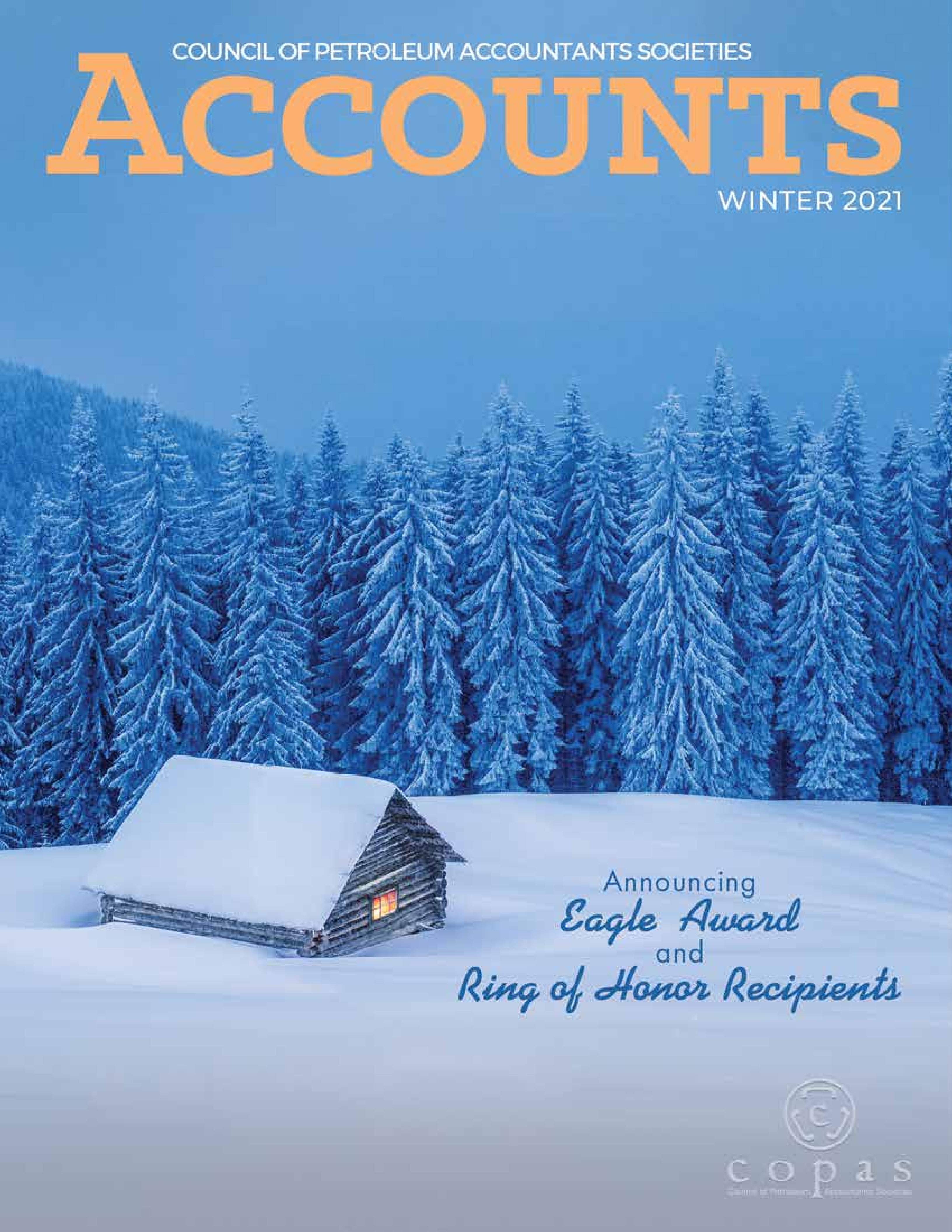
COUNCIL OF PETROLEUM ACCOUNTANTS SOCIETIES

ACCOUNTS

WINTER 2021



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PRESIDENT'S MESSAGE

Melissa Gruenwald, *COPAS President*

"Turkey vs. Ham"

If your family is like mine, the holidays were full of disagreement, division and dysfunction. My family does not have to try very hard to find topics that start a debate or discussion which ends with someone mad or frustrated. It might be politics, policy, public health, football, baseball, basketball, hockey, church, neighbors, or schools.

In my family, a long debate has raged over what to serve at a holiday meal: turkey or ham. The turkey people are the traditionalists who want to honor the longstanding heritage of the turkey. The ham people want something different for a change. The turkey people require stuffing with their turkey. The ham people need scalloped potatoes or sweet potato casserole.

Many years ago, my dad tried to resolve this issue by ordering a turducken. A turducken is a chicken which is stuffed in a duck which is stuffed in a turkey. My dad's argument was the turducken was both traditional and something different. Unfortunately, the phone number in the magazine to order a turducken was not correct because it was for a psychic hotline rather than the turducken facility. Once he figured out the correct number, it was too late to order. I can't tell you if turducken could have saved the debate since we never tried it.

The debate continues because both sides have an opinion. The turkey people have a particular way that they want the turkey to be done. The ham people have a specific process for cooking the ham. The turkey people even comment on how to prepare the ham, and the ham people comment on how to prepare the turkey. There were too many cooks in the kitchen with comments.

As I was standing in the kitchen over the holidays, I realized that my family's debate over turkey and ham is really a substitute for the other topics that we discuss at the table. Some people don't feel like they are heard so they get louder and louder and louder with their argument. Some people are tired of the argument and withdraw completely, having never spoken. Some people feel like they are constantly defending themselves, and they

have no one else on their side. Some people are pressing their argument forward because they believe that they are right.

They all have one thing in common. They feel disrespected. They believe that their opinion doesn't matter. Their voice wasn't heard. They believe others have contempt for them.

Contempt is so destructive that it is the number one predictor of divorce in couples. Contempt appears in the form of sarcastic mocking and eye-rolling.

What is the cure for contempt?

Listen. Listening is difficult. Eye-rolling is easy. Just ask my eight-year-old son. His ears might be working, but he is easily distracted. And, he has the most epic eye roll that you have ever seen. His torso, shoulders, and head get involved in a giant roll that ends with a huff. My eye rolls may not be that obvious, but my huffing usually gets me in trouble.

Talk about the positive things. Talking about the positive attributes about someone or something is difficult. Sarcasm is easy. Just ask my thirteen-year-old son. He has a difficult time saying anything nice about his older sister or just about anyone else. My own sarcasm is more subtle, but it has a similar effect.

Be grateful. Being thankful is difficult. Assuming you are entitled to something is easy. Just ask my sixteen-year-old daughter. She is not thankful and assumes that she is entitled to say anything, do anything, and buy anything. My own lack of gratitude shows up when I am dealing with my less-than-thankful sixteen-year-old.

In the coming weeks, you may find yourself rolling your eyes or mocking someone else with a witty sarcastic comment. It might be a turkey person, ham person, family member, neighbor, politician or a COPAS member. No matter who it is, stop and acknowledge it. Listen. Say something positive. Be grateful.

If your mind goes blank on something positive to say, just use an old trick from my grandmother. If she couldn't say something nice, she would just say "That was very colorful."

So no matter where you fall on the great turkey or ham debate, just remember, even the psychics were no help. They certainly didn't predict the current state of our society, and they couldn't even help my dad locate the correct turducken phone number.

ACCOUNTING PROCEDURE UPDATE

The 202X Model Form Accounting Procedure and accompanying Model Form Interpretation are moving toward the finish line. A new draft will be released in first quarter 2022. A committee vote is expected in April. An anticipated vote by Council will be held Fall 2022.

All prior drafts, presentations, comments, and summaries can be found in your member portal under Draft Publications https://www.copas.org/members/draft-publications. You must sign into your member account for access. If you have difficulty accessing your member portal, please contact the COPAS office at copasoffice@copas.org or (303) 300-1131.

MFI-40 Update

MFI-40, 24 Month Adjustment Period for Joint Account Adjustments, is on hold to focus society committees on the 202X Accounting Procedure. Further updates will be given in committee meetings or by email.

FROM THE HOME OFFICE

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

I hope you all had a wonderfully enjoyable Thanksgiving. Whether your gathering was large or small, or served the traditional feast or a family favorite meal, it's nice to pause and recognize the many blessings we have in our life.

My 20th meeting as Executive Director occurred during the Fall meeting. As strange as it may sound, I realized that just as I was about to give my Executive Director report. My job has never seemed like work. It's always been a joy to work with so many amazing volunteers and fabulous office staff. Those 10 years just few by. I always think about Jon Gear, a man who held this role for about the same amount of time. He approached it much the same way. Yes, there is work to be done, deadlines to meet, etc., but it was always done with joy. Thank you for the opportunity to serve as Executive Director. I look forward to several more years in this role.

The year 2021 will soon come to a close. In less than a month we will be making our resolutions for a better 2022, vowing to be healthier, to discontinue a bad habit or whatever the case may be. I was curious about the origin of the new year's resolution, so I consulted the internet. According to History.com, the ancient Babylonians are said to have been the first people to make New Year's resolutions, some 4,000 years ago. Babylonians were the first to hold celebrations in honor of the new year. During Akitu, the 12-day religious festival, the Babylonians crowned a new king or reaffirmed their loyalty to the reigning king. Promises were made to the gods to pay debts and return borrowed items, promises considered to be the forerunner of our New Year's resolutions.

During 2021 we celebrated another milestone in COPAS history, our 60th Anniversary. Originally intended to be recognized at the Spring 2021 meeting, we had to delay that until Spring 2022 when we again meet in person. There are certainly more challenges with each advancing year, but the organization still works to fulfil the vision stated at the organization meeting: to coordinate the work of the participating societies, to increase the effectiveness of the various 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.

Angie Knipe will be leaving us at the end of the year. She's taken a job as a project consultant with another firm. She had done phenomenal work in COPAS Energy Education and we miss her tremendously. She will be a great fit in her

new role and we wish her nothing but the best. Angie, on behalf of the entire organization, thank you for everything.

Season 2 of the Oil and Gas Accounting Podcast has begun. We now have over 5,000 downloads. Look for us where you get your other podcasts. We have many new episodes coming during 2022. A panel discussion held as a virtual happy hour at the Fall COPAS meeting was fun to record but also well received. We'll have quarterly panel discussions in this next season. As always, we appreciate any idea you have for a topic or guest.

Congratulations to the 2022 officers and directors. It's a bit unusual that our board of directors will stay largely the same this next year. I'm sure it's not a record or anything, but I don't recall a time in recent memory that we didn't have one or more new board members beginning their first year. We do say goodbye to Tammy Miller-Davison whose role as Ex-Officio ends on December 31. As well, a big thanks to Melissa Gruenewald for leading the organization this past year. Melissa remains on the board to fulfil the final years of her board term.

I'm rather excited about the early stages of an APA® review course. After some time of discussing it, we ran a pilot for those testing in the November window. Early results are promising so we'll look to continue to refine it before officially rolling it out. Turn to page 18 to see who passed during the November cycle. The next test window is in March and registration closes soon.

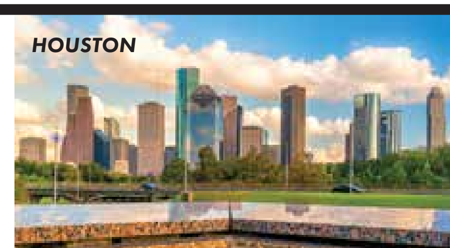
Congratulations to those who received recognition awards at the Fall meeting. Named to the Ring of Honor, Class of 2021, were Terry McMurray and Tom Wierman. Recognized as the Eagle Award winner was Tammy Miller-Davison. Turn to page 36 to learn more about the awards and recipients.

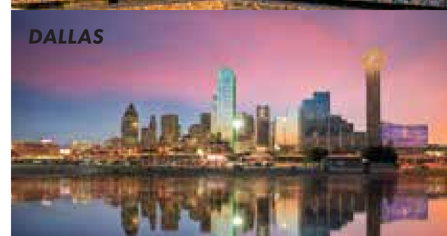
Other awards were presented to retiring Committee and Subcommittee chairs. Typically, two years is the amount of time each person serves as chair. A special thanks to Dawn Bruno who served as the Employee Benefits Subcommittee chair for 18 years, and Nancy Brown who served as Small Oil and Gas Companies Committee chair for four. A complete list of award winners and photos is found on page 37.

Merry Christmas and Happy Holidays.
May 2022 be merry and bright!

MEETING SCHEDULE

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





Dates beyond 2023 are available. Please contact the COPAS Office to volunteer.

SAVE *the* DATE

SPRING 2022 MEETING
APRIL 25-29, 2022 | GALVESTON, TEXAS

REGISTRATION: $350 for members, $320 for guests

HOTEL: The San Luis Resort, Spa & Conference Center
5222 Seawall Blvd, Galveston, TX 77551

COPAS room rate: $189 per night plus applicable taxes & fees
(Discount Code: COPAS22 - book by March 21, 2022 for special rate)

3 days +/- conference eligible for rate and includes parking and resort fees.
*Activities are subject to modification based on COVID-19
protocols and participation at time of event.

Hosted by Petroleum Accountants Society of Houston

As each of you know, this has been a difficult year in planning for the unknown. Join us in person to celebrate the 60th Anniversary of COPAS. Yes, there will be restrictions and limitations, but we look forward to a great week. Get out of the house, take a break from work, network, learn a little something, and catch up with friends. Questions about the event? Contact us at pashcopas2021@yahoo.com. The Planning Committee will continue to monitor local restrictions and may adjust the plans, as necessary.

ABOUT THE HOTEL & LOCATION:

Located in Galveston, The San Luis Resort, Spa & Conference Center is on the Strip and minutes from Fort Crockett and Galveston Island Convention Center. This 4-star resort is within close proximity of NOAA Fisheries, Galveston Laboratory, and 61st Street Fishing Pier.

Pamper yourself with a visit to the spa, which offers massages, body treatments, and facials. You're sure to appreciate the recreational amenities, which include 2 outdoor swimming pools, outdoor tennis courts, and a fitness center.

A few of the island attractions that you do not want to miss: 32 plus miles of beach, Moody Gardens three pyramids, shark fishing and crabbing, Pleasure Pier amusement park, tree sculpture tour from uprooted trees due to Hurricane Ike in 2008, tons of bars and clubs across from the water, shopping, historic houses from the 1800s, birding and bird watching and kayaking.

- Commitment to prevention and cleanliness for the wellbeing of guests
- Implementation of procedures to seamlessly incorporate the CDC and local guidelines
- Currently, masks are required in common areas
- Sweeping Gulf view from every guest room
- Fully accredited IACC conference facility
- Ergonomic tables & chairs
- Adjustable lighting and climate for each room
- Tack-able wall surfaces for interactive meetings

Join us to celebrate the 60th Anniversary!

Spring 2022 Meeting Schedule of Events:

Monday

- COPAS Board Meeting
- Arrive and get settled

Tuesday

- Leadership Conference — morning *and* afternoon
- Night Off
  - Network in the Hospitality Suite
  - Try out a new restaurant
  - Hang out at The Strand
  - Leadership Dinner by invitation

Wednesday

- Committee meetings in the morning
- Afternoon activities
  - Tour options
  - Moody Gardens Golf
  - Tentative CPE event
- Evening
  - 1960's themed party

Thursday

- Committee meetings
- Banquet in the evening
  - Moody Gardens Rainforest Pyramid
  - IMAX 3D Theatre
  - Barbeque Dinner

Friday

- COPAS Council meeting in the morning
  - Explore Galveston attractions and stay the weekend

PROJECT STATUS REPORT

COPAS MODEL FORMS

COMMITTEE	PROJECT	STATUS	COMMENTS BY	ANTICIPATED COUNCIL VOTE
Joint Interest	Accounting Procedure	Draft 6 expected Q1 Committee vote in April	TBD	Fall 2022

COPAS MODEL FORMS MODIFICATIONS AND INTERPRETATIONS

COMMITTEE	PROJECT	STATUS	COMMENTS BY	ANTICIPATED COUNCIL VOTE
Joint Interest	MFI to accompany new model form Accounting Procedure	Draft 4 expected Q1 Committee vote in April	TBD	Fall 2022
Joint Interest	MFI-40, 24-Month Adjustment Period for Joint Account Adjustments	Temporarily on hold	TBD	Fall 2022

COPAS ACCOUNTING GUIDELINES

COMMITTEE	PROJECT	STATUS	COMMENTS BY	ANTICIPATED COUNCIL VOTE
	No projects to report			

COPAS TRAINING & REFERENCE

COMMITTEE	PROJECT	STATUS	COMMENTS BY	ANTICIPATED COUNCIL VOTE
	No projects to report			

Chesapeake acquired **Vine Energy** for $2.2 billion. The deal includes natural gas properties in the over-pressured stacked Haynesville and Mid-Bossier shale plays in NW LA and adds 370 drilling locations, betting on the field's proximity to the growing U.S. Gulf Coast export hub.

EnCap Investments acquired **EP Energy** for $1.5 billion and will split EP based on geographies. EP had 115,000 net acres and produced from over 900 wells in the Eagle Ford and 155,000 net acres and produced from over 400 wells in the Uinta Basin.

BKV Corp acquired a 758mw Texas power generator from **Temple Generation I** for $430mm to leverage its gas production to generate electricity. BKV will fuel the Temple facility with natural gas from its nearby Barnett shale operation. It was one of the few facilities that stayed in service as a February deep freeze left millions across TX without lights or heat.

Bowline Energy acquired **Nine Point Energy's** Williston Basin assets for $250mm and gives Bowline a strong production base and steady cash flows with expectations to commence a development program.

BHP Group sold its petroleum assets to Australia's **Woodside Petroleum** for $28 billion to create a top 10 independent oil and gas producer. BHP's petroleum business includes oil and gas operations in the U.S. GOM, Australia, Trinidad and Tobago, Algeria, Eastern Canada, and Barbados.

Shell sold its Delaware Basin assets to **ConocoPhillips** for $9.5 billion. ConocoPhillips expects to raise production from 175,000 bopd to 200,000 bopd across the 225,000 net acres.

Citizen Energy entered a $153mm agreement with an undisclosed seller for STACK and SCOOP plays of OK assets. Citizen will acquire 8,000 BOEPD of production, 97 operated wells, 400 non-op wells, and 28,000 net acres largely within Citizen's existing footprint.

Anadarko Colombia, a subsidiary of **Oxy**, signed exploration and production contracts for four offshore blocks off Colombia's Caribbean coast with expected investment of $1.4 billion. The four blocks cover 3.9 million acres and hold an estimated eight years of gas reserves.

Diversified Energy acquired Oklahoma assets from **Tapstone Energy** for $419mm. to bring Diversified Energy's production to 12,000 BOEPD.

Diamondback Energy acquired a stake in a Midland Basin gas gathering and processing joint venture through its midstream affiliate, **Rattler Midstream** for $104mm. The assets are an interconnected gas gathering system and six major gas processing plants servicing the Midland Basin with 925 MMCFPD of total processing capacity.

FTS International was acquired by **ProFrac Holdings LLC** for $407.5mm. The transaction will create one of the largest completions focused service companies in the U.S.

HollyFrontier acquired all of **Sinclair Oil's** assets for $2.6 billion adding new refining, pipeline and storage facilities in the U.S. Rocky Mountain region. The deal does not include exploration and production assets owned by Sinclair.

Hilcorp will take over operations of **Exxon Mobil's** Point Thomson field in the Alaskan North Slope. The field will still be majority owned by Exxon and holds 8 tcf of reserves, roughly 25% of the North Slope total reserves.

The **Federal Energy Regulatory Commission** anticipates an average Henry Hub futures price of $5.63/MMBtu for November 2021 through February 2022. The price forecast represents a $2.85, or 103%, increase from the winter 2020-2021 settled futures price.

COMMODITY SPOT PRICING COMPARISON

	CRUDE OIL WTI (CUSHING) PER BBL				HENRY HUB NATURAL GAS SPOT PRICE DOLLARS PER MILLION BTU			
MONTH	**2018**	**2019**	**2020**	**2021**	**2018**	**2019**	**2020**	**2021**
January	63.70	51.38	57.52	52.00	3.87	3.11	2.02	2.71
February	62.23	54.95	50.54	59.04	2.67	2.69	1.91	5.35
March	62.72	58.15	29.21	62.33	2.69	2.95	1.79	2.62
April	66.25	63.86	16.55	61.72	2.80	2.65	1.74	2.66
May	69.98	60.83	28.56	65.17	2.80	2.64	1.75	2.91
June	67.87	54.66	38.31	71.38	29.97	2.40	1.63	3.26
July	70.98	57.35	40.71	72.49	2.83	2.37	1.77	3.84
August	68.06	54.81	42.34	67.73	2.96	2.22	2.30	4.07
September	70.23	56.95	39.63	71.65	3.00	2.56	1.92	5.16
October	70.75	53.96	39.40		3.28	2.33	2.39	
November	56.96	57.03	40.94		4.09	2.65	2.61	
December	49.52	59.88	47.02		4.04	2.22	2.59	
YTD Average	64.94	56.98	39.23	64.83	3.17	2.57	2.04	3.62

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 standart set by Mike Cougevan providing newsworthy industry updates to COPAS members.

Northern Oil and Gas purchased **Comstock Resources'** Bakken assets for $154mm, including 427 active wells with average production of 6,400 BOEPD.

According to the **EIA**, the price of U.S. benchmark **West Texas Intermediate (WTI)** crude oil is near its highest level since 2014, increasing rapidly from low prices in mid-2020. The demand decrease in the first half of 2020 resulted in increased crude oil inventory levels of 440.3 million barrels in January 2020 and 532.7 million barrels in June 2020. U.S. crude oil inventories returned to pre-pandemic levels July 2021 to 438.9 million barrels. The demand for petroleum has largely returned to the pre-pandemic levels in 2019 growing faster than supply, reducing inventories and contributing to higher prices for crude oil and petroleum products. The price for WTI reached $84 per barrel in November 2021, up $37 per barrel in January 2021. U.S. refineries have reached the 2019 levels, but U.S. crude oil production has returned more slowly.

Nacero plans to build a $6 billion manufacturing facility on the site of a former coal mine in Newport Township, PA. The facility will produce gasoline made from natural gas and renewable natural gas. Founded in 2015, Houston-based Nacero is bringing a new gasoline to market made from natural gas and renewable natural gas rather than crude oil. Nacero recently broke ground on a facility in Odessa, TX.

Southwestern Energy acquired **GEP Haynesville** for $1.85 billion. The transaction includes 226,000 net effective acres with estimated reserves of 6 TCFE. With the addition of 700 MMCFPD of production and 700 locations across stacked-pay Haynesville and Middle Bossier, Southwestern projects total company production of 4.7 BCFEPD.

Continental Resources acquired **Pioneer's** Delaware Basin assets for $3.25 billion. Pioneer's position covered 92,000 net acres with net production of 50,000 BOEPD. The transaction includes over 650 operated locations in Third Bone Spring/Wolfcamp A and B, totaling more than 1,000 locations when including additional zones producing in the basin.

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**	**4.30.21**	**8.20.21**	**10.29.21**
Gulf of Mexico	21	20	25	23	15	12	13	16	13	14	13
Canada	224	63	118	255	26	45	86	171	51	156	166
North America	1275	1051	1072	1045	400	296	382	563	491	659	710
Oil	857	805	678	678	292	180	221	299	342	405	444
Gas	194	183	110	110	80	69	72	92	96	97	100
Directional	70	71	69	47	27	22	22	18	23	30	32
Horizontal	915	872	829	713	338	216	254	354	398	454	483
Vertical	66	45	56	30	9	13	20	20	19	19	29
Major State											
Alaska	12	9	10	9	3	3	3	4	3	4	6
Arkansas	0	0	0	0	0	0	0	0	0	0	0
California	11	15	17	14	5	4	4	7	7	6	10
Colorado	35	33	31	22	8	5	4	8	10	11	12
Louisiana	66	61	66	52	38	29	37	47	49	49	47
New Mexico	109	102	107	113	70	49	47	61	70	80	87
North Dakota	57	56	55	52	20	11	11	12	15	22	23
Oklahoma	119	105	95	50	13	11	14	18	21	30	43
Pennsylvania	44	43	37	24	23	20	18	18	18	19	17
Texas	509	485	454	397	173	104	133	189	212	231	250
West Virginia	18	21	21	14	7	5	8	12	11	9	11
Wyoming	37	30	32	22	4	1	3	5	4	16	15

Source: Baker Hughes at www.bakerhughes.com

Plains All American and **Oryx Midstream** created a 65/35 Permian Basin joint venture that includes all of Oryx's Permian assets and, with the exception of Plains' long-haul pipeline systems and certain intra-basin terminal assets, the vast majority of Plains' Permian Basin assets. The joint venture creates a strategic alignment that includes 4 million dedicated system acres and a multi-decade drilling inventory.

HollyFrontier acquired the Puget Sound Refinery from **Equilon Enterprises** for $614mm. The Puget Sound Refinery supplies transportation fuels into the Pacific Northwest region and sources Canadian crude.

Crestwood Equity Partners acquired **Oasis Midstream** for $1.8 billion that includes pipelines and other assets in the Delaware and Williston Shale Basins. Crestwood already has operations the Permian Basin in TX and NM.

U.S. antitrust regulators have extended the approval process for at least five oil and gas mergers and acquisitions in the last three months. The FTC is subjecting more deals to second requests, seeking additional information and documents. Among the proposed transactions that received second requests were **HollyFrontier Corp's** $2.6 billion purchase of **Sinclair Oil**; **Vertex Energy Inc's** $140 million sale of assets to **Safety-Kleen Systems Inc**; **EnCap Investments'** $1.5 billion acquisition of **EP Energy**; and E**nergy Transfer LP's** $7.2 billion acquisition of **Enable Midstream Partners LP**. Second requests involving oil and gas producers are rare; it is more common for the FTC to scrutinize deals involving pipelines and gas stations.

Southwest Gas has acquired **Questar Pipeline** for nearly $2 billion. Questar provides natural gas transportation and underground storage services in UH, WY, and CO and owns 1,867 miles of natural gas pipeline. It transports gas for delivery to markets in the West and Midwest, including southern Idaho.

Callon Petroleum sold 22,000 net acres for $100mm in the Eagle Ford shale to an undisclosed buyer. The northern La Salle and Frio, TX counties acreage includes 1,900 BOEPD production.

SilverBow Resources acquired 17,000 acres in the Eagle Ford shale from two unnamed sellers for $75mm. The acreage is in La Salle, McMullen, DeWitt, and Lavaca, TX counties. The deal adds over 100 drilling locations for SilverBow. In a third transaction, SilverBow acquired 45,000 net acres in McMullen, Live Oak, Atascosa, Lavaca, and Feyette, TX counties for $33mm.

Ensign Natural Resources acquired Eagle Ford assets from **Reliance Eagleford Upstream**, including 62,000 net acres in Bee, DeWitt, Karnes, and Live Oak, TX counties and current production of 18,000 BOEPD. Ensign will own and operate 130,000 acres in the core of the Eagle Ford with current production near 40,000 BOEPD.

Altus Midstream and **BCP Raptor** have agreed to combine companies to create a pure-play Permian Basin midstream company worth $9 billion. The combined midstream gathering and processing and long-haul pipeline transportation company will operate 2 BCFPD of newly constructed cryogenic natural gas processing infrastructure in the Delaware Basin with more than 850,000 acres under fee-based, long-term dedications for midstream activities and hold interests in four Permian export pipelines.

Daybreak Oil and Gas acquired **Reabold California**, which owns a 50% working interest and operates 10 producing wells in the Sacramento Basin in Northern CA with proved reserves of 613,000 BOE.

Kosmos Energy and **Ghana National Petroleum** acquired interests in Tullow-operated Jubilee and TEN fields offshore Ghana from Oxy for $750mm. The assets are currently producing about 17,000 BOEPD net and are expected to generate about $325mm in 2022 at $65 Brent.

Earthstone Energy acquired privately held assets in the Midland Basin for $73.2mm from two undisclosed sellers that includes 10,000 net acres in Irion County, TX.

Crescent Pass Energy has acquired producing assets in the northern Eagle Ford and Cotton Valley trend in East Texas from **Armor Energy**. Crescent Pass now operates 974 wells with net production of 6,400 BOEPD. The assets are supported by more than 140,000 net HBP acres in various counties across TX and LA.

Fundare Resources acquired oil and gas assets in the Denver-Julesburg Basin of CO from **Whiting Petroleum** for $187mm. The assets include 67,278 net acres, 319 operated wells producing 7,100 BOEPD, and a natural gas processing plant with capacity of 65 MMCFPD and 100 miles of gathering pipelines.

Laredo Petroleum acquired 20,000 net acres in western Glasscock County, TX from **Pioneer** for $230mm that adds 20,000 net acres and 135 operated oil-weighted locations. Laredo plans to maintain expected 2022 activity levels of two drilling rigs and one completions crew.

West Lake Energy has acquired **Boulder Energy** for its assets in the Brazeau area of West Central Alberta. The deal targets the Belly River formation, characterized as low decline, high netback, assets with development upside and low asset retirement obligations. The deal includes 140,000 net acres,2,500 BOEPD of light oil production, and over 160 drilling locations with waterflood and EOR potential.

Enerplus sold its interests in the Sleeping Giant field (Montana) and Russian Creek area (North Dakota) in the Williston Basin for $115mm to an undisclosed buyer.

Diversified Energy acquired Cotton Valley and Haynesville upstream assets and related facilities in LA and Texas from **Tanos Energy Holdings** for $308mm. In another deal, Diversified Energy acquired Barnett shale upstream assets from **Blackbeard Operating** for $180mm.

Moss Creek, subsidiary of **Surge Energy**, acquired leasehold interest and wells from Apache in Howard County, TX for $37.5mm. The assets include 4,000 net leasehold acres, 800 BOEPD production, and 14 drilling locations. The deal also includes saltwater disposal infrastructure and about 960 surface acres.

Bonanza Creek Energy, **Extraction Oil & Gas**, and **Crestone Peak Resources**, all based in Denver, completed a $4.5 billion merger that combines three of the top 10 oil producers in Colorado. The new company is now called Civitas Resources. Civitas expects to produce an average of 160,000 BOEPD from its 525,000 acres of operating area on the northern Front Range.

SAVE *the* DATE

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

HOTEL: Westin Irving Convention Center at Las Colinas

HOSTED BY COPAS OF DALLAS

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Angela Becker, APA®* • *Anthony DeBellis, APA®
Roxanne Wood, APA®* • *Jeff Wright, APA®* • *Charlie Zahl, APA®

In 2021, 13 new APA®s (and counting!) were added!

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

TESTING DATES

EXAM MONTH	REGISTRATION DATES
March 2022	December 1, 2021 — January 14, 2022
May 2022	February 3, 2022 — March 15, 2022
July 2022	April 1, 2022 — May 13, 2022
September 2022	June 1, 2022 — July 15, 2022
November 2022	August 1, 2022 — September 16, 2022

RECORDED WEBINAR PACKAGES

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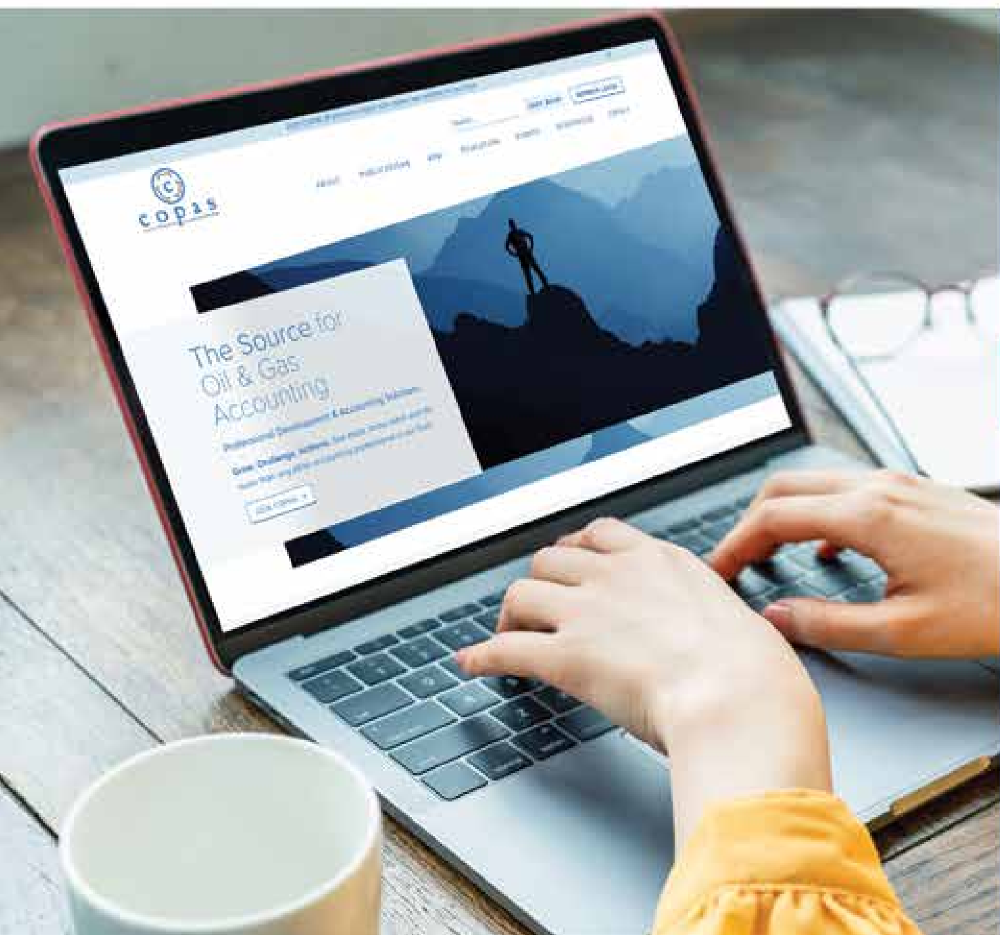


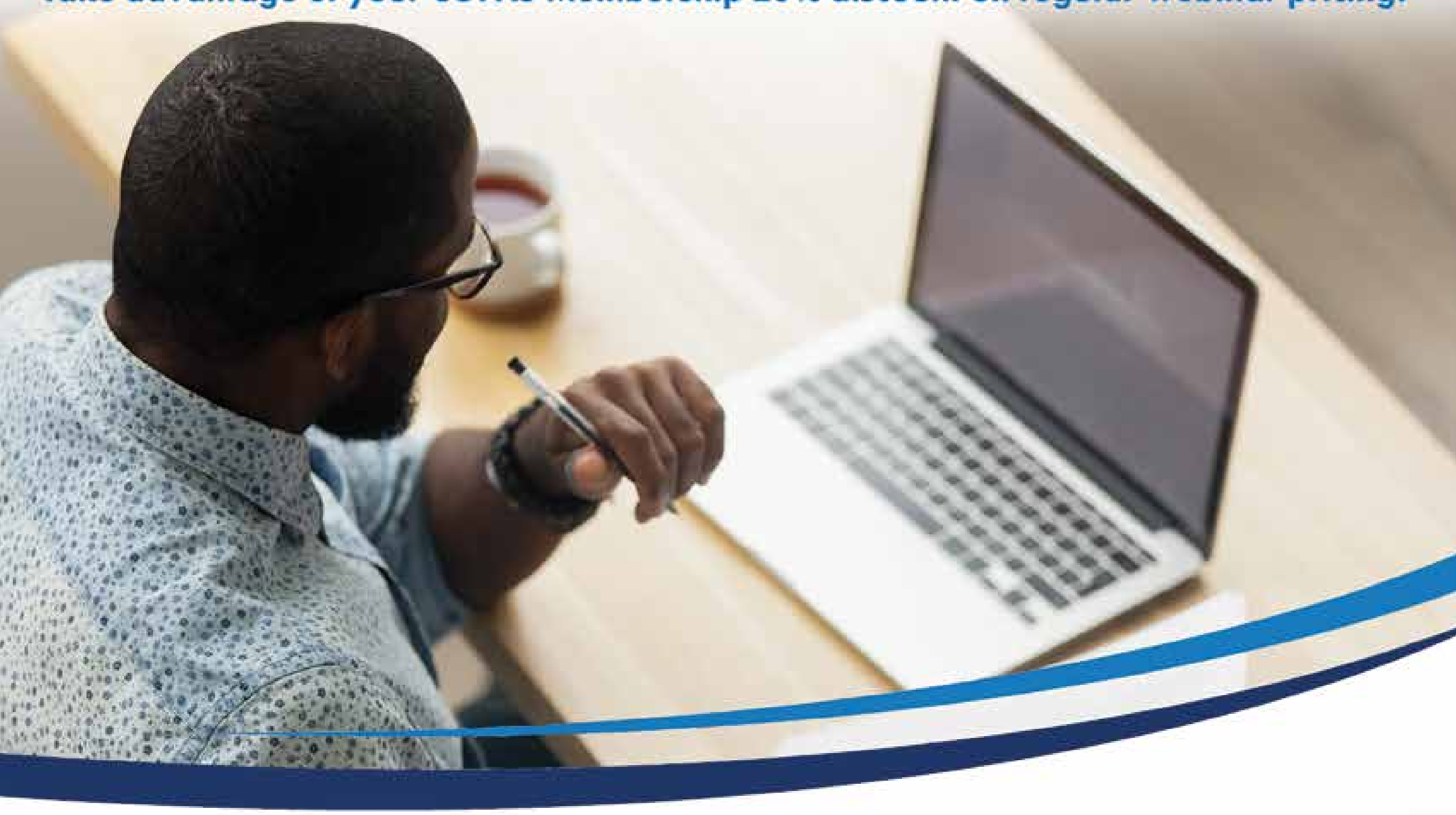
We are offering interactive Virtual Classroom courses this year.

Watch for these classes running later this year!

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

2022 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.



PRINCIPLES OF REVENUE ACCOUNTING: *10 AM CENTRAL TIME*

1.5 CPE	Mon Jan 10	**I: Industry History and Value Chain**
2 CPE	Mon Feb 14	**II: Oilfield Operations and Production Accounting**
2 CPE	Mon Mar 14	**III: Oil Lease Sales Accounting**
2 CPE	Mon Apr 11	**IV: Oil Off-lease Sales Accounting**
1.5 CPE	Mon May 16	**V: Gas Operations Production Accounting**
2.5 CPE	Mon Jun 13	**VI: Gas On-Lease and Off Lease Sales Accounting**
1.5 CPE	Mon Jul 11	**VII: Gas Plant Accounting I - Introduction to Processed Gas**
1.5 CPE	Mon Aug 15	**VIII: Gas Plant Accounting II - Principles of Gas Plant Accounting**
1.5 CPE	Mon Sep 12	**IX: Producer and Pipeline Imbalances**
1 CPE	Mon Oct 10	**X: Production and Severance Taxes**
1 CPE	Mon Nov 14	**XI: Private and State Federal Royalties**
1 CPE	Mon Dec 5	**XII: Check Stub Processing**

PRINCIPLES OF JOINT INTEREST ACCOUNTING: *NOON CENTRAL TIME*

1.5 CPE	Wed Jan 12	**I: Overview of Joint Ventures**
1 CPE	Wed Feb 16	**II: Agreements**
1 CPE	Wed Mar 16	**III: Historical Perspective on COPAS Accounting Procedure**
1.5 CPE	Wed Apr 13	**IV: Dissecting a COPAS Accounting Procedure I**
1.5 CPE	Wed May 18	**V: Dissecting a COPAS Accounting Procedure II**
1.5 CPE	Wed Jun 15	**VI: Direct vs Indirect Costs**
1.5 CPE	Wed Jul 13	**VII: Overhead**
1.5 CPE	Wed Aug 17	**VIII: Materials**
1 CPE	Wed Sep 14	**IX: Special Joint Venture Adjustments**
1 CPE	Wed Oct 12	**X: Allocations**
1 CPE	Wed Nov 16	**XI: Joint Interest Billings**
1 CPE	Wed Dec 7	**XII: Accounting for Joint Venture Costs**

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 WEBINAR: *9AM CENTRAL TIME*

1.5 CPE	Mon Jan 17	**I: Directly Chargeable or Covered by Overhead?**
1.5 CPE	Thu Feb 17	**II: Make Sure you Read the JOA and the Accounting Procedure**
1.5 CPE	Thu Mar 17	**III: The Auditor's Toolkit**
1.5 CPE	Thu Apr 14	**IV: An Overhead Primer**
1.5 CPE	Thu May 19	**V: Revenue Audit Protocols and Practice**
1.5 CPE	Thu Jun 16	**VI: How Do I Allocate That?**
1.5 CPE	Thu Jul 14	**VII: COPAS 2005 and its Embedded Interpretations**
1.5 CPE	Thu Aug 18	**VIII: Expense Audit Protocols and Practice**
1.5 CPE	Thu Sep 15	**IX: Building Joint Account Payroll Charges**
1.5 CPE	Thu Oct 13	**X: Building Overhead Charges to the Joint Account**
1.5 CPE	Thu Nov 17	**XI: Help me Process These Invoices**
1.5 CPE	Thu Dec 8	**XII: COPAS Economic Factors - Behind the Numbers**

GAS BALANCING BOOT CAMP: *8 HOURS OF CPE. WEEK OF JANUARY 24.*

Deregulation to Imbalances
Imbalances
Nomination and Confirmation
Transporter
Statements
Pipeline Flow
Exhibit E - JOA
Gas Balance Statement
Makeup Gas
Gas Balancing Settlement
Gas Imbalance Reporting

OIL AND GAS MARKETING AND SALES BOOT CAMP: *8 HOURS CPE. WEEK OF FEBRUARY 21.*

Value Chain
Marketing Roles
Scheduling
Contract Administration
Teamwork
Challenges
Natural Gas Upstream and Downstream
Crude Oil Upstream and Downstream

INTRODUCTION TO OIL AND GAS EXPLORATION, PRODUCTION, AND UPSTREAM OPERATIONS WEBINAR: *8 HOURS CPE. MARCH 29 & 30.*

Exploring and Securing Drilling Rights
Building the Location
Drilling the Well
Casing, Cementing, and Logging the Well
Completing the Well
Special Drilling Situations
Horizontal Drilling and Fracturing
Producing the Well

UNDERSTANDING LANDMAN BOOT CAMP: *8 HOURS CPE. JUNE (DATE TO BE ANNOUNCED).*

Introduction and overview of Oil & Gas Landman Operations

- What is a Landman & Why you need to know!
- Minerals and Ownership
- History of Land and Leasing
- Law and Landman

"Land" Departments in Oil and Gas

- Landman
- Division Orders
- Lease Analysts
- Your Relationship

Royalty and Working Interest

Royalty

- Defined
- Documents Used

Net Revenue and Overriding Interest

- Carried Interest & Farm-out
- Law of the Land

THE PETROLEUM INDUSTRY 101 BOOT CAMP: *DATE TBD*

Petroleum Geology
History of Oil and Gas
Upstream
Midstream and Downstream
Petroleum Accounting

JOINT INTEREST AUDIT BOOT CAMP: *DATE TBD*

Audit Rights
Audit Preparation – Auditor
Audit Preparation – Audit Host
COPAS Publication References on the Audit Trail
Auditing Tools and Tips of the Trade
Practical Side of Reconciliations
Industry Trends

INTRODUCTION TO OIL AND GAS TRANSACTIONS: TAX CONSIDERATIONS BOOT CAMP: *DATE TBD*

The Basics

- Oil and Gas Interests
- Leasing Transaction
- Sublease
- Economic Interest
- Pool of Capital Doctrine
- Payment Forms

Oil and Gas Leases and Leaseholds

Finding Oil

- Pre-drilling exploration Costs
- Geological and Geophysical Costs
- Domestic and Foreign Activities

Intangible Drilling Costs (IDC)
Cost Recovery – Depletion
Property Dispositions and Recapture
Accidental Partnership: Entity Choice & Joint Operations
Allocation of Gains and Losses

2021 LEGISLATIVE & REGULATORY UPDATE

Information provided by Jeremy Norton and Nate Wolf, subcommittee chairs for the National COPAS Revenue Committee. Questions may be e-mailed to Jeremy at JeremyNorton@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 and Development

Several states in 2021 continue their efforts to limit or restrict oil and gas development on lands within state jurisdiction. **Connecticut SB8** will prohibit offshore drilling of oil and gas wells while **Connecticut HB5625** will not allow surveys in Long Island Sound. Both bills failed sine die. **Florida HB333** and **SB722** prohibit the Department of Environmental Protection from granting permits for the drilling of wells for oil or gas within the Everglades Protection Area both failed. **Florida HB283** and **SB720** prohibit the drilling or exploration for, or production of, oil, gas or other petroleum products on lands and waters of the state – both failed. **Massachusetts SD1707** will protect its coasts from offshore drilling while **Massachusetts HD1373** will only allow natural gas compressors in industrial zoning districts. **New York S1421** and **A4242** prohibit the leasing of state forests and wildlife areas for gas production. **South Carolina S119** prohibits approving a plan, license, or permit application for infrastructure used to facilitate the transportation of crude oil or natural gas from the Atlantic Ocean into the state and prohibits the exploration, development, or production of offshore crude or natural gas. **US HR455** and **US S28** provide additional restrictions on developments in the Gulf of Mexico and off the coast of California. **US HR4696** proposes to continue the moratorium on offshore drilling in Florida, Georgia, and South Carolina.

Hydraulic Fracturing Restrictions and Prohibitions

Hydraulic fracturing remains the subject of legislative scrutiny at both the state and federal level. Connecticut (SB753), Oregon (HB2623) and Washington SB5145) all passed legislation in 2019 to ban or restrict this practice. Virginia (SB106) passed legislation in 2020 to restrict fracturing in designated areas. In 2021, Arizona (HB2199, HB2520 and SB1688 – all failed sine die), California (SB25, SB467), Florida (SB546, HB1575 – both failed), Maryland (HB196 – failed sine die), Massachusetts (S518, S519, H927, and S605), New Jersey (A656, S1517), New York (A1332, S4480, S355, A1404, S2914, A4027, S 4099, and A4918), and North Carolina (HB635) are all considering bills to either prohibit, further regulate, or further study hydraulic fracturing. Pennsylvania (HB353, HB838) proposes to require fluid tracers in hydraulic fracturing fluids and to require additional disclosures on the chemical content of fracturing fluids.

Well Setback Requirements

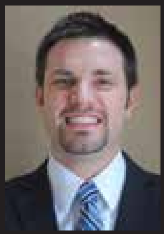
Texas HB 2814 proposes public hearings on Applications for Permits to Drill wells within 1,500 feet of schools and other structures – failed sine die. **Pennsylvania HB1144** proposes a 200 feet setback from a building or water well and SB650 increases setbacks from schools and hospitals to 5,000 feet. **West Virginia HB2975** to require a 2,500 feet setback from occupied structures failed sine die. The **State of California** under the direction of Governor Newsom has released an updated rule that would require a 3,200 feet setback of a "sensitive receptor". Public comments are being accepted via email through December 21, 2021 at calgemregulations@conservation.ca.gov. The details of the changes can be found on the California Department of Conservation's website under the Public Health Rulemaking.

States Challenge President Biden Executive Orders

Some Executive Orders issued by President Biden with potential impact upon the oil and gas industry are being challenged in state legislatures and in the United States (US) Congress (See Executive Order 13990 "Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis", Executive Order 14008 "Tackling the Climate Crisis at Home and Abroad" and Executive Order 13992 "Revocation of Certain Executive Orders Concerning Federal Regulations"). **US HR218** prohibits the Secretary of the Interior and the Secretary of Agriculture from issuing moratoriums on new oil and gas leases and permits. **US HR2131** will require that the federal government issue payments to Gulf of Mexico producing states for losses to revenue caused by moratoriums on offshore leases. **US HR519** and **US HR1726** state that any moratoriums on federal leasing will require the joint approval of both Houses of Congress. **US HR543** is known as the POWER Act and will prohibit presidential moratoria on leasing federal lands. **US HR 859** the Protecting American Energy Jobs Act will nullify specific executive orders. In addition to these proposed congressional bills, **Iowa** (HF577, HF578), **Louisiana** (HB617 – failed sine die), **North Dakota** (HB1164 – enacted), **Oklahoma** (HB1236– enacted), and **Texas** (HB1283, SB1734, SB1248 – failed sine die) are proposing to restrict or limit executive orders deemed to be contrary to individual state law or attorney general rulings. **West Virginia** SB504, HB3063, HB3164 and **Wyoming** HB260 requiring a review of presidential executive orders all failed this year.

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

On July 15, 2020, the U.S. District Court for the Northern District of California vacated the 2018 Replacement Rule governing waste prevention with the vacatur being effective October 15,



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NATE WOLF
NateWolf@copas.org

Get Plugged In

If you are interested in receiving free legislative updates as they occur, please e-mail Jeremy Norton at JeremyNorton@copas.org or Nate Wolf at NateWolf@copas.org. Specify whether you want to receive updates on state severance taxes and/or state/federal royalties and volumetric reporting. Please note that these Bills only represent what has been filed or proposed at the time of this article. Some may not progress while others may get vetoed, amended and/or passed.

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

ALASKA

The 32nd Alaska Legislature gaveled in January 19 and concluded on May 19. The 1st, 2nd , and 3rd, Special Sessions concluded on June 18, June 28, and September 14, respectively. A 4th Special Session convened October 4, 2021. **HB4002** was introduced October 4 and is in the House Special Committee on Ways and Means, Resources, and Finance. This Bill relates to nonrefundable tax credits against the oil and gas production tax by graduating the tax credit based on the price per barrel of oil. If successful, the effective will be January 1, 2022. **HB4004** was also introduced October 4 and has been referred to the Resources and Finance committees. This Bill adds a new subsection that provides for a suspension of the oil production tax as calculated under AS 43.55.011(e)(3)(A) from January 1, 2022, through January 1, 2024, and provides the minimum production tax calculated under AS 43.55.011(f) to be used instead. Please reference AS 43.55.011(q). If successful, the effective date will be January 1, 2022.

ARKANSAS

Arkansas convened it legislative session on January 11 and is scheduled to adjourn on September 30. **HB1273** was enacted on March 8 and grants mineral owners a lien on their percentage of ownership of production sales as security on the purchaser's obligations to pay. **HB1725** proposing to amend royalty interest to a minimum of one eighth following integration orders on drilling units failed sine die.

CALIFORNIA

California opened its legislative session on December 7, 2020 and is set to adjourn November 30. **SB47** enacted by the California Legislature relates to orphaned oil and gas wells. **B84** and **AB896** have been enacted and pertain to hazardous or idle-deserted wells and facilities and require that the cost of plugging and abandoning a well or the cost of decommissioning deserted production facilities be obtained from the current operator before seeking to recover such costs from a previous operator.

COLORADO

Colorado which opened its legislative session on January 13 and ended on June 12. 2021 continues to see local regulatory activity resulting from **SB181** "Protect Public Welfare Oil and Gas Operations (aka Omnibus Oil and Gas Bill)" implemented in 2019. A key provision of this bill allows local governments to regulate oil and gas operations above and beyond the regulations of the State. Several municipalities and counties have acted upon this bill over the past two years to regulate well setback requirements, to enact moratoriums on oil and gas development, to regulate drilling noise pollution and to notify neighbors of proposed new oil and gas developments. These include Adams County (1,000 feet well setback), Boulder City (moratorium on new drilling), Boulder County (moratorium on new drilling), Weld County (new county well permitting), Town of Erie and City of Louisville (moratoriums on new development), City of Lafayette (moratorium on new development), City of Broomfield (emergency noise ordinance, 2,000 feet well setback), Larimer County (1,000 feet well setback), and Town of Superior (1,500 feet well setback). **HB1312** limits the netback deductions to direct costs (transportation, manufacturing, processing, and depreciation) actually paid or accrued by the taxpayer while disallowing costs of capital and other indirect expenses. This Bill passed and is effective January 1, 2022. **SB281** requires metropolitan districts created after July 1, 2021, to annually pay the state an amount equal to the total of all severance tax ad valorem credits claimed for property taxes that are imposed by the metropolitan district. This money will be allocated like severance tax revenues. This Bill has passed and was signed by the Governor on June 18 and was effective immediately.

FLORIDA

Florida opened its legislative session March 2 and concluded on April 30. A Special Session ran from May 17 until May 21. Current Florida Statute 211.0251 grants a credit for contributions to eligible nonprofit scholarship-funding organizations. The credit is allowed at 100% but may not exceed 50% of the oil production tax or gas production tax liability. **HB7061** passed and is effective beginning January 1, 2022, thus allowing a credit of 100% of a contribution made to an eligible charitable organization as defined by the Department of Children and Families under proposed section 402.62 titled ***Strong Family Tax Credit***. This Bill took effect on July 1. **HB3** allows a credit of 100% of an eligible contribution made to the ***New Worlds Reading Initiative*** against any tax due under oil production taxes or gas production taxes. This Bill passed and took effect upon becoming law. The combined credits allowed may not exceed 50% of the tax due on the return on which the credit is taken.

KENTUCKY

Kentucky opened its legislative session January 5 and closed March 30. **HB575** sought to repeal the credit for production recovered from an inactive natural gas well. This Bill did not pass out of the House Revenue and Appropriations committee.

LOUISIANA

Louisiana convened its legislative session April 12 and concluded on June 10. **HB26** proposed to exempt crude oil produced from certified stripper wells from severance tax in any month in which the average value is less than $20 per barrel. Although this Bill was successful in the House and Senate, it was vetoed by the Governor. **HB30** proposed several changes to the oil severance tax, most notably reducing the severance tax rate on oil over an eight-year period from 12.5% to 8.5%. This Bill failed sine die. **HB57** attempted to create an exemption for oil produced from any orphaned well, newly drilled well, or newly completed well but failed sine die. Please note that **HB658**, **HB661**, and **HB662** were identical to HB57, and they too failed sine die. **HB444** proposed to repeal reduced severance tax rates and severance tax suspensions but failed sine die. **SB171** was successful and passed. It proposed that beginning Oct. 1, 2021, through June 30, 2031, oil produced from any inactive well that has been certified as an orphaned well (no production for more than 12 months) that is undergoing or has undergone well enhancements that required a Dept. of Natural Resources permit such as a re-entry, workover, or plug back, will be exempt from severance tax when production occurs on or after Oct. 1, 2021, and before June 30, 2031. It requires the operator to retain an amount equal to the severance tax otherwise due for the initial three months of the exemption. Beginning in the fourth month following certification, the operator shall report and remit the severance tax which will be credited to the site-specific trust account.

MISSISSIPPI

Mississippi opened its legislative session on January 5 and ended it on April 1. **HB145** proposing to reduce the recording fee for each oil and gas assignment failed. Two bills addressing the reversion of mineral interest to surface fee owners after various periods of inactivity also failed. **HB906** would have reverted mineral interest to the surface owner after 10 years of non-production. **HB555** would have reverted mineral interest to surface fee owners after 20 years with no bona fide attempt to drill for or produce minerals or no actual production of minerals. **HB664** has failed. It provided that the owner of the surface rights in real estate under which oil, gas or other mineral interests are owned or held separately may be exempt from paying 25% of the ad valorem taxes otherwise due on the real estate. However, the owner or holder of any ***nonproducing*** oil, gas or other mineral interest owned or held separately from the rights owned in the surface estate shall pay a prorated portion of 25% of the ad valorem taxes due on the land. *Please note that this language is written in the severance tax regulation (§27-25) and the ad valorem tax regulation (§27-31).*

MONTANA

Montana opened it legislative session on January 4 and closed April 29. **LC2499** clarifies the primacy of the mineral estates and clarifies the jurisdiction of the Board of Oil and Gas Conservation by stating that natural resource laws may not alter the primacy of the mineral estate, limit access to the mineral estate or limit development of the mineral estate. This bill failed. **LC0540** creates the Natural Resource-Related Investigation Program within the Bureau of Mines and Geology to determine the existence of oil and gas deposits in the state and to determine if new production methods will improve production in existing fields and to locate new fields. It has passed. **HB661** was introduced March 18 and passed as amended on April 28. It makes distinctions between the Stripper Oil and the Stripper Well Exemption for Pre-1999 and Post-1999 wells. "Post-1999 stripper well" means an oil well drilled on or after January 1, 1999 that produces more than 3 barrels but fewer than 15 barrels a day for the calendar year immediately preceding the current year if the average price for a barrel of crude oil reported and received by the producer for Montana oil marketed during a calendar quarter is less than $30. If the price of oil is equal to or greater than $30 a barrel in a calendar quarter, there is no stripper tax rate in that quarter. Post-1999 stripper well exemption production is taxed only if the average price reported and received by the producer for Montana oil marketed during a calendar quarter is less than $54 a barrel. If the price of oil is equal to or greater than $54 a barrel, there is no post-1999 stripper well exemption tax rate and oil produced from a well that produces 3 barrels a day or less is taxed as stripper well bonus production."Pre-1999 stripper well" means an oil well that was drilled before January 1, 1999, that produces more than 3 barrels a day but fewer than 10 barrels a day or less. Pre-1999 stripper well exemption production is taxed only if the average price reported and received by the producer for Montana oil marketed during a calendar quarter is less than $54 a barrel. If the price of oil is equal to or greater than $54 a barrel, there is no pre-1999 stripper well exemption tax rate and oil produced from a well that produces 3 barrels a day or less is taxed as pre-1999 stripper well bonus production. Finally, the new or expanded secondary recovery production price is tied to Montana oil rather than west Texas intermediate oil.

NEW JERSEY

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

NEW MEXICO

New Mexico opened its legislative session on January 19 and ended Sine Die on March 20. A Special Session convened for two days on March 30 and 31. **HB181** failed. It proposed that the tax on carbon dioxide would be 0% until December 31, 2030 when used for a qualified enhanced recovery project that involved the injection of captured carbon dioxide in the process of displacing oil and other liquid hydrocarbons. On March 25, a significant regulatory change in New Mexico occurred when the New Mexico Oil Conservation Commission approved new **Gas Capture Rules**. The rules target the capture of ninety-eight percent of natural gas production by the end of year 2026. This capture target will be one of the most aggressive of all oil and gas producing states. The rules define venting and flaring as waste which opens the potential for royalty and severance taxes to be assessed on such waste. The new rules will have two primary phases. Phase One will run thru the remainder of year 2021 and involves an intense data collection and reporting of natural gas losses by both upstream and midstream companies. The data collected will be used to establish individual company gas capture baselines. Phase Two will commence in year 2022 and will require companies to develop and implement plans to achieve phased increases in their baseline gas capture performance cumulating in a 98% gas capture by the end of 2026. The rules indicate that penalties, curtailment and/or shut-in of production and/or denial of drilling permits will be the initial enforcement tools for companies not in compliance by December 31, 2026.

NEW YORK

New York opened the legislative session on January 6 and ended June 10. **A95** and **A331** require that gas produced, sold, purchased, acquired, stored, or injected in the State of New York be tested to determine the radon level of the gas. Gas with a radon level greater than 2 pCi/L (picocuries per litre) cannot enter a gas distribution system in the state after January 1, 2022. **A225** requires the governor's tax expenditure reporting include an enumeration of all fossil fuel related tax expenditures and imposes a five-year expiration upon any fossil fuel related tax expenditures. **A313** and **S2834** express the legislative intent for the State of New York to transition away from fossil fuels to clean renewable energy. They set a goal of achieving one hundred precent clean renewable energy for the generation of electricity by the year 2030. **A4304** repeals provisions related to compulsory integration and utilization in oil and natural gas pools and fields. **A5303** promulgates rules related to gas measurement and the use of electronic flow meters. None of these bills passed in this legislative session, but New York allows them to be carried over to 2022.

NORTH DAKOTA

North Dakota opened its legislative session January 5 and closed on April 30. **HB1080** has passed and amends and reenacts sections of the North Dakota Century Code relating to the obligation to pay oil and gas royalties on leases owned and managed by the Board of University and School Lands. The bill changes the interest rate to be paid on unpaid royalties from 18 percent per annum to a flat 0.75% per month up to a maximum of 9% interest per year and allows the State Land Commissioner to waive all or a portion of the interest for good cause. Penalties on unpaid state royalties may be imposed by the Department of Trust Lands at a rate of 0.5% per month, to a maximum of 6% per year. The penalty provisions are tied to a formal notice being provided to the lessee by North Dakota Rules of Civil Procedure. A lessee has 90 days following formal notice to pay the royalty owned without being subject to a penalty. Penalties may also be waived by the Land Commission for good cause. Lessees may also pay "under protest" and stop interest and penalty assessments against the amounts they are alleged to owe. **HB1164** allows North Dakota legislative management to review an executive order issued by the president of the United States which has not been affirmed by a vote of the United States Congress to determine if the North Dakota attorney general and governor should seek an exemption from the application of the order or seek to have the order declared unconstitutional. The orders to be reviewed include those related to natural resources, including coal and oil. **SB2262** allowing a surface owner to request a review of the temporarily abandoned status of a well that has been on temporarily abandoned status for at least two years has failed. **SB2217** was subject to much debate during the legislative session and was revised multiple times from its initial version before being enacted on April 22. The final rule authorizes a study of deductions for post-production costs under oil and gas leases. Legislative management sponsoring the study shall report its findings and recommendations, together with any legislation required to implement the recommendations to the sixty-eight legislative assembly that will convene in year 2023. **SB2328** entitles a producer to a credit against the tax liability under the Oil Extraction tax equal to $0.75 per MMBTU of flare mitigation resulting from an onsite flare mitigation system on a qualifying well. The credit may be claimed for up to 12 months per well and may not exceed $6,000 per well per month. The flare mitigation system must be installed between June 30, 2021, and July 1, 2023. The credit only applies to production from wells located outside the exterior boundaries of the Fort Berthold Reservation unless the Three Affiliated Tribes notifies the tax commissioner that the Three Affiliated Tribes desires to include production from wells from within the boundaries of the Fort Berthold Indian Reservation. This Bill has passed and is effective through June 30, 2023 and after that date is ineffective. **SB2319** was introduced January 25. The taxes subject to this Bill are the state's Oil and Gas Gross Production and Oil Extraction taxes attributable to production from wells located within the exterior boundaries of the reservation and wells located on trust properties outside reservation boundaries. For purposes of this Bill, ***"Wells located within the exterior boundaries of the reservation" includes wells with one or more horizontal laterals that penetrate the reservation.*** This Bill has passed.

OFFICE OF NATURAL RESOURCES REVENUE (ONRR)

The ONRR 2020 Valuation Reform and Civil Penalty Rule (the 2020 Rule) was published in the Federal Register on January 15. The rule revised portions of the Consolidated Federal Oil and Gas Valuation Reform Rule (the 2016 Valuation Rule) that was effective January 1, 2017. The 2020 Rule was to be effective February 16 with compliance for the oil and gas valuation portions of the rules to occur on or after May 1. On January 20, the Biden administration froze all pending federal regulations for 60 days. On March 15, the ONRR solicited industry and public comments regarding the 2020 Rule Revisions and the impact of pending and/or revoking those revisions. On April 16, the ONRR announced that the effective date of the 2020 Rule is extended until November 1, but the implementation date of the rule is indefinitely suspended. On June 11, the ONRR published a proposal to withdrawal in whole or in part the ONRR 2020 Valuation Reform and Civil Penalty Rule. On September 30, 2021, ONRR published the final withdrawal of the 2020 Rule. Within the comments accompanying the withdrawal, ONRR noted it "anticipates re-proposing some of these provisions, particularly ones to amend the 2016 Civil Penalty Rule, in the near future".

OKLAHOMA

Oklahoma opened its legislative session on February 1 and ended on May 27. **SB467** and **HB1833** are proposed rules to prohibit nuisance actions for oil and gas activities lawfully in operations for two years or more prior to the date of bringing the action. **SB476** rescinds the transfer of a well or wells that were done for improper or fraudulent purposes and in those instances specifies that the liability for plugging costs and any additional liability shall remain with the transferor. **HB1003** modifies to nine months (vs. the previous six months) the date by which initial royalties from new wells must be paid from the date of first sales. All these bills have failed sine die. **SB632** modifying the Oil and Gas Owner's Lien Act of 2010 was enacted on April 20. **SB389** proposed to reduce the Gross Production Tax rate effective January 1, 2022. However, this Bill failed sine die.

The State of Oklahoma through the Commissioners of the Land Office has published updated royalty valuation and reporting rules for state leases. These updates were a rewrite of the Oklahoma Administrative Code Title 385 Chapter 15 that govern oil and gas leasing. The revisions were published as final on September 1, 2021 and took effect 10 days later. Additional details can be found on the Commissioners of the Land Office website at www.clo.ok.gov.

PENNSYLVANIA

Pennsylvania opened its legislative session on January 5 and is scheduled to end November 30. **HB1144** and **SB534** reintroduce the Conventional Oil and Gas Well Act. This is an act relating to conventional wells and the development of oil, gas, and coal. It imposes powers and duties on the Department of Environmental Protections and attempts to permit the optimal development of oil and gas resources consistent with the property rights of owners, to protect the safety of personnel and facilities employed in the exploration, development, storage of natural gas or oil or the mining of coal and to protect the safety and property rights of persons residing in areas where exploration, development, storage, or production occurs. A similar bill by the same name was passed in the previous legislative session but was vetoed by Governor Wolf on November 25, 2020. **HB1242** proposes a natural gas severance tax is to be levied and payable by every producer. The tax imposed will be 3.5% of the gross value of natural gas and natural gas liquids. The tax rate will be adjusted annually on July 1 for the following 12 months. On or before April 1, 2022, and annually thereafter, when the average Pennsylvania hub price in the prior calendar year is between $0 and $2.50 per MCF the adjusted tax rate will be 3% of the gross value; when the price is between $2.51 and $3.00 per MCF the adjusted tax rate will be 4% of the gross value; and, when the price is more than $3.00 per MCF the adjusted tax rate will be 5% of the gross value. Exemptions from the severance tax are stripper wells, gas sold by an operator within five miles of the producing well for the processing or manufacture of tangible personal property, gas provided free of charge to the surface owner, and natural gas, dry natural gas, or natural gas liquids severed from a storage field. This Bill has not moved since its introduction on April 20 and still resides in the State Government Committee. **SB806** was referred to the Environmental Resources and Energy committee on June 25. This bill calls for changes to the payment information provided to interest owners for proceeds from production (check stub).

TEXAS

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

Texas also proposed nine Bills related to facility permitting and waste management. These include **SB367** to amend the information required on an Application for a Permit to Drill for wells adjacent to well blow out sites in certain counties. **SB367** passed both the House and the Senate. **HB2201** and **SB772** to establish standards governing permissible locations for commercial oil and gas disposal facilities. **HB2201** was passed and signed by the Governor becoming effective on September 1, 2021. **HB2006** to require the publication of notice of an application for a permit for a commercial surface disposal facility including giving notice of the permit application to a river authority or groundwater conservation district whose territory contains the tract of land on which a disposal pit will be located or on which the disposal will take place. **HB4066** calls for the adoption by the Railroad Commission of a permit by rule for the beneficial reuse of domestic wastewater and for mobile drinking water treatment systems for wastewater produced at certain oil and gas drilling facilities. **HB4524** requires the Railroad Commission to adopt rules regarding the discharge of produced oil and gas water into waters in the state. **HB316** and **SB1335** amend section 122.004 of the Natural Resources code related to the treatment and beneficial use of oil and gas waste. **HB2006**, **HB4066**, **HB4524**, **HB316** and **SB1335** all failed sine die.

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

Governor Abbott convened a special legislative session in Texas beginning July 8 and ending August 6. **HB19** and **HB276** regarding flaring were filed July 7 and July 15, respectively. **HB19** requires the commission to publish names of operators who report the highest twenty levels of flaring, and **HB276** requires the commission to establish a policy to eliminate routine flaring. All these bills failed sine die.

VIRGINIA

Virginia opened its legislative session on January 13 and closed on March 1. **HB2293** has passed and signed by the Governor on July 1. 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** extends the sunset date from January 1, 2022 to January 1, 2024.

WEST VIRGINIA

West Virginia's legislative session ran from January 13 thru April 10. Two Special Sessions ran on June 7 and June 24, respectively. The following Bills were considered but failed sine die. **HB2205** streamlined the process for abandoned mineral interests to vest in the surface owner. **HB2081** proposed to implement an income withholding tax on royalties paid to any nonresident lessor. **HB2132** and **HB2074** were to implement the recommendations required by the Natural Gas Horizontal Well Control Act related to the continuous monitoring of air, noise, dust, and particulates. These Bills also changed the set back from horizontal well work activity to be 1,500 feet from a residence.

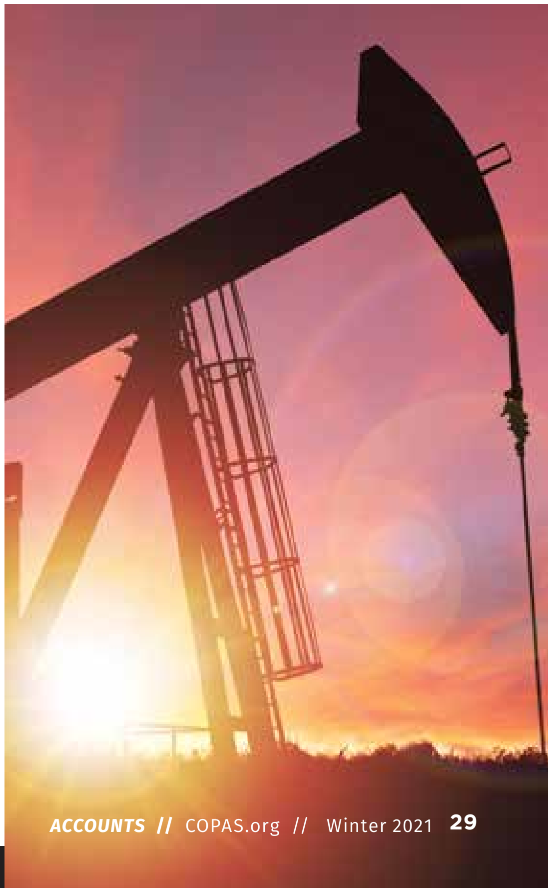
WYOMING

Wyoming began its legislative session January 12 and closed on April 2. **HB11** was unsuccessful. It attempted to provide an exemption for oil and natural gas severance taxes for new wells drilled after January 1, 2021 and those wells previously shut-in after July 1, 2020. **HB189** clarifies that natural gas consumed on-site is not exempted from severance taxes. Exceptions are granted for natural gas used for treating by-product water enabling the water to be acceptable for beneficial use in Wyoming, when pipeline capacity is not available, when it is uneconomical to connect to a pipeline, or when a producer is unable to secure a contract with a pipeline. This Bill has passed. SF45 was an Ad Valorem tax Bill that made changes to the roll out of monthly ad valorem payments but was unsuccessful. SF60 is another Ad Valorem tax Bill. This Bill eliminates the long-term rollout of monthly payments. Rather, it requires monthly payments to track with severance tax payments immediately in 2022. Monthly payments from 2020 and 2021 production are to be paid over 13 years at 8% installments. This Bill was successful and was signed by the Governor. HB141 proposed that title to all public lands be transferred from the United States to the state of Wyoming on or before December 31, 2023. This Bill failed by not being received by the House for consideration.

UNITED STATES CONGRESS

The following bills are all under consideration in the 117th United States Congress which is in session from 2021 thru 2022. **S624** and **HR4219**, the Fair Returns for Public Lands Act of 2021, proposes to amend the Mineral Leasing Act to increase certain royalty rates, rentals, and minimum bid requirements. **HR1505** will amend the Minerals Leasing Act for surface-disturbing activities and reclamation costs. **HR1612** and **S683** amend the Internal Revenue Service Code of 1986 to clarify those products from tar sands are crude oil. **HR1329**, the Surface Transportation Investment Act of 2021, amends the Internal Revenue Service Code of 1986 to 'repeal loopholes for [major integrated] oil companies', including the foreign tax credit, deductions for intangible drilling and development costs, percentage depletion allowances for oil and gas wells and tax deductions for tertiary injection expenses. **HR2184** proposes to Amend the Internal Revenue Service Code of 1986 to repeal fossil fuel subsidies for oil companies. **HR575** proposes additional regulation of border crossing facilities used for the import or export of oil and natural gas. **HR1575** proposes to repeal restrictions on the export and import of natural gas. **HR1819** and **S707** require that a percentage of exports be transported on United States flagged vessels. **S1011** amends the Natural Gas Act to provide for expanded natural gas exports. **HR1600** proposes to reduce methane emissions due to flaring from oil and natural gas drilling and production activities. **S2801** proposes to establish a durable framework for achieving long-term reductions in methane emissions. **S1326** prohibits the Environmental Protection Agency from issuing greenhouse gas emission rules until such time as China, India, and Russia adhere to the same Paris Agreement emission reduction targets as the United States. **S645** proposes that the Secretary of the Treasury levy an $1,800 per ton fee on oil and gas facility methane emissions. **HR1492**, the Methane Waste Prevention Act of 2021, proposes the creation of new federal waste prevention rules to reduce methane emissions to ninety percent of 2012 levels by the year 2030. This rule would also reinstate the Waste Prevention, Production Subject to Royalties and Resource Conservation rule (the 2016 Final Rule) published on November 18, 2016 (see 81 FR 83008). **HR2132** requires the regulation of oil and gas waste under the Solid Waste Disposal Act. **HR4334** empowers States to manage the development of oil and gas on available Federal land and to distribute OCS revenue to certain costal States. **HR5619** is the counter to **S645** and, it prohibits the EPA from imposing a fee on certain facilities for methane emissions. **HR2962** proposes to amend the Mineral Leasing Act to remove the Secretary's authority to issue noncompetitive federal leases.

In addition to the individual bills impacting oil and gas that have been proposed in the United States Congress, they are also working on the 2022 Fiscal Year Budget. **HR5376** (Build Back Better Act) pursuant to **S. Con. Res. 14** (Advancing the Build Back Better Plan) was proposed as a $3.5 trillion dollar budget and requires revenue raises to pay for the bill. Some of the items that directly impact oil and gas reporting discussed and submitted in the proposal by the House Natural Resources Committee include: (1) raising the minimum royalty rate for new federal leases from 12.5% to 20%; (2) Repeal of the Artic National Wildlife Refuge Oil and Gas Program; (3) Increasing the minimum bid five times; (4) Cutting lease terms in half; (5) New annual Inspection and Severance Fees for onshore and offshore leases; (6) Royalties on all gas produced (including gas used on or for the benefit of the lease); (7) Elimination of royalty relief; (8) Doubling the civil penalties under the Mineral Leasing Act, tripling the civil penalties under the Federal Oil and Gas Royalty Management Act, and increasing ten times the "knowingly and willfully" civil penalties under the Outer Continental Shelf Lands Act; (9) Revising the definition of a Designee and expanding its liability; (10) Codifying Compliance Reviews; (11) Increasing the recordkeeping requirement from six to seven years; (12) Revising the time to claim a refund from six years to four years; (13) Extending the period for the Secretary to review an appeal from thirty-three months to forty-eight months. Many of these provisions are also included in the individual bills that have been proposed. Stay tuned for future updates!



COMMITTEE NEWS

AUDIT STANDING COMMITTEE

MATT PILKINGTON, CHAIR

The Audit Standing Committee met virtually on October 21. There were 133 individuals and 16 voting societies in attendance. The turnout for the virtual meetings continues to be high and this meeting had a spectacular amount of participation.

The topic of discussion was the 202X Model Form Accounting Procedure and accompanying Model Form Interpretation.

According to the COPAS publication procedures, the sponsoring committee, Joint Interest Standing Committee in this case, must approve the document with a two-thirds vote, and other committees that are affected by the document (Audit and Revenue) must approve with a majority. As you will read in the article from the Joint Interest Standing Committee, the document was not approved during a vote in the Joint Interest Standing Committee meeting; therefore, no vote was held in Audit.

Because there was not a vote on the publication, a lively discussion was held that focused on the "big rock" issues that may have warranted a vote against the document. The "big rock" issues discussed were:

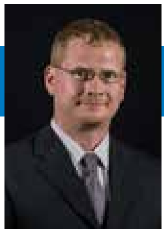
- Technical Services
- Field Agent
- Environmental Overhead
- The 20XX Model Form Accounting Procedure as an alternative or replacement to the 2005 Accounting Procedure
- The Audit "Death Penalty"
- References to the Model Form Interpretations

The Accounting Procedure Drafting Team requested each society chair provide the team with poll results on these issues to give the team direction and guidance on specific issues.

Mike Cougevan gave an update on behalf of the Model Form Interpretation 40 project team. That project team has published a first draft; however the team prefers COPAS focus its energy on the Accounting Procedure and, while comments will be accepted, the team plans to take a back seat while COPAS focuses on the Accounting Procedure.

Mark your calendars for the Winter Meeting, to be held virtually on January 20, 2022, and beyond that to the Spring Meeting, to be held in Galveston, Texas, April 25 – 29, 2022.

As always, it's a privilege to serve as chair of the Audit Committee, as our committee plays an integral part in the industry. Please don't hesitate to reach out with questions any time at m.pilkington@marticons.com.



JOINT INTEREST STANDING COMMITTEE

JASON POTEET, CHAIR

The Fall Meeting was held on Tuesday, October 19 via Adobe Connect. There were 115 attendees representing sixteen (16) societies. The number of "First Timers" was encouraging and we hope to see them again at the Winter Meeting.

Thank you to all the attendees that made the Fall Meeting. We look forward to hearing everyone at the Winter Meeting on January 20, 2022. We are excited and expect to see everyone at our 2022 Spring Meeting hosted by the Petroleum Accountants Society of Houston in Galveston, Texas, the week of April 25, 2022.

The committee approved the Conversion and Publication Errors Clean-Up Project (CAPECUP). Stephanie Schwindt was approved as the new Chair of the Employee Benefits Subcommittee. Cody Deckard is the new Chair of the Vehicle Rates Subcommittee by a unanimous vote and James Wright was voted in as the new Secretary of the Joint Interest Standing Committee.

Karla Bower presented the 202X Accounting Procedure drafting team's concerns and members brought forth their apprehensions on the document. The Model Form Accounting Procedure failed on a vote of 3 Yes, 10 No, and 3 Abstentions. There was not a vote for the Model Form Interpretation-XX. The drafting committee requested the societies provide the "big rocks" or deal-breakers of the document that need to be addressed by the drafting committee for guidance. We will continue to address the document.

Mike Cougevan gave an update on the MFI-40 *24-Month Adjustment Period for Joint Account Adjustments*. The drafting team expected to have the second draft of the document out in November 2021, a third draft in early 2022, a voting draft in the Spring of 2022, followed by Council approval in Fall of 2022, but will be pausing for society committees to focus on the Accounting Procedure.

Dawn Bruno is retiring as Chair of the Employee Benefits Subcommittee after 20 years. Thank you for your service to COPAS. Stephanie Schwindt will be the new Subcommittee Chair. Cody Deckard will continue to serve as Chair of the CEPS Control Panel.

The committee is looking for someone to chair the Materials Subcommittee. If you are interested, please contact Cody Deckard.

Janice Edmiston and Amy Whitley concluded their service to the Vehicle Rates Subcommittee. Cody Deckard will chair that subcommittee. Bob Walker deserves recognition for his 15 years of computing the annual Overhead Adjustment Factor. Bob is retiring from the industry. If you are looking for a way to get involved in the Joint Interest Committee, please consider volunteering for either of these subcommittees.

Congratulations to Patricia Ellington and Danyelle McClellan who will serve as committee Chair and Vice Chair as of January 1, 2022. It has been an honor and privilege to have served as the Vice Chair and Chair of the Joint Interest Standing Committee.

REVENUE STANDING COMMITTEE

PAM AKPOTAIRE, CHAIR

The Revenue Standing Committee congratulates Jeremy Norton as the incoming Revenue Committee Chair and thanks him for serving as the Vice Chair for the past two years. We also congratulate Mike Foster and Amanda Allen on their retirements and thank them for their years of service to COPAS and specifically for their dedication and commitment to the Revenue Committee. Mike served as Chair of the Revenue Subcommittee Federal, BLM & API Regulatory Affairs and Amanda was the Chair of the Revenue Subcommittee Non-Regulatory Affairs. With their retirements, we are looking for volunteers to fill those vacant positions. If you are interested and would like to be considered for either of these positions, please contact the COPAS Office.

The committee met Tuesday and Wednesday, October 19, and 20. The committee discussed COPAS 202X Accounting Procedure and MFI on Tuesday, but decided not to vote on these items until they are approved by the Joint Interest and Audit Committees.

Over the two-day period, we heard from five (5) speakers who provided four (4) hours of CPE on Legislative and Regulatory Updates on Federal & Tribal Royalties, State Taxes & Royalties and the basics of how Midstream and Upstream companies interact. Both days were well attended (Tuesday 117 and Wednesday 86).

Jeremy Norton, Vice Chair Revenue Standing Committee, provided an overview of the 202X Accounting Procedure and Model Form Interpretation drafts with comments, questions, and answers from the audience. He then led a discussion of Legislative & Regulatory Updates for Federal & State Royalty & Volumetric Reporting.

Nate Wolf, Revenue Subcommittee State Regulatory Affairs Chair, discussed and highlighted the most recent Fall 2021 Severance Tax Legislation by State. Some of the most important legislation that passed were Colorado HB1312 Netback Deductions for transportation, manufacturing, processing & depreciation effective 1/1/2022, Montana HB661 Stripper Oil Well Exemptions and Stripper Oil Well Bonus, and North Dakota SB2328 Oil Extraction Tax Credit for Flare Mitigation (effective through 6/30/2023). Nate concluded by reviewing Wyoming SF-60 that provides the payment schedule and implementation timeline for Wyoming's transition to monthly Ad Valorem Tax payments.

Megan Hessee and Derek Kitchen discussed ONRR leadership changes and gave an overview of ONRR's Royalty Valuation & the Audit Process. They provided updates on the Status on ONRR Regulations, Valuation Rules 101, and key considerations to keep in mind regarding 2020 Valuation Reform and Civil Penalty Rules. They also discussed ONRR initiatives regarding making the Royalty Reporting, the Payment Process, and the Compliance Review Process more user-friendly for industry.

Eric Hazeldine, Quorum Software Executive Vice President, discussed the basics of interactions between Midstream and Upstream companies, including details on roles and business functions involved, challenges with Midstream/Upstream interactions in the industry today, and opportunities for improvements on both sides. He gave us an overview of the functions of Midstream companies. He also explained the unique "market niche" of Midstream companies in the energy industry and the different "Provider Services-for-Fee" they offer to Upstream and Downstream companies. Additionally, he discussed the different contractual arrangements and the numerous complexities across many business functions between Midstream and Upstream. He concluded his presentation by discussing opportunities for improvement in Upstream – Midstream Interactions including adopting integrated technologies, which are better equipped to control and manage business processes that are otherwise labor and effort intensive.

I have enjoyed serving as the Chair of this wonderful committee and would like to thank the Revenue Committee leadership team for their unwavering support; the members of this committee for their continued and steadfast attendance and ideas; and lastly COPAS and COPAS Board of Directors for giving me the opportunity to serve in this position.

BOARD OF EXAMINERS

MIKE MAY, CHAIR

The Board of Examiners (BOE) is excited to see the increasing number of people sitting for the APA® exam. The exam is more convenient than ever as it can be taken at any time at a place of your convenience and notification of results is instantaneous. Congratulations to the newest APA®s listed on page 18.

The BOE continues to meet periodically through virtual meetings. We are working on marketing suggestions to increase the value of the APA® credential to employers and the Oil and Gas Accounting industry.

SOCIETY NEWS

COPAS OF NEW ORLEANS

GREG GONZALES, PRESIDENT

Things are looking up. State and local officials have lifted mask mandates and eased COVID-19 restrictions. This has raised everyone's comfort level for attending meetings.

Our Board of Directors decided late summer to waive 2021-2022 dues for members. In addition, we planned to participate in the small society virtual meetings and during the other months have in-person meetings. Further, if everything continues to trend in a positive direction, we plan on a spring social.

Several members participated in the small society virtual meeting held on October 28. Jeffrey Nichols, Vice President Stancil & Co. gave a presentation on, "Getting to the Bottom of Higher Gasoline Prices."

We held our first in-person meeting in 18 months on Wednesday, November 17. The meeting was well attended. Our speaker was Mandie Landry, State Representative District 91, Louisiana House of Representatives. Ms. Landry gave everyone in attendance an update on the recent election results. The topic and speaker were well received.

Additional information about our meetings and activities can be found by visiting our web site at copasnola.org.

COPAS – OKLAHOMA CITY

CHRIS COPELAND, PRESIDENT

COPAS-OKC hosted the first two meetings of our 2021-2022 year in September and October. We averaged about 50 in-person attendees at each meeting, which was a huge improvement from last year, but still half of pre-pandemic numbers. We haven't offered a virtual Zoom option this year to encourage in-person participation, especially with important decisions regarding the draft Accounting Procedure and Model Form Interpretation. We really appreciate our committee chairs' work to coordinate these valuable discussions at the local and national level!

Jeff Wilkie, HoganTaylor human capital team, spoke at our September meeting about "Leading Employees to Self-Actualization During the Great Resignation." He challenged us to focus on "Why?" As COPAS members, why do we participate? Why is it important? For me, a few things come to mind:

- COPAS provides an opportunity to grow personally and professionally.
- We can benefit our companies and make an impact in the oil & gas industry.
- We build valuable relationships and network with other leaders.

Along those lines, COPAS-OKC hosted our annual Education Day on November 9. This year it was fully virtual. We offered 7 hours of CPE including 2 hours of ethics. We hope to carry our momentum into the new year!

PETROLEUM ACCOUNTANTS SOCIETY OF OKLAHOMA-TULSA

VANESSA GREEN, PRESIDENT

The Petroleum Accountants Society of Oklahoma (PASO) - Tulsa society has been extremely active this year. Members brought new toys to the November meeting which were donated to Toys for Tots. We had a very successful event and were delighted to continue the society's tradition of holiday giving. Our speaker was Tulsa Police Chief Wendall Franklin. He gave us an update on the wellbeing of Tulsa. At the January PASO luncheon, Lance Watson from Avansic, a digital forensics firm, will speak about cyber security.

Our meetings are typically held on the 3rd Tuesday of the month from September through May. Additional information can be found by visiting our website at paso-tulsa.org.

PETROLEUM ACCOUNTANTS SOCIETY OF THE PERMIAN BASIN

ELIZABETH PACHECO, PRESIDENT

The Petroleum Accountants Society of Permian Basin held our October luncheon with Steve Bailey presenting "Key concepts of ONRR Basics." PASPB also hosted their Fall 2021 Education Day with speakers like Suzie Boyd (Oil and Gas Marketing), Tom Seng (Hedging), and Sarah Magruder (Severance Tax).

Casey Yates, Director of Finance for the Permian Strategic Partnership, was our November lunch speaker.

PASPB held our first social by hosting a "Headshot Happy Hour" where members could get their professional headshot taken while enjoying some wine. We also encouraged non-members to come and socialized with us and for a small charge they can also get their professional headshot taken.

PETROLEUM ACCOUNTANTS SOCIETY OF SAN ANTONIO

KIRK FOREMAN, PRESIDENT

Our second meeting was held November 16 at the Petroleum Club. The speaker was our very own Dan Hodgson, Stakeholder Midstream. Dan's topic was "Midstream Accounting – Pursuing the Future." He introduced our new standing committee "Midstream" and discussed how Midstream interacts with Upstream and the changes in the Midstream business and how Midstream Accounting must adapt to meet those changes. Dan also talked about the organization of the Midstream standing committee at the national level. Thank you, Dan, for the informative presentation and getting this new standing committee going.

Our society leadership this year is:

President, Kirk Foreman, EOG Resources Retired
Vice President/Secretary, David Garza, Audit Consultant
Treasurer, Dawn Rouquette, Accounting Consultant
Audit Chair, Kim Goodwin, AMS-PAR
Joint Interest Chair, Kirk Foreman
Revenue Chair, Dan Hodgson, Stakeholder Midstream
Financial Reporting Chair, Dawn Rouquette
Small Oil & Gas Chair, David Garza
Midstream Chair, Dan Hodgson
Website Chair, Jay Jackson, AMS-PAR
Scholarship Chair, David Garza

For additional information about PASSA, please see our website, www.COPASSA.net.

COPAS HISTORY

Historical Listing
COPAS Executive Directors

Year	Executive Director
1980-1986	John E. Jolly
1987-1990	R.O. (Dick) Beaverson
1990-1994	Jack Westbrook
1994-2004	Jon H. Gear
2004-2006	Scott D. Hillman
2006-2008	Susan Jones
2008-2012	Steve Irizarry
2012-present	Tom Wierman

VOTING RESULTS

FALL 2021

- *Spring 2021 Council Meeting Minutes (majority) - Approved*
- *Employee Benefits Upper Limitation of 35%, effective January 1, 2022 (majority) - Approved*
- *Publications Process Update (Conversion and Publication Errors Clean-Up Project) (majority) - Approved*
- *Election of Board of Directors for 2022 - 2024 term (top 3) – Craig Buck, Dalin Error, and Kim Peyton re-elected*
- *Election of 2022 Nominating Committee (majority) – Mark Alder (Arkansas), Nancy Brown (Arkansas), and Chris Copeland (Oklahoma City) elected.*

AWARDS

Ring of Honor

Terry McMurray

Terry is a long-time member of Houston, and more recently, the Colorado society. In his own quiet manner Terry is regarded by his peers as an MVP. He builds consensus and brings all sides into a mutually agreeable position. Terry has served on several publication project teams. If he is not on the team, he is submitting comments early and often.

Terry has also actively participated in the COPAS Audit Committee both at the local and COPAS levels. His attention to detail and technical expertise in COPAS contractual language provides guidance and mentorship to those less experienced. His leadership helps others have a better understanding of COPAS publication principles and interpretations.

Terry might be a quiet and reserved leader, but his wisdom and knowledge conveyed at just the right time are an invaluable part of the COPAS tapestry. Our industry and our organization have been greatly impacted by his generous spirit, our documents have been transformed by his wisdom, and our people have been impacted by his leadership.

Tom Wierman

Tom was hired as the 8th COPAS Executive Director on March 1, 2012. Prior to that Tom worked as an E&P accountant for nearly 30 years domestically and internationally.

Tom served as society president and a board member for both Kansas and Canada. Active at the COPAS level, he served as Tax Committee Chair, was a board member for six years and served as COPAS president in 2009. Tom was also a major contributor on the COPAS 50th Anniversary celebration in 2011. He was awarded the COPAS Eagle Award in 2013.

Tom fills his spare time with many volunteer activities, so much so that Tom's wife once gave him a t-shirt that said "Stop Me... I think I'm going to volunteer again. Even though everyone jokes that the word "NO" is not in Tom's vocabulary, it is because he said YES to COPAS that our organization is alive and well today. His drive for excellence and servant leadership is the engine that propels COPAS. There is no one that pushes harder, advocates stronger, or cares more deeply in this organization than Tom.

Tom's creativity and flexibility bring the right idea at the right time. He is a true servant leader always placing others above his own needs.

Eagle Award

Tammy Miller-Davison

Tammy is a long-time member of COPAS Colorado and has served in various leadership capacities at both the local level and national level. She has been the COPAS Financial Reporting Chair, served for 6 years on the Board of Directors and held all of officer positions. Tammy has also served on several publication project teams.

Tammy is a deliberate leader who takes the time to dig into the detail. She is an inclusive leader who listens to others. She is a quiet leader, and while you may not hear her coming, there is no doubt of the influence and impact that she has.

Past President

Melissa Gruenewald

Committee Awards

Financial Reporting
Standing Committee
Larisa Fialkova
Chair (2018 – 2021)

Joint Interest
Standing Committee
Jason Poteet
Chair (2019 – 2021)

Employee Benefits
Subcommittee
Dawn Bruno
Chair (2003 – 2021)

Vehicle Rates
Subcommittee
Janice Edmiston
Chair (2019 – 2021)

Revenue
Standing Committee
Pam Akpotaire
Chair (2020 – 2021)

Small Oil and Gas Companies
Standing Committee
Nancy Brown
Chair (2017 – 2021)

ADVERTISING index

SAVE the DATES

12 Spring 2022 /// April 25-29, 2022 /// Galveston, TX
17 Fall 2022 /// October 17-21, 2022 /// Irving, TX

NEXT ACCOUNTS DEADLINE

January 31st, 2022

PLEASE SEND ALL REPORTS AND ADVERTISING TO

EDITOR@COPAS.ORG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