Drilling and Fracturing & Producing the Well (125 mins CPE: 2.5)	May 5	12PM CT

PRINCIPLES OF JOINT INTEREST ACCOUNTING (JIBC) SERIES

Presented by Phil Fischer and Jeff Wright

Historical Perspective on COPAS Accounting Procedures (60 mins CPE: 1)	March 17	12PM CT
Dissecting a COPAS Accounting Procedure I (90 mins CPE: 1.5)	April 14	12PM CT
Dissecting a COPAS Accounting Procedure II (90 mins CPE: 1.5)	May 12	12PM CT
Direct vs Indirect Costs (90 mins CPE: 1.5)	June 16	12PM CT
Overhead (90 Mins CPE: 1.5)	July 14	12PM CT
Materials (90 Mins CPE: 1.5)	August 18	12PM CT
Special Joint Venture Adjustments (60 mins CPE: 1)	September 15	12PM CT
Allocations (60 Mins CPE: 1)	October 13	12PM CT
Joint Interest Billings (60 Mins CPE: 1)	November 17	12PM CT
Accounting for Joint Venture Costs (50 Mins CPE: 1)	December 8	12PM CT

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



KNOWING YOUR COPAS DOCUMENTS (KYCD) SERIES

Presented by Roger Gann

The Auditor's Toolkit (75 mins CPE: 1.5)	March 18	9AM CT
An Overhead Primer (80 mins CPE: 1.5)	April 15	9AM CT
Revenue Audit Protocols and Practice (75 mins CPE: 1.5)	May 13	9AM CT
How Do I Allocate That? (75 mins CPE: 1.5)	June 17	9AM CT
COPAS 2005 and its Embedded Interpretations (75 mins CPE: 1.5)	July 8	9AM CT
Expense Audit Protocols and Practice (80 mins CPE: 1.5)	August 19	9AM CT
Building Joint Account Payroll Charges (80 mins CPE: 1.5)	September 16	9AM CT
Building Overhead Charges to the Joint Account (90 mins CPE: 1.5)	October 14	9AM CT
Help Me Process These Invoices (75 Mins CPE: 1.5)	November 18	9AM CT
COPAS Economic Factors - Behind the Numbers (75 Mins CPE: 1.5)	December 9	9AM CT

JOINT INTEREST AUDIT (JIA) SERIES

Presented by Dalin Error

COPAS Publication References on the Audit Trail (60 mins CPE: 1)	March 9	10AM CT
Auditing Tools and Tips of the Trade (90 mins CPE: 1.5)	April 6	10AM CT
Practical Side of Reconciliations (125 mins CPE: 2.5)	May 4	10AM CT

COURSE REGISTRATION



To register, go to **COPAS.org** and visit the **CEE Course Store** under the Education menu. Then, click a series title to see the full series details and individual webinar registrations.

PRICING

Non-Member Pricing: \$40/CPE Hour (NEW!)

COPAS Member Pricing: 20% Discount on Any Webinar (Individual or Series)

Call in for deeper discounts on multiple full series registrations and for the company discounts of buy five seats get one free!
Call 303.300.1131

Stay Up-to-Date on Education Offerings

Subscribe to our CEE Education Bulletin by completing the "Get Updates" form on the CEE Store page. Then, look out for new webinar series offerings later in the year in Tax Considerations In Oil And Gas Transactions, Oil and Gas Marketing & Sales (OGM), and standalone APA® review topics.

LEGISLATIVE & REGULATIVE



← NATE WOLF

NateWolf@copas.org



← MIKE FOSTER

MikeFoster@copas.org

Information provided by Mike Foster and Nate Wolf, subcommittee chairs for the National COPAS Revenue Committee. Questions may be e-mailed to Mike at MikeFoster@copas.org, or Nate at NateWolf@copas.org. The update is based on legislative and regulatory information available at the time of publication and is not intended as legal, tax or accounting advice. It may also include items listed in the previous issue of ACCOUNTS, as well as new items.

○ Limitations of Onshore and Offshore Drilling

Several states in 2021 continue efforts to limit or restrict oil and gas development. **Connecticut SB8** will prohibit offshore drilling of oil and gas wells. **Florida HB333** prohibits the Department of Environmental Protection from granting permits for the drilling of wells for oil or gas within the Everglades Protection Area. **Florida HB283** states that the drilling or exploration for, or production of, oil, gas or other petroleum products are prohibited on lands and waters of the state. **New York S1421** prohibits the lease of state forests and wildlife areas for gas production. South **Carolina S119** prohibits approving a plan, license, or permit application for infrastructure used to facilitate the transportation of crude oil or natural gas from the Atlantic Ocean into the state and prohibits the exploration, development, or production of offshore crude or natural gas. **United States HR 218** prohibits the Secretary of the Interior and the Secretary of Agriculture from issuing moratoriums on issuing new oil and gas leases and drill permits on certain Federal lands. **Virginia HB2292** establishes a moratorium on various fossil fuel projects including gathering lines or pipelines to transport fossil fuels, new facilities that generate electricity from fossil fuels and fossil fuel import or export facilities.

○ Hydraulic Fracturing Restrictions and Prohibitions

Hydraulic Fracturing (HF) remains the subject of legislative scrutiny at both the state and federal level. Connecticut (SB753), Oregon (HB2623) and Washington SB5145) all passed legislation in 2019 to ban or restrict this practice. Last year, Virginia (SB106) passed legislation to restrict fracturing in designated areas. In 2021 Arizona (HB2199), California (SB25), Florida (SB546), Maryland (HB2196), Massachusetts (SD20,SD21), New Jersey (A656,S1517), and New York (A1332, A1404) are all considering bills to either prohibit, further regulate, or further study hydraulic fracturing.

○ Well Setback Requirements

The **Colorado Oil and Gas Conservation Commission's** requirements that new oil and gas wells be drilled at least 2,000 feet from most buildings are scheduled to take effect on January 15. The previous commission rules required only a 500-foot setback.

○ BLM

Security and Measurement Rules

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

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

On July 15, 2020, the U.S. District Court for the Northern District of California rescinded the 2018 Replacement Rule governing Waste Prevention requiring industry to comply once again with the November 18, 2016 "Waste Prevention, Production Subject to Royalties and Resource Conservation" Rule (aka the "2016 Final Rule"). The 2016 Final Rule and the 2018 Replacement Rule have very different criteria for determining when flared gas is considered "avoidably lost" and thus subject to royalties. Offsetting the impact of the California decision, on October 8, 2020 the U.S. District Court of Wyoming (See State of Wyoming and State of Montana vs. United States Department of the Interior, Case No. 2:16-CV-0285-SWS) vacated the 2016 Final Rule except for the amendments to Part 3103.3-1 (related to royalty rates)

and Subpart 3178 (defining Royalty-Free Use of Lease Production). The Wyoming decision vacates Subpart 3179 (Waste Prevention & Resource Conservation) which included the BLM's definition of Unavoidably Lost, their definition of Avoidably Lost and their Gas Capture Percentage calculation and the required monthly gas capture targets. The Wyoming decision should return industry to the original Waste Prevention Rules under the Department of the Interior's 1979 Notice to Lessees and Operators of Onshore Federal and Indian Oil and Gas Leases (NTL-4A at 3796-3801) although there remains some confusion as to whether the 2018 Replacement Rules govern for the period November 2018 thru October 2020.

○ ALASKA

The 32nd Alaska Legislature gavelled in January 19 and is expected to conclude on or before May 19. Only one oil and gas tax related Bill has been introduced; **SB13** would increase the state oil and gas property tax by 50%. Another proposed Bill, **HB33**, would increase fines and penalties for oil spills and other pollution violations.

○ CALIFORNIA

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

○ COLORADO

Colorado opened its legislative session on January 13 and is scheduled to end on May 12. 2021 continues to see local regulatory activity in the State of Colorado resulting from **SB181** "Protect Public Welfare Oil and Gas Operations (aka Omnibus Oil and Gas Bill)" implemented in 2019. A key provision of this bill allows local governments to regulate oil and gas operations above and beyond the regulations of the State. Several municipalities and counties took actions in 2020 to regulate well setback requirements, to enact moratoriums on oil and gas development, to regulate drilling noise pollution and to notify neighbors of proposed new oil and gas developments. These include the City of Boulder, the County of Boulder, The City of Lafayette, the City of Broomfield, and the Town of Erie.

○ MISSISSIPPI

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

GET PLUGGED IN

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

written in the severance tax regulation (§27-25) and the ad valorem tax regulation (§27-31).

○ NEW JERSEY

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

○ NEW MEXICO

New Mexico opened its legislative session on January 19 and is scheduled to close on March 20. **HB181** proposes that the tax on carbon dioxide will be 0% until December 31, 2030 when used for a qualified enhanced recovery project that involves the injection of captured carbon dioxide in the process of displacing oil and other liquid hydrocarbons.

○ NEW YORK

A95 and A331 Require that gas produced, sold, purchased, acquired, stored, or injected in the State of New York be tested to determine the radon level of the gas. Gas with a radon level greater than 2 pCi/L (picocuries per litre) cannot enter a gas distribution system in the state after January 1, 2022. **A225** requires the governor's tax expenditure reporting include an enumeration of all fossil fuel related tax expenditures and imposes a five-year expiration upon any fossil fuel related tax expenditures. **A313** expresses the legislative intent for the State of New York to transition away from fossil fuels to clean renewable energy. It sets a goal of achieving one hundred percent clean renewable energy for the generation of electricity by the year 2030.

○ NORTH DAKOTA

North Dakota opened its legislative session January 5 and is scheduled to close on April 28. In a letter dated February 11, 2020 the North Dakota Department of Trust Lands advised industry that previous deduction of post-production costs from gas royalties paid to the State of North Dakota must be repaid based upon a ruling by the North Dakota Supreme Court in *Newfield Exploration Co. v. State of North Dakota* (2019 ND 193). On September 9th, the Land Board formally

moved to extend the repayment deadline from September 30, 2020 to April 30, 2021 with the stipulation that all penalties on amounts owed be eliminated for those that pay delinquent royalty payments before that date. Newly proposed legislation for 2021 includes **HB1010** to amend and reenact sections of the North Dakota Century Code relating to the obligation to pay oil and gas royalties on leases owned and managed by the Board of University and School Lands. The bill changes the interest rate to be paid on unpaid royalties from 18 percent per annum to a rate to be no greater than the prime rate as established by the Bank of North Dakota plus four percent per annum. Additionally, **SB1164** allows North Dakota legislative management to review an executive order issued by the president of the United States which has not been affirmed by a vote of the Congress to determine if the North Dakota attorney general and governor should seek an exemption from the application of the order or seek to have the order declared unconstitutional. The orders to be reviewed include those related to natural resources, including coal and oil. **SB2262** allows a surface owner to request a review of the temporarily abandoned status of a well that has been on temporarily abandoned status for at least two years (as opposed to the current rule requirement of seven years). **SB2217** requires that payments to royalty and overriding royalty owners in the State of North Dakota be based upon arms-length sales transactions and that post-production costs are not deductible from owners unless they are explicitly allowed in the lease agreement. **SB2328** entitles a producer to a credit against the tax liability under the Oil Extraction tax equal to \$0.75 per MMBTU of flare mitigation resulting from an onsite flare mitigation system on a qualifying well. The credit may be claimed for up to 12 months per well and may not exceed \$6,000 per well per month. The flare mitigation system must be installed between June 30, 2021, and July 1, 2023. The credit only applies to production from wells located outside the exterior boundaries of the Fort Berthold Reservation unless the Three Affiliated Tribes notifies the tax commissioner that the Three Affiliated Tribes desires to include production from wells from within the boundaries of the Fort Berthold Indian Reservation. **SB2319** was introduced January 25. The taxes subject to this Bill are the state's Oil and Gas Gross Production and Oil Extraction taxes attributable to production from wells located within the exterior boundaries of the reservation and wells located on trust properties outside reservation boundaries. For purposes of this Bill, **"Wells located within the exterior boundaries of the reservation" includes wells with one or more horizontal laterals that penetrate the reservation.**

○ OFFICE OF NATURAL RESOURCES REVENUE (ONRR)

The 2020 Revisions to the 2016 ONRR Federal Oil & Gas Valuation Rules were published on January 15, 2021 in the Federal Register. The revised rule was to be effective February 16, 2021. However, with respect to the amendments to 30 CFR part 1206 (Oil and Gas Valuation) only, compliance is required for production that occurs on or after May 1, 2021. Compliance with the amendments to 30 CFR part 1241 (Civil Penalty) is required on the effective date. We anticipate the effective dates of this rule being delayed pending review by Biden administration appointees.

○ OKLAHOMA

Oklahoma opened its legislative session on February 1 and is scheduled to end on May 28. **SB467**, **HB1833** are proposed rules that prohibit nuisance actions for oil and gas activities lawfully in operations for two years or more prior to the date of bringing the action. **SB476** rescinds the transfer of a well or wells that were done for improper or fraudulent purposes and in those instances specifies that the liability for plugging costs and any additional liability shall remain with the transferor. **HB2029** makes a minor wording change to the definition of a Division Order. **SB389**. Now through December 31 the Gross Production tax on the gross value of the production of oil and gas is 7%. Beginning January 1, 2022, the Gross Production tax will decrease from 7% to 6%. Wells spudded prior to July 16, 2018 through December 31, 2021 will be taxed at 5% of the gross value for 36 months. Beginning January 1, 2022, the Gross Production tax will decrease from 5% to 4%. If successful, this Bill will be effective January 1, 2022.

○ TEXAS

Texas opened its legislative session on January 12 and is scheduled to end May 31. **SB367** amends the information required on an Application for a Permit to Drill for wells adjacent to well blow out sites in certain counties. **HB1377** relates to the repeal of the flared or vented gas exemption from severance tax. If the repeal is successful, it will be effective September 1.

○ VIRGINIA

Virginia opened its legislative session on January 13 and closed on February 13. **HB2293** proposes that any county or city may adopt a license tax on every person engaging in the business of severing gases from the earth. The rate of tax will not exceed 1%. **HB2293** proposes to extend the sunset date from January 1, 2022 to January 1, 2024.

○ WYOMING

Wyoming began its legislative session January 12 and is scheduled to end on March 5. **HB11** provides an exemption for oil and natural gas severance taxes for new wells drilled after January 1, 2021 and those wells previously shut-in after July 1, 2020. The exemption is ½ of the severance taxes under W. S. 39-14-204(a)(iii) and all the severance taxes imposed by W.S. 39-14-204(a)(iv). The exemption applies when the average price of WTI is \$45.00/bbl or greater for sweet crude; when WCS is \$38.00/bbl or greater for sour oil; and when the Henry Hub is \$3.00/MCF or greater for natural gas. The producer may utilize this exemption for not more than one six-month period during the twelve-month period starting immediately after the spot price reaches the threshold as specified. At the conclusion of the twelve-month period this exemption will expire and not continue without further legislation. **SF45** is an Ad Valorem tax Bill that makes three changes to the roll out of monthly payments; 1) codifies language, 2) clarifies the 7-year monthly plan roll out is binding, and 3) attaches penalties and interest to the non-payment of monthly payments. **SF60** is another Ad Valorem tax Bill. This Bill eliminates the long-term rollout of monthly payments. Rather, it requires monthly payments to track with severance tax payments immediately in 2022. Monthly payments from 2020 and 2021 production are to be paid over 13 years at 8% installments.



Stepping up to the challenge.

As the economy recovers from the pandemic, BKD continues to stand firm in our commitment to helping you and your customers mitigate the financial effects. Our trusted advisors are here to help you navigate the current environment with services that can help meet your business needs and assist with protection measures and cost recovery strategies.

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Who's yours?

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COMMITTEE NEWS



AUDIT STANDING COMMITTEE

MATT PILKINGTON, CHAIR

The Winter 2021 COPAS meeting was held virtually January 20 and 21. I think all of us are ready to meet in person and return to a “normal” meeting, but the virtual meetings have continued to improve. We experienced strong attendance with over 100+ people logging in to discuss the agenda topics for both the combined Joint Interest and Audit session on Wednesday, January 21, and the Audit Committee breakout session on Thursday, January 22.

The combined session was a presentation-style discussion covering the imminent MFI-XX, *Remote Technology Centers* voting draft, progress updates on the new 202X Model Form Accounting Procedure, a fascinating discussion from Kim Williams, Ovintiv’s COVID Pandemic Response Team leader, and lively discussion from the MFI-40, *24 Month Adjustment Period for Joint Account Adjustments* project team. There was also discussion of continuing previous Emerging Issues topics, covering well offset costs and water rights; look to future agendas to include those topics.

For the Audit Committee breakout session, twelve voting societies were present. The Audit Committee voted and approved the Summer 2020 minutes, the adoption of the Conversion and Publication Errors Clean-Up Project (CAPECUP) standards, and the nomination of Carole Tear to the Emerging Issues sub-committee secretary position. Carole will be a great addition to the Emerging Issues sub-committee - congrats, Carole!!

The session then transitioned to the hot topics from the combined Joint Interest and Audit session: the RTC MFI, the new Model Form 202X Accounting Procedure, MFI-40 (24-Month Limitation), and general audit issues.

There was much discussion surrounding labor and facility costs under the RTC MFI. Primarily, how chargeability of labor was determined through a “facility rate” versus the labor provisions in the model form accounting procedures. The team explained their rationale and which scenarios fall under which provisions. The final voting draft is in the draft publications folder on the COPAS website. Access it through your member portal.

Landman costs and operator-owned equipment were the biggest topics related to the new Model Form 202X Accounting Procedure. The discussion covering MFI-40 showed that need for additional clarity related to the 24-month limitations. The team is in the early stages and gathered a lot of valuable information as they address rewrite concerns.

We also continued discussions of COVID-related costs from previous meetings and whether such costs qualify for catastrophe overhead. The consensus from the attendees was that it does not; however, additional discussion occurred on various types of COVID-related costs and how to account for such costs. During the combined session there was discussion about how COPAS should provide COVID-related recommendations to members. A couple of the options included a write up in the *ACCOUNTS* magazine and an official document that goes through the COPAS publication process. The Joint Interest Committee is working through options.

Lastly, I want to thank all committee members for participating in this meeting and past virtual meetings. Conducting a virtual meeting is less than ideal and has some obvious disadvantages, such as not having those valuable face-to-face networking opportunities between sessions. With that said, the increased attendance and continued interaction and discussion on the documents is encouraging. It shows no matter the format, we can get things done and provide our value to the industry! Looking forward to seeing everyone at the Spring Meeting, scheduled for April 19 through 22.



JOINT INTEREST STANDING COMMITTEE

JASON POTEET,
CHAIR

The Winter 2021 meeting was held virtually on January 21, with 107 members representing 14 societies in attendance. The Joint Interest Committee would like to welcome Danyelle McClellan as the new Secretary. Danyelle comes from the Colorado society and has co-chaired the Joint Interest & Audit committee for four years. Currently Danyelle serves on the COPAS-Colorado Board as the meeting coordinator and JI/Audit liaison.

There was a lengthy discussion regarding COVID-19. Many committee members had concerns about the Paycheck Protection Program (PPP) loans and the accounting treatment. The committee will be discussing PPP loans more during the Spring 2021 meeting in April. Following the COVID-19 discussion, Amy Whitley gave an update on MFI-40 24-Month Adjustment Period and hopes to have a first draft before the Spring meeting. Karla Bower gave an update on the 202X Accounting Procedure with the hope of having a new draft to distribute to Societies before the Spring meeting. Dalin Error and Tammy Miller-Davison wrapped up the meeting with a presentation on the voting draft of the MFI-XX Remote Technology Centers, with a final vote planned during the Spring meeting.

The Joint Interest Committee would like to thank all the members who have attended the virtual meetings, beginning with the Spring 2020 meeting. Looking forward to the Spring 2021 meeting, there will be many action items that require the Societies' input and votes, such as the COPAS Economic Factor adjustments and the approval of the Remote Technology Center MFI. The document drafting teams need feedback to produce a more complete document.



Mike Cougevan was the author of "In the News," and ACCOUNTS feature summarizing industry transactions, for more than 15 years. Mike is pictured with a commemorative wall hanging of his final column.



APA® BOARD OF EXAMINERS

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Congratulations to Sharon Chen, Deanna Duell and Jeff Howard on attaining their APA® credential in November.

The Board of Examiners (BOE) welcomes David Edwards, Adam Harper, Craig McBeth, Olga Sirovatco and Charlene Townsend to the board. We are also pleased to have Vicki Cromer rejoin the BOE.

The BOE held a virtual meet and greet in late January. Discussion centered on making the APA® certification more valuable to the industry and credential holder. The BOE will focus future efforts on marketing the value of the credential to accountants and oil and gas companies.

We are pleased to report 18 people signed up to take the exam during the March testing window. The number of tests administered has been steadily increasing for the past year. Many improvements have been made with the exam process, including the ability to take the exam on candidates' own computers 24/7. Exams are immediately scored-- no more waiting to find out the result.

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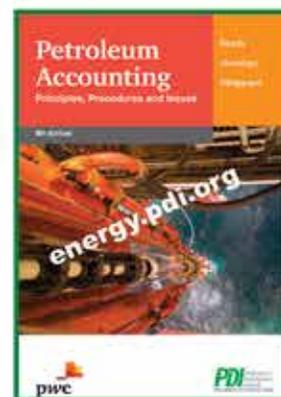
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Materials Disclaimer

This book is intended as a general reference source for petroleum accountants, lawyers, educators, financial personnel, auditors, and others with a vested interest in the global petroleum industry. The 8th Edition is neither intended to provide "expert" financial counsel nor specific transaction guidance. Should legal, accounting, or other expert assistance be necessary, the advice of a competent professional would be advisable.

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COPAS HISTORY

The beginnings of the Council of Petroleum Accountants Societies occurred on February 11, 1961 in Dallas Texas. The Societies of Colorado, Dallas, Fort Worth, Houston, Midland, New Orleans, Oklahoma-Tulsa and San Antonio participated in a meeting on that date. The following resolution was adopted:

“Whereas, representatives of the Petroleum Accountants Societies of Dallas, Houston, New Orleans, Fort Worth, San Antonio, Midland, Colorado and Oklahoma-Tulsa have assembled in Dallas this Saturday, February 11, 1961, to discuss and explore into the desirability of creating an organization through which a closer affiliation of their respective organizations can be accomplished, and

Whereas, this particular matter has been thoroughly discussed by the representatives of the above mentioned organizations, here assembled,

NOW THEREFORE, BE IT RESOLVED, that in order to increase the effectiveness of the various Petroleum Accountants Societies, to avoid duplication of effort in the solution of common problems, and to add the weight of authority of each of the individual organizations to the pronouncements of the group on matters of accounting theory and technique affecting the petroleum industry, it is desirable that a closer affiliation of the various individual Petroleum Accountants Societies be accomplished.”

COPAS was formally organized April 25, 1961, meeting in Midland. Happy Birthday COPAS!



VOTING ITEMS

SPRING 2021

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

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SAVE THE DATES

- 4** Summer 2021 /// July 15, 2021 /// Virtual Meeting
- 16** Spring 2022 /// April 25-29, 2022 /// Galveston, TX
- 21** Fall 2022 /// TBD /// Irving, TX

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